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SUB-CUSTODY GUIDE 2018

HANDBOOK OF

MARKET TRENDS
& SUB-CUSTODIAN
PERFORMANCE IN
EVERY MAJOR MARKET

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Methodology

All users of the services of sub-custodians (agent banks), from broker-dealers to global custodians, are asked to rate their performance.

Respondents are asked to rate sub-custodians in all countries in which they operate. The performance of sub-custodians is rated separately in each country and published in the April/May issue.

Respondents are asked to rate their sub-custodians across 12 service categories (see list below). Respondents are permitted to rate up to 10 sub-custodians in each country.

For each country there will be two tables: unweighted and weighted. The weighted table allows for assets under custody as well as how important the respondents consider a certain category to be.

Unweighted table

For each country, all valid responses for each sub-custodian are averaged to calculate an unweighted score.

Weighted tables

Step one: weighting by assets under custody.

Weighted versions of all unweighted tables are produced.

First, an allowance is made so that a greater weight is given to the views of larger respondents, defined by their assets under custody (AuC).

Respondents are asked to choose a band that reflects the size of their AuC in billions of US dollars. The boundaries of each band are determined by the AuC of respondents to last year's survey. They are chosen so an approximately equal amount of respondents fit into each band.

A weighting is attached to each band as follows:

<$100bn 0.6
$100bn – $200bn 0.8
$200bn – $500bn 1
$500bn – $1000bn 1.2
>$1000bn 1.4

Each respondent's unweighted rating of a sub-custodian is then multiplied by the appropriate weighting. For example, if a global custodian with assets under custody of $567bn gives a sub-custodian an average score of 6.7, its contribution to the weighted score is 6.7 x 1.2 = 8.04. This weighted rating is then averaged with all other respondents' weighted ratings.

Where a figure for assets under custody is not disclosed a default weighting of 1 is assigned.

Step two: weighting by category importance

Respondents are asked to rank the importance of each of the service categories. These respondent rankings are then averaged. These average ranks are then used to create a weighting for each service category, which theoretically could range between zero and two but will depend on the actual responses. The average weighting is one to preserve comparability with unweighted scores.

For clarity, if on average respondents consider 'relationship management' to be the most important category, it will be given the greatest weighting when calculating scores in the weighted by importance tables.

Qualification

Qualification is on a country-by-country (rather than regional) basis. To qualify in each country, a sub-custodian needs to receive a minimum of three responses per market

If a sub-custodian is rated multiple times by the same respondent firm in the same country the ratings will be averaged and will only count as a single response for the purposes of qualification.

CATEGORIES

Sub-custodians are rated across 12 main categories, of which some are divided up into sub-categories. The 12 main categories have equal weight. Where a main category is split into sub-categories, an average of the sub-categories is taken to produce the score for the main category.

The categories are as follows:

1. **Settlement**
   - Efficiency of pre-settlement matching and reporting
   - Failed trade management
   - Timeliness, accuracy and completeness of reporting
   - Competitiveness of cut off times
2. **Safekeeping**
3. **Income collection**
   - Timeliness, accuracy and completeness of notifications
   - Timeliness, accuracy and completeness of confirmations
4. **Corporate actions**
   - Timeliness, accuracy and completeness of notifications
   - Timeliness, accuracy and completeness of confirmations
   - Competitiveness of response cut off times
5. **Client service**
   - Quality of subject matter expertise
   - Responsiveness and effectiveness of enquiry management
   - Availability and calling frequency
6. **Reporting capability**
   - Flexibility of delivery channels
   - Quality and timeliness and of SWIFT and other reporting
7. **Tax reclaim services**
   - Solicitation of timely tax documentation
   - Quality of reporting
8. **Market information**
   - Relevance of marketing information
   - Timeliness of market information
9. **Relationship management**
   - Understanding of your business needs
   - Ability to set up new products when requested
   - Quality of subject matter expertise
   - Responsiveness and effectiveness of enquiry management
   - Availability and calling frequency
10. **Securities lending fail coverage**
11. **Regulatory expertise and capability**
12. **Product development and innovation**

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> The MSCI is expected to announce in June 2018 if Argentina is upgraded to an emerging market

ARGENTINA

Unweighted	Score
Citigroup	5.41

Weighted	Score
Citigroup	6.33

Ingrid Collazo, head of securities services Argentina at Citi notes that it has been two years since the change of direction driven by President Macri's administration and the return of Argentina to international markets following 12 years of isolation.

During this time the country has overcome many challenges, such as the complete elimination of FX restrictions, and a reform package approved by Congress in December 2017 - including pension and tax reform - which is expected to contribute to improving the country's fiscal deficit. Economic activity led to 2.9% growth in 2017 and inflation rates have been decelerating since 2016, setting the target to 15% and 10% for 2018-2019.

One of the priorities for the government has been and continues to be the development of capital markets, said Collazo. "The merger of the stock market and the stock exchange was concluded in 2017, with the creation of one single entity: BYMA, Argentine Stock Exchanges and Markets. This allows for vertical integration and a comprehensive approach through an agile, modern and competitive platform."

Many companies are expected to issue shares on the BYMA in light of the changes, thus repatriating the market operating overseas. Argentina adhered to the T+2 settlement international standard in September 2017.

Other positive developments include the elimination of capital gains tax for equities, approved in the last tax reform; the approval of a securities lending programme for fail coverage and short selling; and a simplified due diligence process for onboarding foreign investors who wish to open portfolio investment accounts.

"Future developments are likely to include the modification of the capital market law to include incentives and new instruments to boost domestic and capital markets and lower financing costs for SMEs," adds Collazo. "The MSCI is expected to announce in June 2018 if Argentina is upgraded to an emerging market and the local CSD has announced the implementation of a DVP environment for the third quarter of 2018."

BERMUDA

Unweighted	Score
HSBC	4.70

Weighted	Score
HSBC	4.94

The Bermuda Stock Exchange (BSX) administers the post-traded infrastructure in that Atlantic island. The Hamilton-based market has some 753 listed issues with a combined market capitalisation of £282billion.

The exchange, which is regulated by the Bermuda Monetary Authority, offers for trading shares, government bonds, corporate debt, depositary receipts and physical securities though most instruments are dematerialised at the Bermuda Securities Depository (BSD).

Equities and debt settle on T+2 so that is two days after the trade is executed. Securities are blocked within selling accounts pending settlement whereupon the relevant securities are moved between accounts in real-time.

The BSD said in its rules firms must have the written agreement of their customer before lending securities on their behalf and the BSD reserves the right to "restrict or prohibit" firms from lending through the depository.

The lender must also post collateral into a bank account set us specifically for that purpose, the BSD said. Short selling is not allowed.

Bermuda-based fund administrator Apex Fund Services said in March it was set to bolster its footprint in Ireland and the United States with new hires.

The Bermuda-based fund administrator embarked on a buying spree last year with three big purchases in just six months, the last of which was the takeover of the asset management and services business in Luxembourg of German bank MM Warburg & CO.

Most notably, the group bought Deutsche Bank's alternative fund services arm in October, bringing an extra $170 billion assets under administration.

BRAZIL

Unweighted	Score
BNP Paribas Securities Services	5.67
Citi	5.47
Banco Itau	5.12

Weighted	Score
BNP Paribas Securities Services	6.44
Banco Itau	6.23
Citi	6.22

Brazil's post-trade infrastructure falls under the auspices of national group B3 (Brazil, Bolsa, Balcao) which was formed in 2017 when national exchange BM&F Bovespa merged with the largest Brazilian over-the-counter trading firm Cetip.

The Sao Paulo-based firm has various post-trade assets. There are two clearing houses: Companhia Brasileira de Liquidicao e Custodia (CBLC) which clears all equities and equity options on its main BM&F Bovespa market; and Clearing BM&F which handles derivatives and foreign exchange trading.

There is also a central counterparty for its SISBEX government bond trading system.

The CBLC also handles settlement and depository functions for the full range of the exchange group's trading interests.

The settlement procedures following international standards with securities normally held in a book-entry form at CBLC which also handles shareholder record-keeping.

There are two settlement procedures, one for equities and another for government and corporate bonds which trade over-the-counter in the Cetip market.

Short selling is permitted but only for instruments included in a list maintained by the exchange group. There are also restrictions on short selling around initial public offerings and a naked short selling penalty is applicable.

B3's main blue chip index hit new highs in early 2018, setting records on an almost daily basis in January. In terms of post-trade procedures, the big initiative at the exchange is a move to T+2 settlement from T+3 settlement, a move that will bring the Brazilians in line with some of their largest international peers.

The exchange group issued a statement of intent in early February 2018.

"With implementation of the Post-Trade Integration Project (Project IPN) completed, introduction of cash equity market settlement in two business days (T+2), adopted in the second-half 2017 on the world's largest markets, has become an important item on the initiative agendas of B3 and its participants."

The exchange continued: "Besides synchronisation with the global system, shortening the settlement cycle from T+3 to T+2 offers the Brazilian market significant, including capital optimisation and systemic risk mitigation, entailing reduced collateral requirements and increased liquidity."

The world's largest banks, who are dealing with tough capital and collateral rules introduced to avoid a repeat of the 2008 financial crisis, will welcome any moves to ease their collateral burden.

The exchange, which did not offer a timeline for migration to T+2, added: "The potential benefits of a shorter settlement cycle, the guidelines issued by international organisations and the scale of non-resident investor's participation in the Brazilian market require that financial agents, especially B3, design strategies for implementation of the T+2 settlement cycle."

Roberto Paolino, head of Citigroup Securities Services in Brazil, said: "To improve efficiency and align the Brazilian market with other markets across the globe, the local market infrastructure and participants are currently working to shorten the settlement cycle of equities transactions from T+3 to T+2."

He added: "For this process to be successful, many market aspects must be taken into consideration, such as the relevance of non-resident investor participation in the market and the guidelines issued by international organisations."

“Besides synchronisation with the global system, shortening the settlement cycle from T+3 to T+2 offers the Brazilian market significant, including capital optimisation and systemic risk mitigation, entailing reduced collateral requirements and increased liquidity.”

CANADA

Unweighted	Score
CIBC Mellon	5.95
RBC Investor and Treasury Services	5.52

Weighted	Score
CIBC Mellon	5.82
RBC Investor and Treasury Services	5.47

In the past year, the rollout of the T+2 settlement cycle, the market opportunities in Canada as well as the ongoing development of technology, and changes to securities lending arrangements are some of the developments at play in the Canadian sub-custody market observes James Rausch, head of Canadian client coverage and global head of banks, brokers & exchanges at RBC Investor & Treasury Services (RBC I&TS).

The Canadian market successfully transitioned to a T+2 from a T+3 settlement cycle in September 2017. The TMX group announced in June 2017 that it will introduce a single, integrated platform for Canada's clearing and settlement business, which is intended to replace the legacy systems deployed by the Canadian Depository for Securities Limited (CDS) and Canadian Derivatives Clearing Corporation (CDCC) and is set to launch in 2020, subject to regulatory approval.

"RBC is one of the largest Canadian dollar clearers and a leading sub custodian, so we were very diligent in preparing for T+2 settlement," said Rausch. "We worked with organisations including the Canadian Depositary for Securities and Fundserv and the Depositary Trust & Clearing Corporation to ensure our clients would experience a seamless transition. The settlement cycle impacted our non-Western hemisphere clients so the roll-out was a top priority this past year."

In 2018, the Canada Revenue Agency (CRA) is looking to issue revised guidance for Part XVIII of the Foreign Account Tax Compliance Act (FATCA) and for Part XIX of the Common Reporting Standard (CRS), adds Shane Kuros, vice president, head of relationship development at CIBC Mellon. "Both of these updates are aimed at equipping Canadian financial institutions and their account holders with greater understanding of the administrative facets of FATCA and CRS."

CHILE

Unweighted	Score
Banco Itau	5.48
Citi	5.32

Weighted	Score
Citi	6.20
Banco Itau	5.48

Chile is one of the strongest and most stable South American economies. Copper mining is the country's biggest industry and Chile is the world's third largest exporter of the base metal.

The Bolsa de Comercio de Santiago (BCS) is the main exchange in the country, offering equities, debt securities, money market instruments, foreign securities and some derivatives. The Santiago-based exchange trades over $2bn a day, according to the exchange.

The Superintendencia de Valores y Seguros regulates the Chilean securities market while the Superintendencia de Bancos e Instituciones Financieras oversses banks active in the local market.

The exchange itself has 26 brokers including some of the world's top financial institutions including JP Morgan, Merrill Lynch and Santander.

Chile has a clearing house and depository. The clearing house, the Contraparte Central de Liquidacion de Valores, handles the counterparty risk for trades in equities, derivatives, fixed income, money market and repo.

The settlement house is the Deposito Central de Valores, which became operational in 1996 and handles equities and fixed income instruments.

Equities settle at T+2 though earlier settlement is possible. Short term debt settles at T+0 as does over-the-counter and money market products. Long-term debt settles at T+1. Short selling is only permissible in certain shares and any short selling must be conducted through the Santiago Stock Exchange.

COLOMBIA

Unweighted	Score
Citi	5.07

Weighted	Score
Citi	5.79

The Colombian market structure is managed by Bogota-based exchange Bolsa de Valores de Colombia, one of the largest South American market with 81 listed firms and a combined market cap of $420 billion.

The market mechanism is overseen by Superintendencia Financiera de Colombia, Autorregulador del Mercado de Valores de Colombia, a self-regulatory body, and the Colombian central bank.

BVC trades shares, depositary receipts, derivatives, government debt, corporate bonds and commercial paper.

The exchange group passed its own milestone when it did in December what other aspirational emerging markets exchange groups have done, namely merged the exchange and its post-trade partner.

BVC and the Deposito Centralizado de Valores or Deceval SA said on December 14 they had become single organisation after the successful closing of the transaction and the exchange of the shares.

As a result of the integration, Deceval, which operates the country's main clearing house and depository, is now the main subsidiary of the BVC Group, which is now in charge of managing the post-trading solutions of the capital market.

The exchange group said in December: "The integration of the market's two main actors in the fields of trading and post-trading is one of the most significant milestones in the 88 years of the country's capital markets' history."

It added: "As a single company, they will optimise, transform and develop Colombian capital markets with a single strategic vision, which is customer-

centric and is built within framework of global competition, in an effort to become the main ally of all its participants."

The settlement cycle varies depending on the underlying instrument but agreements can be reached for settlement up to T+4 for equities or T+3 for fixed income products.

Under Colombian rules, short selling and securities lending are allowed with some conditions.

Research published in November 2017 by Frontclear, a firm focused on financial market development, found that emerging fixed income markets are typically better served by an over-the-counter (OTC) mechanism and cited Colombia as a good example.

Author Richard Comotto, senior visiting fellow at the International Capital Market Association (ICMA) Centre, concluded ten emerging markets including Colombia have repo markets but the Bogota market is unique in that it has an exchange-based service and an OTC market.

Armanda Mago, head of Securities Services, Colombia at Citigroup, said: "Colombia has taken important steps to facilitate foreign investment in the local capital market, creating the positive environment investors need to either start investing or increase their position in Colombia. For example, the government recently issued a decree granting tax exemption for pension funds based in Canada, Mexico, Peru and Chile.

"Another important initiative in Colombia is the Direct Participant initiative, which will improve settlement flow by replacing the dual settlement process with directly clearance at the Stock Exchange. This will reduce the layers of requirements for settling transactions, while keeping the same level of controls."

Mago concluded: "Additionally, market infrastructure is experiencing a considerable transformation with the merger of Deceval, an important depository in Colombia, and BVC, the Colombian Stock Exchange. This merger is expected to bring operational efficiencies for market participants."

MEXICO

Unweighted	Score
Santander	5.35
Citi	5.22

Weighted	Score
Santander	6.14
Citi	5.84

During 2017, the main market events impacting the Mexican securities market were the government's approval of the new stock exchange (BIVA), and the settlement cycle migration to (T+2) for equities.

In August, the Ministry of Finance made official its approval for BIVA to operate as a stock exchange and provide access through its systems for the negotiation of securities registered at the National Securities Registry (Registro Nacional de Valores or RNV), as well as securities listed at the Mexican International Quotation System (Sistema Internacional de Cotizaciones or SIC).

"The creation of this new stock exchange, which is expected to begin functioning in second semester 2018, will modernize the Mexican stock market, attracting new and smaller companies to the public market," said Mauricio Schwartzmann head of securities services, Mexico, Citi.

"With regard to the settlement cycle change for equities, and as previously announced to the market in September 2017 the migration to the T+2 settlement cycle was completed without major issues. This migration was done in line with the settlement cycle with US and Canada in order to reduce counterparty and operational risk in the market."

On the economic side, the Mexican Central Bank (Banxico) continued to increase the Overnight Interest Target Rate throughout 2017, reaching a level of 7.25% by the close of 2017. These increases were decided based on the performance of the Mexican economy in an effort to keep the peso and inflation stable.

In the coming months, the attention of the market and the public in general will focus on results of the presidential elections and the NAFTA renegotiations, two important events to take place during 2018 and considered by analysts as crucial for Mexico's economic outlook in the medium term.

PERU

Unweighted	Score
Citi	5.25

Weighted	Score
Citi	5.88

Peru's politics were in turmoil in early 2018 after its president Pedro Pablo Kuczynski resigned in late March under threat of impeachment. The scandal centred on allegations that Kuczynski's investment company had received illicit payment from Brazil's Odebrecht which has been linked to mass bribery across Latin America.

The Bolsa de Valores de Lima (BVL) or Lima Stock Exchange was founded in 1970 and a private company until it went public in 2002. The exchange supports electronic trading as standard and open outcry as a default.

The exchange is regulated by the Superintendencia de Mercados de Valores (SMV) while the main financial regulator is central bank the Banco Central de Reserva del Peru and the banking watchdog is the Superintendencia de Banca y Seguros.

The exchange has a good mix of products. There are four types of equities, a range of corporate bonds and money-markets instruments, and depositary receipts.

Securities are either dematerialised at the central securities depository, called CAVALI, or held in physical form. CAVALI also acts as the central counterparty to exchange trades.

Equities settle on T+2, debt settles on any date up to T+3 depending on agreement between the counterparties while over-the-counter trades can go as far as T+2, subject to agreement from the trading partners.

For trades to clear with CAVALI, the necessary funds must be available at the cash clearing bank and the securities must be available from the selling party.

Short selling is allowed for the most liquid stocks. Securities lending is only allowed for certain securities as defined by the exchange, and lending activity, therefore, is muted.

There are no foreign investment restrictions but non-Peruvian investors must acquire a CAVALI code.

UNITED STATES

Unweighted	Score
BNP Paribas Securities Services	6.49

Weighted	Score
BNP Paribas Securities Services	5.31

The USA is the world's largest securities market with over $30 trillion of listed products on the main two exchanges alone. The New York Stock Exchange, owned by the Intercontinental Exchange, is the largest market, followed by New York-based Nasdaq and Bats Global Markets, now part of Chicago-based Cboe. There are smaller, regional exchanges also.

The Securities and Exchange Commission regulates equities and equity options trading while the Commodity Futures Trading Commission oversees futures and swaps.

Settlement cycles vary depending on the instrument-type. Equities settle on T+2, money-market instruments settle on T+1, mortgage-backed securities are on anything up to T+3 and American Depositary Receipts settle on T+2.

There is an active over-the-counter equity trading service called "Pink Sheets". Most cash products are settled through the Depository Trust & Clearing Corporation, which runs the National Securities Clearing Corporation and the Fixed Income Clearing Corporation. Equity options are cleared by the Options Clearing Corporation.

There are some restrictions around naked short selling. Foreign ownership is typically limited to 25% and is restricted in certain sectors such as aviation, mining, financial services, defence and utilities.

URUGUAY

Unweighted	Score
Banco Itau	5.23

Weighted	Score
Banco Itau	5.91

Uruguay is relatively unusual because it doesn't have a central securities depository. The exchange is called the Bolsa de Valores Montevideo, dates back to 1867 and trades equities and fixed income products. It is also unusual because it still has an open outcry trading floor, one of the few remaining.

There are more than 100 listed companies with a combined valuation of $67.5m (£48m).

Equities settle on a T+3 cycle while debt settles on T+2 but settlement cycles are negotiable between counterparties. The Central Bank of Uruguay is the clearing agent for the exchange and the exchange has some 35 brokers, according to its website.

There are no short selling or foreign ownership restrictions.

VENEZUELA

The Bolsa de Valores de Caracas (BVC) can trace its roots back to 1805 when Don Bruno Abasolo and Don Fernando Key Muñoz founded the Casa de Bolsa y Recreación de los Comerciantes y Labradores.

The current iteration was founded in 1947 and took on its current form in 1974 when two Venezuelan exchanges merged to form BVC. The exchange was unusual in that it was one of the first in the region to become fully electronic when it took that step in 1992.

The Caracas-based market trades shares, fixed income products and General Depositary Shares. BVC has 50 brokers live on its markets and 46 listed companies, according to its website.

Venezuela was in early 2018 subject to US sanctions and US President Donald Trump signed in March 2018 an executive order banning US traders to buy or sell a crypto-currency issued by the Caracas government." ■

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AUSTRALIA

Unweighted	Score
BNP Paribas Securities Services	5.95
HSBC	5.26

Weighted	Score
HSBC	6.32
BNP Paribas Securities Services	3.48

The Australian financial market remains committed to ambitious reforms and since the implementation of T+2 has announced several changes.

The most recent market reform was announced in December 2017 when the Australian Stock Exchange (ASX) announced it would replace its legacy clearing house electronic sub-register system with a new system based on purpose-built, blockchain-inspired distributed ledger technology. The ASX is working to develop the new platform with the US fintech company Digital Asset Holdings.

In November 2017, the ASX announced BNP Paribas as the first custodian to use the ASX's new ReferencePoint ISO 20022 corporate action service, explains David Braga, head of BNP Paribas Securities Services Australia and New Zealand.

"The new service allows straight-through delivery of corporate actions announcements to clients within seconds of the announcement being made to the broader market," he said. "The ASX service is part of a number of major initiatives in the post-trade space and represents the first step towards a fully automated end-to-end solution, removing many of their inefficiencies that exist in the processing of corporate actions."

Other recent market changes in Australia include:

New rules regarding disclosing fees and costs in product disclosure statements and periodic statements

Easier access to Luxembourg UCITS

Asia Region Fund Passport (ARFP) – the new cross-border funds passport

Corporate Collective Investment Vehicle (CCIV)

Attribution Managed Investment Trust (AMIT)

A spokesperson for Natixis said that despite reasonable growth posted by the Australian stock market last year (with the ASX 200 posting a 6% performance) the available lendable inventory grew significantly and liquidity in the stock lending market increased markedly. The estimated value of available lendable assets was estimated to have increased by 20% compared to a year earlier.

The average market fee hovered around the 50 basis points mark, with more than 50% of the market trading at 0.25%.

The Natixis spokesperson refers to strong borrowing interest from quant/factor driven clients keen to include more Australian shares as they attempt to broaden their relative value investment universe.

"In the inventory management space, the synthetic financing of Australian shares is starting to gain traction. The use of total return swaps for financing and balance sheet optimisation is gaining prominence among breaker dealers and we anticipate that this space will continue to grow. Another notable structural trend in the lending market in disintermediation, with the emergence of end-investors keen to circumvent agent lenders. In its ongoing quest for yield, the superannuation industry is getting increasingly active in the lending market, in contrast to the relatively passive role it had assumed in the past."

Peter Snodgrass, Head of Direct Custody and Clearing, Australia and New Zealand at HSBC Securities Services, said: "On December 7 2017, the ASX announced they are going to progress with replacing the Australian Securities Exchange post-trade equities platform called CHESS with a distributed ledger solution, following the successful completion of extensive review and testing over the past two years.

Snodgrass added: "The implementation and use of Distributed Ledger Technology will allow the mutualisation of financial market data and processes across multiple market participants all whilst maintaining confidentiality and scalability, which are both critical for market infrastructures."

> **"The implementation and use of Distributed Ledger Technology will allow the mutualisation of financial market data and processes across multiple market participants all whilst maintaining confidentiality and scalability, which are both critical for market infrastructures"**

BANGLADESH

Unweighted	Score
Standard Chartered	4.57

Weighted	Score
Standard Chartered	6.09

Bangladesh has two stock exchanges - the Dhaka Stock Exchange founded in 1954 and the Chittagong Stock Exchange which opened in 1991. Many shares are listed on both markets but the majority of international trading takes place in Dhaka.

Trading only takes place for two hours a day: Sunday to Thursday. The trading regulators are central bank the Bangladesh Bank and the Bangladesh Securities and Exchange Commission.

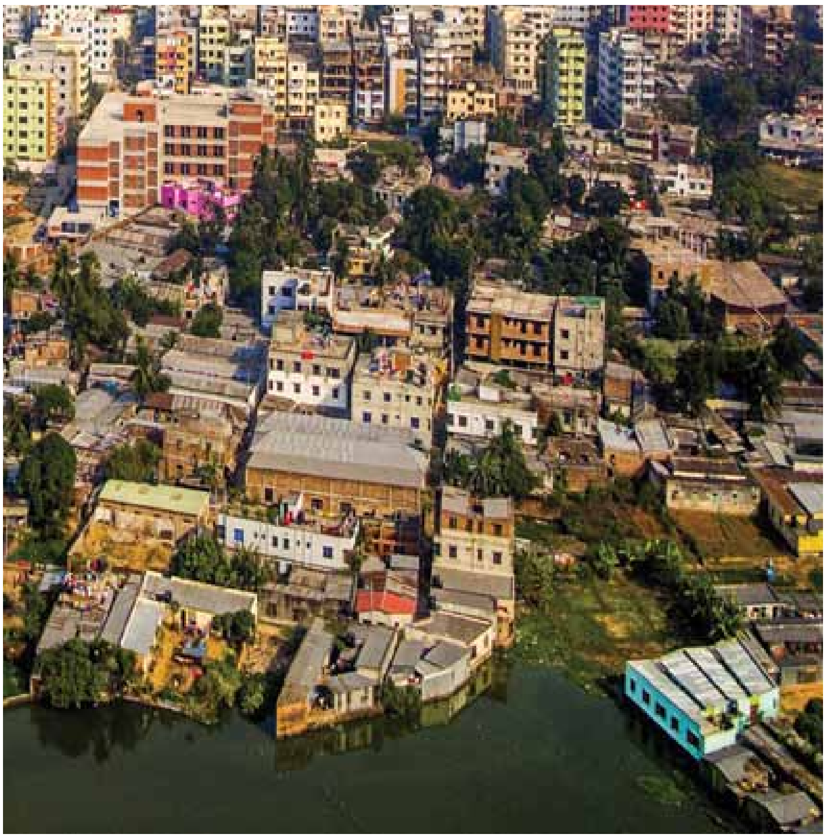
Bangladesh offers equities, debt, money market and physical securities.

The market offers two forms of settlement: settlement through the clearing house, which happens on T+2 for certain shares or T+9 for another group of stocks. The market also supports bi-lateral settlement between brokers which happens at T+5 for trades involving foreign investors and T+0 for local brokers.

Both exchanges also offer over-the-counter trading sessions. Settlement and safe-keeping of equities and corporate bonds is available through the Central Depository Bangladesh Limited, which is regulated by the SEC.

Securities lending is not applicable in Bangladesh. Foreign ownership of Bangladeshi shares is allowed but the beneficial owner must open an account with a local custodian recognised by the Bangladeshi regulator.

Standard Chartered Bank (SCB) said: "SCB worked closely with local regulators to structure the framework for foreign investment in Government Securities. Due to our advocacy efforts below changes have taken place: one year lock-in provision for foreign investors was waived by Government of Bangladesh; and foreign investors can now route their investment through the same cash account as equity (NITA)."



CHINA

Unweighted	Score
HSBC	5.64
Deutsche Bank AG	5.19
Standard Chartered	5.09
Industrial and Commercial Bank of China	4.50
China Construction Bank	4.23

Weighted	Score
Deutsche Bank AG	7.40
HSBC	7.23
Standard Chartered	6.34
Industrial and Commercial Bank of China	5.75
China Construction Bank	5.57

The onshore market is made up of A shares that can be traded by domestic firms or individuals while B shares are open to international investors as well as mainland Chinese traders.

These shares are traded on two main exchanges in China – the Shanghai and Shenzhen Stock Exchanges – which lists shares that are mutually exclusive.

Non-Chinese firms can also trade H-shares, which are Hong Kong listed shares of Chinese companies that make up about 30% of the total Chinese share capital.

China is opening up slowly to international investors, a trend reflected in the fact that MSCI said it plans to included Chinese A shares in indices for the first time in 2018.

Some foreign firms were eligible from 2002 to operate in the Chinese onshore market as Qualified Foreign Institutional Investor (QFII) scheme. Another major step was the opening in 2014 of the Hong Kong Shanghai Stock Connect link that enables Hong Kong members to trade Shanghai-listed shares and vice versa.

The Stock Connect model was extended to Shanzhen in 2016 though there are still restrictions about which shares can be traded in this way and in what volume. More recently, a group of non-Chinese firms have qualified as RQFII (RMB Qualified Foreign Institutional Investor) which offers there firms more freedom.

Standard Chartered Bank (SCB) said it has provided inputs to China Securities Regulatory Commission on QFII/RQFII coming from a custodian's perspective on the simplification of the license application process.

SCB added: "CSRC and SAFE are revising QFII/RQFII schemes to further simplify and synchronise the two, and enable additional investment instruments. It is expected the revised QFII/RQFII scheme will be announced in the early 2018."

Jan Dehn, head of research at Ashmore Group, said China could be set to speed up its pace of financial reforms: "President Xi Jinping's recent acquisition of greater political control was immediately put to good work when China's Banking and Insurance regulators were merged and placed under control of the People's Bank of China (PBOC).

"PBOC is the strongest and the most prudent of China's regulators. With its newfound powers, PBOC is likely to push to reduce financial risks in China, while at the same time advance the sophistication of China's financial infrastructure."

He concluded: "In related news, Yi Gang is widely expected to replace PBOC Governor Zhou Xiaochuan. Yi Gang is market-oriented financial reformer. The pro-reform camp is also being strengthened by the appointment of Liu He, another reformer, to the influential role of vice premier in charge of the economy. In short, all the indications are that President Xi Jinping will use his new powers to speed up economic reform in China."

Zhenyu Peng, Citigroup's head of Securities Services, China, said: "2018 marks the beginning of China's new political economy cycle. The 19th Party Communist Party Congress concluded in October 2017, where President Xi set the agenda for China's new future under the guiding principle of "socialism with Chinese characteristics for a new era".

Peng added: "Among the various priorities stated, one emphasis was on accelerating financial reforms. Citi expects that this should lead growth in China's financial markets to the size of U.S. markets by 2025 – a tripling in size of the bond market to $47.5 trillion, stock market capitalisation rising to $31 trillion and banking assets of $68 trillion1."

Sophia Chung, Head of HSBC Securities Services, China, said: "China has come a long way since it first opened up its capital market in 1992. It is now the third largest bond market after US and Japan with a size of over US$10 trillion dollars. And foreign investment seems to grow even more with the government announcing measures to further open up."

She added: "Recognising China's efforts, Bloomberg announced on March 23 the inclusion of Chinese RMB-denominated government and policy bank securities in the Bloomberg Barclays Global Aggregate Index starting April 2019. To add to that, RMB-denominated debt will be eligible for inclusion in the Bloomberg Global Treasury and EM Local Currency Government Indices."

HONG KONG

Unweighted	Score
HSBC	5.78
BNP Paribas Securities Services	5.26
Standard Chartered	5.06

Weighted	Score
Standard Chartered	6.16
HSBC	6.10
BNP Paribas Securities Services	3.79

Hong Kong has long been seen as the gateway to China but the opening up of the Chinese mainland market could actually boost activity in Hong Kong according to trading experts.

Last year was a strong year. Natixis told Global Investor: "In 2017, Hong Kong equities recorded one of the strongest performances globally, with the HSCI Index recorded a staggering 40% rise."

"The rebalancing of the HSCEI Index, with the inclusion of P-Chips and Red chips in the H-shares index, also effectively forced market participants to broaden their investment universe. That index structure change was done with a view to reflecting MSCI's widely anticipated decision to include China A-shares in June 2018."

The Stock Exchange of Hong Kong, part of Hong Kong exchanges and Clearing, is the main equities trading pool as well as providing access to China through its Shanghai Connect, Shenzhen Connect and Bond Connect trading platforms.

Cindy Chen, head of Securities Services, Hong Kong at Citigroup: "Bond Connect was introduced on July 3 2017 to provide greater ease of access to the China bond market and could be the catalyst to increase foreign participation and expedite inclusion of China bonds into major indices. China is already the third largest bond market globally with over $12 trillion as of December 2017."

She continued: "Bond Connect, as the "new kid on the block", offers some compelling benefits. These include: no longer needing to indicate investment size and no account opening in Mainland China securities depositories, eliminating the requirement to appoint a Bond Settlement Agent (BSA) or sign a BSA agreement. Bond Connect offers a unique electronic trading link allowing foreign investors to request quotations from the Bond Connect Market Makers and transact with them directly.

"However, Bond Connect also has a few unique challenges including DVP settlement for CCDC bonds and pending tax clarification from SAT on the tax treatment as related to CIBM securities. We expect these issues to be resolved in the first half of 2018 along with introduction of additional trading platforms, such as Bloomberg, which may help reduce the trade execution fee.

"The listed bond market, which represents about 15% of the China bond market, will be a natural expansion of the China Connect scheme to enable full access to the China on-shore bond market for eligible institutional investors globally. Similar to Stock Connect, Bond Connect will become another no-brainer for global investors to use as a main or complementary channel to access the China bond market."

Julien Kasparian, the recently appointed head of Hong Kong at BNP Paribas Securities Services, said the exchange has been working hard.

He said: "The Hong Kong Stock Exchange (HKEX) has engaged its ambitious 'Next Gen' plan encompassing changes to processes and systems, and through enhancement to the full chain from clearing to depository services. HKEX is looking at changing the technology while improving operational, capital, and collateral efficiencies for all participants of the Hong Kong market. One of the first changes is expected on the securities clearing side where HKEX is moving from a flat margin rate to a more sophisticated methodology."

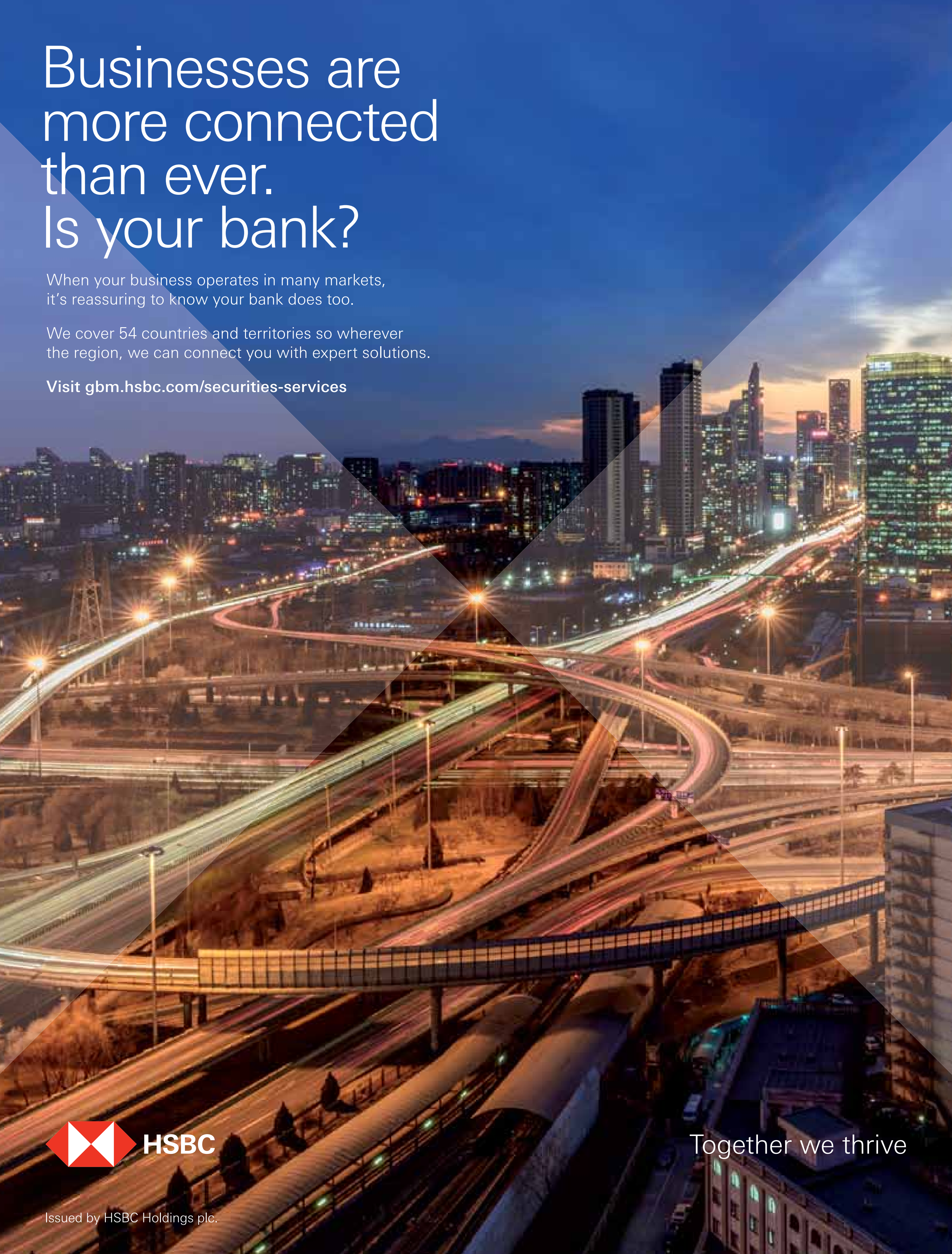
Kasparian said local custodians play a role in bridging the gap between regulators and market participants in developing innovative solutions, addressing operational risk challenges and engaging in continuous improvement dialogues.

He continued: "The HKEX, like others across the region, is also looking at the potential use of new technology and in particular distributed ledger technology in various areas of their post-trade infrastructure.

Kasparian added: "On the fund distribution side, investors also welcomed the extension of the Mutual Recognition of Funds (MRF) regimes between Hong Kong and Switzerland and Hong Kong and France, creating more opportunities for APAC managers and, as the scheme extends market access to non-UCITS, it will increase choice for Hong Kong investors. We believe, like the other RMB Internationalisation initiatives introduced in recent years, it will take time to build momentum, but the announced inclusion of Chinese equities and bonds into global indices will continue to drive investor appetite to access Hong Kong and China's capital markets."

Andrew Law, Head of HSBC Securities Services, Hong Kong, said: "Towards the end of 2017 (Nov), the HKEX extended the Real Time Settlement for Stock Connect transactions. This was the last major roadblock for regulated funds that were having difficulty in accessing the Stock Connect program.

He added: "The introduction of Real Time settlement and MSCI inclusion is June 2018 are the catalyst for the increasing demand for Stock Connect. In 2017 we can see that the foreign investor community has a more favourable outlook towards Stock Connect as against any of the direct access channels available."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INDIA

Unweighted	Score
BNP Paribas Securities Services	6.04
Standard Chartered	5.94
Societe Generale Securities Services	5.91
Citi	5.68
Deutsche Bank AG	5.44
HSBC	5.25

Weighted	Score
Citi	8.43
HSBC	7.09
Deutsche Bank AG	6.09
Standard Chartered	6.00
Societe Generale Securities Services	5.37
BNP Paribas Securities Services	4.14

"The government of India has undertaken various key reforms and has liberalised the regulations in various sectors of the economy to improve the ease of doing business."

Securities and Exchange Board of India (Sebi) announced a number of simplification measures impacting Foreign Portfolio Investors (FPI). "Key benefits include simplified transition process, relaxed documentation for FPI renewals, approval for multiple investment managers structure to appoint multiple local custodians etc," explained Aashish Mishra, head of securities services, India, Citi.

The regulators are working on implementing a common application form for FPIs for registration, know-your-customer rules and tax numbers, which will significantly reduce setup timelines. Sebi also eased the requirements around hard copy of tax ID cards, reducing account opening timelines.

In fixed income, Mishra added that notable changes included allowing NDS OM Web (an online government securities trading platform) for FPIs, online debt limit monitoring and allowing investment in unlisted corporate debt.

The regulators also announced higher limits ($100million) for trading in currency futures.

There were key developments around tax (revised treaties with Singapore and Mauritius) as well as offshore derivatives Instruments impacting foreign investors. A number of measures were announced to promote India's first International Finance Services Centre ("IFSC") set up in the GIFT city, including significant tax incentives. National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have launched their subsidiary exchanges in the IFSC.

"Leveraging its leadership position, global network and strength of its local franchise, Citi continues to work closely with the regulators and market participants on all the above initiatives," Mjorud explained.

Christophe Beelaerts, head of India for BNP Paribas Securities Services, added: "The Indian economy continues to offer an attractive investment proposition with tremendous opportunities. The government of India has undertaken various key reforms and has liberalised the regulations in various sectors of the economy to improve the ease of doing business."

In Beelaert's view, one of the major changes to attract foreign investors in the most recent financial year include modifications to the FIP registration process. Enhancements include the simplification of broad based criteria for FPI registration and the appointment of multiple custodians. Moreover, changes permit FPIs holding Foreign Venture Capital Investor (FVCI) to appoint multiple custodians.

Sebi at the end of 2017 that exchanges would be allowed to deal in both equities and commodities from October 2018, a move that would benefit the NSE, the BSE, and the Multi Commodity Exchange (MCX), which currently trade in either of the two categories.

INDONESIA

Unweighted	Score
Standard Chartered	5.11

Weighted	Score
Standard Chartered	6.08

In March 2017, Bank Indonesia indicated that it was committed to implementing sovereign bond clearing to support the development of the sovereign bond market. One of its optimisation efforts was the appointment of Kliring Penjaminan Efek Indonesia (KPEI) as a clearing implementer of sovereign bond transactions in the secondary market, both transacted on the stock exchange and over the counter.

This cooperation was considered vital to improve the quality of secondary market transaction data, considering that sovereign bond trade in the secondary market is almost exclusively conducted OTC.

The deputy governor of Bank Indonesia said that the appointment of KPEI was evidence of the commitment of the central bank to support the government's plan to open up the sovereign bond market and increase trading activity, investor diversification, efficiency and transparency.

KPEI is also supporting Bank Indonesia in the implementation of an electronic trading platform for sovereign bond transactions OTC, which is eventually expected to be able to support the development of a debt securities market in Indonesia.

The central bank has emphasised the importance of careful implementation of organised clearing of retail sovereign bond transactions in the secondary market to establish price information for investors, make the price establishment mechanism more transparent and increase efficiency and liquidity in the market.

Standard Chartered Bank in Indonesia's expectations for 2018 include enhancements to the Directorate General of Taxes monitoring and maintenance system to assist the bank in its obligation to provide tax calculation for foreign clients, a robotic process automation initiative and the roll out of an exchange traded fund initiative.

JAPAN

Unweighted	Score
Mizuho Bank	6.57
Sumitomo Mitsui Banking Corporation	5.84
HSBC	5.77
Citi	5.50
Bank of Tokyo-Mitsubishi	5.42

Weighted	Score
HSBC	7.71
Mizuho Bank	6.69
Bank of Tokyo-Mitsubishi	6.37
Citi	5.80
Sumitomo Mitsui Banking Corporation	5.50

Japan is one of the most advanced equities markets in the world and its market structure is state-of-the-art. There is one major stock exchange – The Tokyo Stock Exchange – and three regional markets in Nagoya, Sapporo and Fukuoka.

The Tokyo Stock Exchange, which was established in 1878, accounts for over 90% of equity trading activity in a market with a total market capitaliza-

> "Japan is one of the most advanced equities markets in the world and its market structure is state-of-the-art."

tion of over $4 trillion. The TSE offers trading in equities and a full range of bond, money-market and investment trusts.

The TSE operates the Japan Securities Clearing Corporation which settles equities, debt and over-the-counter instruments on T+3 while money-market products can settle on T+2. The Japan Securities Depository Centre (JASDEC) is the depository for equities, convertible bonds, exchange-traded funds and real estate investmet trusts. The JASDEC DVP Clearing Corporation acts as the central counterparty for off-exchange trading.

Short selling is allowed but there are strict rules about the activity. Securities lending is permissibile to cover failing trades or to cover short sales in margin trading. There are foreign ownership restrictions in place for some large listed companies.

Yasuhiro Yanakawa, Head of Securities Services at Citigroup Japan, said: "JASDEC, the Central Securities Depository (CSD) for non-JGB securities such as equities and corporate bonds, implemented ISO20022 as the message format for settlement processes in line with global standards.

"Accordingly, market participants are required to complete their business implementation of ISO20022 for settlements with JASDEC by the end of 2018. Citi became the first ISO20022 user among custodian banks in Japan using JEXGW, JASDEC provided gateway for the new interface in July 2017."

Yanakawa added: "Bank of Japan (BOJ) has also extended its hours of operation to 2100 local time providing greater convenience for mainly for European JGB holders who can send same day instructions in the morning at local time, and requested major clearing participants of JGB including Citi to participate in this exercise in 2016. Although transaction volumes post 1700 local time are still limited, Citi in Tokyo will continue the operation to meet client's expectations as well as those of the BOJ."

KAZAKHSTAN

Unweighted	Score
Citi	4.85

Weighted	Score
Citi	6.11

The Kazakhstan Stock Exchange (KASE), founded in 1993, is based in Almaty and 50.1% owned by central bank the National Bank of the Republic of Kazakhstan with the remainder held by various banks, brokers and asset managers. KASE is a modern market, offerings shares, government bonds, corporate debt, treasury bills and derivatives. KASE has some 59 banks and brokers as clients, according to its website.

The National Bank of the Republic of Kazakhstan also owns 55% of the Kazakh Central Securities Depository Joint-stock Company (known as the KACD), which is also jointly owned by KASE (34.7%), its main customers (8.8%) and the depository itself (1.5%).

"Under Kazakhstan law, only government and unlisted securities can be traded in the over-the-counter market which is open to foreign participants but small"

KACD is a not-for-profit organisation.

Equities on KASE can settle on either trade date (T+0) or T+2 for index securities where the settlement must be pre-funded at 15%-40% depending on the volatility of the stock. Debt and money markets instruments settle on T+0 while over-the-counter trades are negotiable out to T+3.

Under Kazakhstan law, only government and unlisted securities can be traded in the over-the-counter market which is open to foreign participants but small.

All trades executed on KASE due to settle with the CSD through a custodian are subject to confirmation by the custodian before settlement. Custodians can check trades through an electronic link to KASE, whereupon trades are ready for settlement with the CSD.

Short selling and securities lending are not allowed in Kazakhstan. Foreign ownership is allowed in Kazakhstan but there are restrictions.

MALAYSIA

Unweighted	Score
HSBC	5.66
Deutsche Bank AG	5.48
Standard Chartered	5.13

Weighted	Score
HSBC	6.89
Deutsche Bank AG	6.58
Standard Chartered	6.19

Bursa Malaysia, formerly known as Kuala Lumpur Stock Exchange, has come a long way since its foundation in 1930. The exchange took on its current name in 2004 when it demutualised.

Today it is a large regional exchange with a diverse range of products. Its main market has 823 listings and its fledgling Ace market has 117 listed firms. The total market capitalisation of listed products is MYR 1.9trillion (£350bn) while its derivatives segment is home to the world's most liquid palm oil futures contract. The exchange also lists financial futures, equity futures and equity options as well as some Islamic and fixed income trading products. Over-the-counter trading is permissible but only for shares not listed on the exchange.

Post-trade processing in Malaysia is handled by the Central Depository System, which is owned and operated by the Malaysian Central Depository, which is owned by Bursa Malaysia. Fixed income products settle through the central bank, Bank Negara Malaysia (BNM).

Listed securities settle on T+3 while OTC contracts are negotiable thought they normally settle on T+2.

Short selling and securities lending were approved in 2007. Bursa Malaysia Clearing acts as the Central lending Agency on all lending.

Standard Chartered Bank (SCB) said it is an active participant in discussions with Bursa Malaysia, Securities Commission and BNM on various initiatives: BNM launched Real-time Gross Settlement and Debt Securities Depository (RENTAS) and adopted ISO20022 which will go live in 2018; SCB shared best practices with Bursa Malaysia on the upcoming adoption of ISO20022 for Clearing & Settlement, and Corporate Actions; and engaged Bursa Malaysia to help on the adoption of shorter settlement cycle for listed securities from T+3 to T+2.

Standard Chartered also said it conducted a dialogue engagement with Securities Commission on role & responsibility of custodian banks in the Malaysian capital market; held meetings to create a harmonised market practices in the securities industry e.g. ISO standards and achieving straight-through processing; and, as a Member of Custodian Bank Working Group, regularly updated on future plans and challenges specific to impact of regulations on the custody industry.

During the recent World Capital Market Symposium hosted by Securities Commission Malaysia in early 2018, Malaysia's Prime Minister Dato Sri Mohd Najib announced new capital market measures aimed towards increasing the depth and breadth of the capital market and widen investment options for investors.

Aloysius Wee, Head of HSBC Securities Services, Malaysia, said: "One of the measures is the implementation of a waiver on stamp duty on shares of mid and small cap companies traded on Bursa Malaysia from March 2018 for a period of three years. Another is the establishment of a trading link between Bursa Malaysia with Singapore Exchange (Malaysia-Singapore Connect)."

Wee continued: "To align itself with international best practices of the leading global exchanges, Bursa Malaysia will be migrating to a shorter settlement cycle of T+2, which will increase efficiency, reduce settlement risk and market exposure. The implementation of the T+2 settlement cycle is expected to be in 3Q18."

Wee concluded: "In addition, Bursa Malaysia is also looking into the implementation of ISO20022 message format for corporate actions announcement to be in line with international best practices of the leading global exchanges."

NEW ZEALAND

Unweighted	Score
BNP Paribas Securities Services	6.31
HSBC	5.20

Weighted	Score
HSBC	6.48
BNP Paribas Securities Services	4.77

Following a strategic review of its central securities depository system in 2013/14, the Reserve Bank of New Zealand embarked on a payments systems replacement programme.

"The bank has contracted SIA Perago to provide a real time gross settlement system to replace the existing exchange settlement account system (ESAS) and a central securities depository (CSD) system to replace the current NZ Clear system," explains Mark Wootton, head of custody product BNP Paribas Securities Services Australia and New Zealand.

The new CSD will be interfaced via SWIFT messaging and will focus on core services based on current and likely future requirements obtained through industry engagement. Transition to the new system is targeted for April 2019.

Meanwhile, the New Zealand Stock Exchange (NZX) is also progressing with improvements to its CSD, which utilises the BaNCS market infrastructure platform. This has traditionally been utilised by brokers, although recent enhancements are also increasing the attractiveness of the securities depository to custodians said Wootton.

Last year saw the strongest performance in five years for the NZX 50 index with growth of 22%, partly attributable to the rebound from a 13% market correction during 2016.

"The NZX recently completed a strategic review and announced a five year plan, taking a more customer focused approach and signalling it will change its trading and clearing pricing structure to be followed by upgrades to the NZX's trading systems to further promote on-market transparency and liquidity," adds Wootton.

Included in the International Monetary Fund's financial system stability assessment for New Zealand, released during 2017, were some recommendations for further enhancement of the regulatory regime. As a result, the regulator is expected to begin consultations during 2018 on creating a licensing regime for custodians operating in New Zealand.

PAKISTAN

Unweighted	Score
Deutsche Bank AG	4.95
Standard Chartered	4.44

Weighted	Score
Deutsche Bank AG	5.77
Standard Chartered	5.04

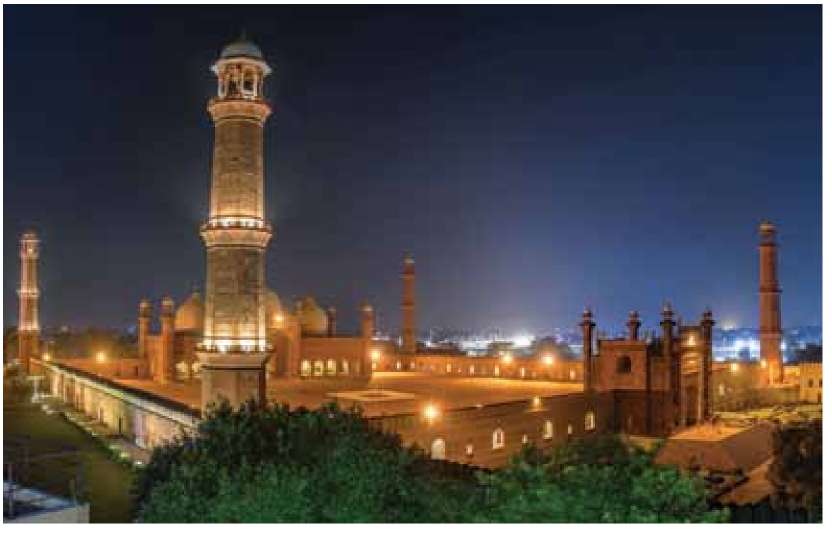
Pakistan's capital markets saw an eventful year after the reclassification to emerging markets by MSCI in June 2017. This re-classification was a result of the improvement seen in the local regulatory and governance framework after the introduction of multiple regulations to further strengthen the system.

According to Murshed Qureshi, head of securities services Pakistan at Citi, a major step in this process was the integration of Karachi, Islamabad and Lahore stock exchanges into a single trading platform as the Pakistan Stock Exchange (PSX). Post consolidation, a local consortium along with three Chinese companies purchased a 40% stake in PSX and a further 20% ownership was passed on to the general public by way of an IPO.

"This restructuring empowered the management of PSX to implement changes to further enhance the efficiency of the bourse," he said. "PSX for the first time is now headed by a globally experienced, non-Pakistani expat who plans on launching ETFs in the market by December 2018, increasing local liquidity by implementing various outreach campaigns, creating capital market awareness and expanding the current product offering to include derivatives and cash settled futures."

The local depository has been working to roll out an electronic dividend mechanism and an electronic proxy voting platform is currently in development. The National Clearing Company of Pakistan Limited (NCCPL) is also driving changes at the local level on a risk management regime of participants, automating settlement fund transfers as well as streamlining CGT collection and report dissemination.

"With the country currently undertaking massive infrastructural projects under the China Pakistan Economic Corridor (CPEC) initiative, which is a key component of the larger Belt & Road Initiative, direct investment and portfolio investment both seem to be the by-product of this economic transformation," said Qureshi.



PHILIPPINES

Unweighted	Score
Deutsche Bank AG	5.22
Standard Chartered	5.11
HSBC	4.98

Weighted	Score
HSBC	7.07
Standard Chartered	6.12
Deutsche Bank AG	4.83

The Philippine economy sustained its strong performance in 2017 anchored on its solid macroeconomic fundamentals. Increased infrastructure spending is expected with the support of the country's amended tax system. "In the capital market, regulators continue their efforts to spur further development," explained Maris Flores, head of HSBC Securities Services, Philippines. "The Securities and Exchange Commission (SEC) increased the minimum public ownership (MPO) requirement on initial public offerings (IPO) to deepen the domestic capital market. The Bangko Sentral ng Pilipinas (BSP) approved further reforms to foreign exchange (FX) regulations and launched government securities repo program which is one of the key initiatives under the local currency debt market development reform package." Flores added that the Bureau of Internal Revenue (BIR) streamlined the process to avail tax treaty benefits for dividend, interest and royalty income.

In 2018, the market anticipates further relaxation on FX regulations, the launch of Bureau of the Treasury (BTR) enhanced registry system, and the outcome of potential acquisition of the PDS Holdings Corporation which operates trading, clearing and settlement for bonds and foreign exchange. "Increase in fund-raising activities in the bond market is also seen in line with the government's infrastructure plans. The second package of tax reform which includes lower corporate income tax rate is also expected to be approved by Congress by June 2018," Flores concluded.

SINGAPORE

Unweighted	Score
HSBC	5.82
DBS Bank	5.79
Standard Chartered	5.46
BNP Paribas Securities Services	5.00

Weighted	Score
DBS Bank	7.00
HSBC	6.69
Standard Chartered	6.67
BNP Paribas Securities Services	3.90

Singapore Exchange (SGX) is gearing up to complete the second phase of its ambitious post-trade system modernization in 2018.

"The adoption of the latest international standards - be it in terms of infrastructure and / or messaging - is welcome as it will benefit both investors and service providers," experts at BNP Paribas Securities Services told Global Investor. "The plan will place the SGX -de facto- in a position to offer more solutions and products to its customers more efficiently, making the local market a more attractive place to invest."

In November 2017, SWIFT announced that BNP Paribas Securities Services went live with FIXML and ISO 20022 traffic on SWIFT for domestic clearing and settlement on the Singapore Exchange (SGX). This enables the bank to use a single channel for domestic and cross-border messaging, enhancing its straight-through-processing capabilities and increasing operational efficiency.

The bank also suggests it is well advanced in its preparation for the implementation of new requirements as part of post-trade system phase two deployments.

"Providers who are agile, having the capacity to manage large scale transformation and equipped with advanced technology, will be the only ones able to offer the right set of solution," BNP Paribas added.

On the new technology front, while SGX announced their willingness to explore the usage of blockchain for bond trading, custodians would welcome that they embrace blockchain in the post-trading environment. BNP Paribas experts concluded: "Local custodians such as BNP Paribas with deep experience, a global footprint and knowledge are able to add value to the development of a robust post trade infrastructure."

SOUTH KOREA

Unweighted	Score
Standard Chartered	6.17
Deutsche Bank AG	5.80
HSBC	5.26
Citi	4.92

Weighted	Score
Standard Chartered	7.71
Deutsche Bank AG	6.69
HSBC	6.37
Citi	5.80

Standard Chartered reported significant assets under custody growth in South Korea in 2017 – a 23% up tick due to major mandates won. The bank secured $1 billion of asset classes across new client bases, including insurers, broker dealers and asset managers. It also won a $3 billion from one of key local insurers for China-access and outbound custody.

Standard Chartered Securities Services division received a commendation from the Chairman of Financial Services Commission (FSC) for contributions to the foreign investor system, such as introduction of omnibus accounts. These accounts allow foreign investors to trade more freely in the Korean market and reduce transaction costs of global asset management companies & global securities companies

According to Rajesh Atal, head of HSBC Securities Services in Korea, the Korea Exchange (KRX) has also announced introduction of an omnibus account structure to foreign investors in the derivatives market. Atal explains: "They have revised their derivatives market business regulation accordingly and implemented the omnibus account structure on 26 June 2017. Upon implementation, foreign investors are allowed to trade listed derivative via their omnibus account opened with a KRX member."

Atal also points out that the Financial Services Commission (FSC) has announced amendments to the Regulation on Financial Investment Business regarding the implementation of a special nominee account for bond transaction, effective 29 June 2017. This allows foreign investors to execute bond transactions via a special nominee account for both exchange and over-the-counter transactions.

The Financial Services Commission (FSC) introduced collateral purpose SLB to allow re-use of the collateral for other transactions such as repo to provide more efficiency in the market and offer more opportunities for profits effective March 31, 2017.

SRI LANKA

Unweighted	Score
HSBC	5.21

Weighted	Score
HSBC	6.91

In a presentation on the development of the government securities secondary market made by the Central Bank of Sri Lanka in April 2017, a number of challenges to the development of this market were outlined by the bank's deputy governor, P Nandalal Weerasinghe.

Supply related issues include the absence of an annual borrowing calendar or regular issuance plan for treasury bonds; ad hoc changes in the issuing plan and system of conducting primary auctions; high fragmentation of tradable instruments; bunching of maturities (leading to high refinancing risk); more 'off-the-run' bond series; and lack of buy-back, switching and reverse auctions process in the secondary market.

Demand related issues include limited investors in the longer end of the yield curve, limited market liquidity and the dominance of buy and hold-type investors.

The deputy governor the Central Bank of Sri Lanka also referred to infrastructure issues such as the absence of a central counterparty system, a comprehensive low cost trading platform or a developed derivatives market.

Additional challenges include weak monetary policy transmission to medium-long term yield curves. Since early 2015, policy rates have been increased by 125 basis points, whereas one-year T-Bill rates increased by 380 basis points. The T-Bond yield curve has also shifted upwards significantly.

Shehan Patterson, Head of HSBC Securities Services in Sri Lanka, said: "The new Securities and Exchange Commission (SEC) Act is currently in the final stages of being legalised. The Act will bring some key changes into the market, paving the way for a Central Counter Party (CCP), broad powers to the SEC in regulating the market and also the possibility of introducing new products to the equity market.

Patterson added: "The Exchange is also keen for the market to move into a DVP model in the interim of a CCP. Although initial plans were shared with participants, there are still a number of questions especially from the foreign custodians that need to be addressed."

TAIWAN

Unweighted	Score
Standard Chartered	5.67
HSBC	5.65
Citi	5.56
Bank of Taiwan	5.27
JP Morgan	5.20

Weighted	Score
Citi	8.03
Bank of Taiwan	7.59
JP Morgan	7.46
Standard Chartered	7.36
HSBC	7.30

As an important milestone for improving the corporate governance in the Taiwanese companies, the compulsory adoption of e-Voting for all Taiwan Stock Exchange (TWSE) listed and Taipei Exchange (TPEx) main board listed companies took effect in January 2018.

"e-Voting provides greater transparency of voting results to the company's shareholders as opposed to the traditional acclamation," said Hsiao-Chi Wang head of securities services, Taiwan, Citi.

Starting from the beginning of 2017, Wang said the Taiwanese government focused on refining its regulatory framework on anti-money laundering and establishing more stringent requirements on Know-Your-Customer

(KYC) process of the financial industry. She added: "Foreseeing longer turnaround time for foreign investors' trading account setup, Citibank Taiwan has taken the initiative to provide an enhanced instruction template for ease of the account opening process. As the leading custodian that has well-established connection with the market participants and infrastructure, Citibank Taiwan provided the investor the promptest update on this market development."

As of 31 December 2017, the outstanding of the foreign-currency-denominated bonds listed on the Taipei Exchange (the "TPEx-listed International Bond") is $144 Billion USD equivalent, with 35% growth from the $106.5 billion USD equivalent balance as December 2016. With the tremendous growth in the space of the TPEx-listed International Bond, there have been a series of infrastructure development and regulatory requirements imposed on the local bondholders.

Eric Jai, head of direct custody and clearing Taiwan at HSBC said HSBC Taiwan has been actively promoting various initiatives aimed at liberalising foreign investment restrictions and aligning to international practices, via industry associations and bilateral meetings with regulators.

"Involvements in recent market developments include implementing standard rights issue SWIFT messages from October 2017 for notification / reminder, instruction, confirmation," he explained. "Standardizing securities borrowing and lending payment activities to recede waiting times for client instructions is another achievement, along with successfully leading the custodian group to convince TWSE to build a platform for securities borrowing and lending post trade reconciliation." Further initiatives and continuous advocacy efforts include teaming up with Taiwan Depository and Clearing Corporation (TDCC) to promote their pre-matching system to brokers.

THAILAND

Unweighted	Score
HSBC	5.59
Standard Chartered	5.35

Weighted	Score
HSBC	6.99
Standard Chartered	6.48

Thailand has a modern exchange infrastructure run by the Stock Exchange of Thailand and overseen by the Securities and Exchange Commission.

SET trades a healthy mix of equities, debt instruments, commercial paper, unit trusts, mutual funds as well as single stock, equity index and commodity derivatives.

The exchange operates the Thailand Clearing House which runs the Multilateral Netting System which clears all stock trades on SET. The MNS also handles corporate bond settlement on behalf of exchange members where the settlement cycle is T+2.

Cash settlement is handled by the centralised system of the Bank of Thailand called the Central Settlement System. This moved to T+2 from T+3 on March 2 2018 in what was a major milestone for the exchange group.

The exchange said in a statement: "SET has become one of the leading exchanges in ASEAN to move toward the T+2 cycle. This will align the operational process with international practice including Europe, and the United States."

SET president Kesara Manchusree said in the statement: "After having completed all the preparation process covering the amendment of related rules and regulations, industry-wide test, and investor communication, we are ready to move toward the T+2 settlement cycle, from the current T+3. This change will keep SET aligned with the leading settlement practices

in capital markets around the world, and also in line with SET's strategic plan to enhance infrastructure, as such strengthening the Thai capital market's competitive edge."

Manchusree said the migration was partly down to good collaboration between the main players in the Thai trading market, namely the regulator, the central bank, the exchange, the brokers, custodians and investors.

"We are certain that moving toward T+2 will benefit all stakeholders, not only in reducing the risks and costs but also in making it more convenient for cross-border portfolio investment," added Kesara.

The Bangkok-based exchange said in January among its priorities for 2018 was "promoting Thailand Clearing House's services by allowing investors to use securities as collateral".

Utumporn Viranuvatti, Head of HSBC Securities Services, Thailand, said: "The shortening of trade life cycle is in line with global standards and aimed to help reduce settlement risk across the industry and also for investors.

Viranuvatti added: "HSBC Thailand was one of the key members of T+2 working group, closely worked with the SET and other representatives from custodians, brokers, and asset management companies."

VIETNAM

Unweighted	Score
HSBC	5.39

Weighted	Score
HSBC	7.18

Vietnam currently has two exchanges. The larger Ho Chi Minh City Stock Exchange is the country's main equities listing and trading centre, and the Hanoi Stock Exchange is the market for derivatives and fixed income. The two exchanges are set to merge, following an announcement in mid-2016, and this could happen before the end of 2018.

2017 was a big year for the Hanoi market as it launched stock index futures contracts in August and pledged

to diversify into other instruments, such as bond derivatives, over time.

The Vietnam Securities Depository (VSD) handles post-trade functions on behalf of both exchanges, settling on T+2 for equities and T+1 for debt, while there is no fixed cycle for over-the-counter transactions.

UPCOM is the Vietnamese over-the-counter market for shares in firms listed on the Hanoi exchange. Trades in listed stocks (whether conducted on an exchange or OTC) are settled through VSD while the cash settlement is handled by the Bank for Investment and Development of Vietnam, the largest Vietnamese bank.

The VSD acts as the clearing agent and depository for all Vietnamese listed products.

Short selling is prohibited in Vietnam whereas securities lending and borrowing has been allowed since 2014 but only in special circumstances such as to ensure against trade failure. Foreign investment into Vietnam is subject to restrictions.

Standard Chartered Bank (SCB) said: "VSD is in process of upgrading its transfer agent system. As the most active member and the leader in fund services, SCB shared our experiences as a fund administration and supervisory services provider, and proposed improved changes to be implemented on the new system."

Standard Chartered added: "As trading derivatives (a new investment tool in market) is currently unguided by regulators, SCB is working with broker companies to build the processes for trading derivatives for both local funds and foreign investors this year."

Dao Phan, Head of HSBC Securities Services, Vietnam, said: "The year 2017 witnessed several milestones of the market. From August 2017, cash settlement for government bond trades was migrated from a commercial bank to the State Bank of Vietnam to mitigate counterparty risks.

Phan added: "Government bonds transactions are now settled on T+1 on a trade by trade (Real Time Gross Settlement) basis instead of multilateral netting basis with settlement results being updated real-time into the clearing system of the Vietnam Securities Depository (VSD). Also in August 2017, the derivatives market with initial product being index futures was launched." ■

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AUSTRIA

Unweighted	Score
UniCredit	5.26
Deutsche Bank AG	4.98

Weighted	Score
Deutsche Bank AG	6.03
UniCredit	5.75

The Vienna Stock Exchange (Wiener Boerse) offers shares, government and corporate debt, repurchase agreements, exchange-traded funds abnd futures and options. The exchange uses the same technology as its neighbouring Deutsche Boerse.

All listed instruments settle on T+2 while over-the-counter products settle on T+2 as a standard but there is flexibility. All transactions are settled through the Austrian Central Securities Depository (OeKB CSD). Securities lending is allowed but takes place on a bi-lateral basis rather than through the depository.

Günter Schnaitt, head of UniCredit Global Securities Services Austria, said: "The Austrian CSD has applied for the CSD Regulation (CSDR) certification. The certification process is in progress and the license is expected to be granted during 2018. In the future, settlement discipline should be increased by implementation of penalties for over-the-counter transactions in line with CSDR. However, currently no further details are available and there is no timeline as yet."

He added: "Unicredit has also volunteered to participate in a T2S user committee consisting of the biggest four banks and the biggest three issuers using the services of the CSD. The head of operations of Unicredit GSS Austria is one of the seven delegates."

BELGIUM

Unweighted	Score
BNP Paribas Securities Services	5.41
Euroclear	5.32
Deutsche Bank AG	4.49

Weighted	Score
Euroclear	6.47
BNP Paribas Securities Services	5.97
Deutsche Bank AG	5.61

Belgium has as its main exchange Euronext Brussels, part of the Euronext group which is also home to the main French, Dutch and Portuguese exchanges. Euronext Brussels offers equities, debt, money-market instruments, warrants, futures and options, all of which settle with Euroclear, based in Brussels, on T+2. Some bonds and commercial paper instruments settle directly with the National Bank of Belgium.

LCH.Clearnet SA, the Paris-based arm of LCH, which is majority owned by the London-based LSE Group, is the clearing house for the Belgian market. Securities lending is allowed.

BOSNIA AND HERZIGOVENA

Unweighted	Score
UniCredit	5.33

Weighted	Score
UniCredit	5.56

Bosnia & Herzegovina has two exchanges. The Sarajevo Stock Exchange opened in April 2002 after being founded the previous year by eight local brokers, who are still the largest shareholders in the group, with 85% of outstanding stock. Borsa Istanbul owns 10% and the main Turkish depository owns the remainder. The Sarajevo exchange has six members, including Raiffeisen, according to its website.

Bosnia also has the Banja Luka Stock Exchange, which is the market for the republic of Srpska that went live in March 2002. Both the Sarajevo and Banja Luka exchanges trade Monday to Friday for a few hours until 1pm. They both offer equities and debt instruments.

The exchanges have their own settlement firms: the Registry of Securities for the Federation of Bosnia and Herzegovina and the Central Registry of Securities in the republic of Srpska.

The clearing cycle for equities and bonds is T+2 and settlement is mandatory. Securities lending is allowed assuming the firm has written permission from the owner of the securities. Short-selling however is not permitted. Money market instruments, derivatives and some debt securities can be traded over-the-counter.

Lejla Sabljica, head of UniCredit Global Securities Services Bosnia and Herzegovina, said: "Following the adoption of the Law on Voluntary Pension Funds in Federation of BiH in December 2016, the Securities Commission of Federation of BiH as a regulator and supervisor adopted in December 2017 a set of related by-laws.

Sabljica added: "The adopted by-laws regulate membership and protection of pension fund users, depository banks of voluntary pension funds, supervision of pension fund management companies, statutory changes of pension funds, activities of the pension fund management companies, calculation of NAV of voluntary pension funds, investment limits, management fee calculation, supervisory and management board members, licensing of voluntary pension fund managers and establishment of voluntary pension funds, reporting requirements and promotion of voluntary pension funds etc."

Draženko Bobaš, head of GSS Bosnia and Herzegovina at Raiffeisen BANK dd Bosna i Hercegovina, added: "Bosnia and Herzegovina is not a proactive market and therefore there are no significant changes in the legislation over the last 12 months that have impact on country's capital markets. However, both Stock Exchanges (Sarajevo and Banja Luka) following the trends in the region became members of SEE Link and securities from both markets are listed on SEE Link trading platform. Four brokerage houses (three from Banja Luka and one from Sarajevo) got permission for trading on SEE Link. However, there were no trades with securities from Bosnia and Herzegovina."

BULGARIA

Unweighted	Score
Eurobank	5.91
Citi	5.39
UniCredit	5.00

Weighted	Score
Citi	6.03
UniCredit	5.29
Eurobank	3.35

The Bulgarian central depository introduced a third settlement cycle during 2017 as part of the measures to improve settlement security and discipline introduced by EU Regulation № 909/2014 on improving securities settlement in the EU and central securities depositories.

> "The central depository has introduced an electronic platform for general meetings (EPOS), developed along the lines of international corporate performance standards"

Bulgarian government bonds were listed on the Bulgarian Stock Exchange (BSE) as of 31 October 2017, one of the priorities set out in the 2016 capital market development strategy and a result of the joint efforts of the exchange, the central depository, the ministry of finance and the Bulgarian National Bank (BNB) to establish a regulated secondary market for government internal debt within the markets organised by the BSE, explains Biliana Stefanova, head of GSS Bulgaria at Raiffeisenbank (Bulgaria).

In addition, transactions in government securities executed on the OTC market in the name and on behalf of clients of BNB participants can be settled on the basis of either DVP or FOP.

In February 2018, the central depository became a member of the ESROT system, the BNB's electronic system for settlement and administration of government bonds. This enables local government bonds traded on the regulated market to be settled via the depository or Bulgarian National Bank.

The central depository became an ancillary system to Target2 and settlement in EUR has been introduced.

The new Markets in Financial Instruments Act came into force as of 16 February 2018, except for some articles, which will come into effect at a later stage (September 2019 and January 2020 respectively). The law in part transposes the Directive 2014/65 / EU (MIFID II) and repeals entirely the existing hitherto act.

"The central depository has introduced an electronic platform for general meetings (EPOS), developed along the lines of international corporate performance standards," said Stefanova.

"EPOS is intended for use by both local issuers and shareholders. On the one hand it provides a 'virtual venue' to be used for conducting meeting in a reliable and fully automated manner and on the other, it represents the hereto missing technical means for online participation in real time by shareholders."

CROATIA

Unweighted	Score
Splitska Banka d.d.	6.51
Privredna Banka Zagreb d.d.	5.50
UniCredit	4.80

Weighted	Score
UniCredit	5.33
Privredna Banka Zagreb d.d.	4.93
Splitska Banka d.d.	3.53

The Central Depository & Clearing Company is running two major projects - implementation of CCP to the Croatian market and harmonisation with CSDR.

Marina Šonje Tomorad, deputy director of the securities services department at Splitska Banka observes that there have been a series of changes and amendments of application documents prepared by SKDD-CCP requested from HANFA (the local regulator) and ESMA and that the go-live date is still unknown.

"HANFA's most recent evaluation of the request for obtaining authorisation as a central depository was concluded in November 2017 and was found to the incomplete," she said. "Subsequently, HANFA granted CDCC a period of another six months to meet the requirements."

In June 2017, Zagreb Stock Exchange (ZSE) established a new trade platform called Progress, a combined project of ZSE and KPMG Croatia whose aim is to enable SME investors to capitalise on the growth of business by issuing shares or just to list their shares in the market.

ZSE advises companies during the financing process, assists them in securing possible additional funds through the use of funds from development banks and agencies, and co-operates with state and other institutions that assist in financing of the state economy.

In July 2017, ZSE implemented a new trading system, the migration project for which was launched in 2016 in co-operation with Vienna Stock Exchange.

In January 2018, CDCC introduced two new functionalities - back to back transactions and collective payments for settlement - which should have a positive impact on the Croatian capital market due to lowering settlement risk and transaction costs, said Mensur Hodzic, head of GSS Croatia at Raiffeisenbank Austria.

As a result of the introduction of Mifid II and Mifir into the Croatian legislative framework, a new Capital Market Act is expected to be in place by mid-2018.

CYPRUS

Unweighted	Score
BNP Paribas Securities Services	6.25

Weighted	Score
BNP Paribas Securities Services	6.38

The Cyprus Stock Exchange, based in Nicosia, has a main and alternative market and a total issued market capitalisation of €4.4billion of which about €2.5bn are shares.

All issues are entirely dematerialised and the market settles on the now accepted international standard of T+2. To enable settlement, clearing members issue confirmations to their clients and issue a settlement obligation to the sub-custodian designated by the client through the dematerialised securities system (DSS).

The sub-custodian will affix a beneficial owner number to the trade which effectively clears it for settlement on T+2.

Currently there are some 21 clearing and settlement members including Citibank and BNP Paribas Securities Services. Among the most active clearing and settlement members are Cisco Ltd, Mega Equity Sec. and Financial Services Public Ltd, Atlantic Securities and EFG Eurobank Ergasias, according to the exchange.

Short-selling is allowed but short positions of shares must be reported to the relevant authority and to the public by posting details on the relevant regulatory website. Securities lending is not available in Cyprus unless through the over-the-counter platform.

The Cypriot fund market is looking up and the centre is establishing itself as a European fund hub.

Dr Mike Balm, the chief executive officer of Emergo Wealth, a Nicosia-based fund manager, said: "The European passport offers the fund management industry exceptional possibilities for cross-border and global fund distribution and could attract both EU and non-EU firms keen to establish themselves as EU-compliant managers and to access European investors from Cyprus."

CZECH REPUBLIC

Unweighted	Score
Societe Generale Securities Services	6.36
Citi	5.48
UniCredit	5.39

Weighted	Score
Citi	6.46
UniCredit	4.48
Societe Generale Securities Services	4.34

The Prague Stock Exchange has some 284 issues across shares, investment funds, corporate bonds and public debt. Most of the issues are dematerialised but there is a small number of physical securities.

The PSE owns its post-trade arm CDCP which was granted a license by the Czech National Bank in August 2009. The CDCP handles the clearing and settlement of exchange-traded products and over-the-counter instruments. The depository also has a direct link to clearing system of the Czech National Bank (CNB).

All PSE trades settle on T+2 while the settlement cycle for OTC instruments is subject to agreement by the counterparties.

CSD Prague opened a direct account in Euroclear Bank SA/NV on December 1 2017.

CSD Prague's said at the time its cooperation with Euroclear will enable it to provide a wider range of services and to have access to many additional foreign markets.

"This relationship with Euroclear will provide us with a safe and efficient settlement link permitting us to use all services related to corporate events and the potential to further develop services related to foreign securities", said Helena Čacká, CEO of the Prague depository.

Karolina Stankova, head of UniCredit Global Securities Services Czech Republic, said: "In 2017, CDCP applied for a new license under CSD Regulation. After CDCP obtain the new license from the CNB new CDCP rules will become valid. One of the new requirements will be daily reconciliations of participants against records of CDCP."

She added: "Participants will also have to offer both owner as well as customer accounts to their clients and have a duty to inform them of the associated costs and risks. It will be obligatory to have book entry or immobilized form for securities traded on a regular market. Participants will be obliged to manage their operational risks adequately, including having in place Business Continuity Planning and disaster recovery."

Pavel Krivonozka, head of Capital Markets, GSS and Financial Institutions, Czech Republic, at Raiffeisenbank a.s., said: "Mifid II / Mifir represent the most important piece of legislation implemented in the Czech Republic. As the rules are in place only as of January 2018, it is difficult to assess the real impact of the implementation. However, by now we see that the most significant impact is in the area of the cost transparency and inducements. And in the area of costs related with implementation of Mifid II rules, mainly related to changes in IT."

He added: "Rules for verification of qualification have been implemented based on the Mifid II rules, where companies must receive accreditation from the Czech National Bank in order to be allowed to examine the qualification of persons providing investment services."

DENMARK

Unweighted	Score
SEB	5.49
Danske Bank	5.22
Nordea Bank	4.85

Weighted	Score
SEB	6.29
Danske Bank	5.64
Nordea Bank	5.58

According to Jesper Lindén, head of cash and sub-custody sales at SEB, the Danish market is preparing for- and undergoing several changes, primarily driven by regulation and harmonization.

"The process and implementation involves a broad range of the financial community, mainly covered by infrastructure as well as representatives of the value chain."

T2S connectivity, for example, takes place in two phases. "The first phase covering EUR settlement, took place in September 2016. The second phase will include DKK settlement and is expected to take place during October 2018," Lindén explains. "Planning and preparations still follow the overall plan for migration, preconditions, dependencies and readiness is being monitored, and readiness is under continued discussion."

He adds: "Dividend tax treatment, and the aftermath from the dividend tax fraud case, made public in Aug. 2015, is still a high priority matter in Denmark. The Danish tax authorities continue working on mitigating risk under current tax law. A short term solution for tax reclaims were introduced to the market by April 2017. Work is ongoing, in regards to presenting a long term solution that will minimize risk to the extent possible, while at the same time, where possible, ensure that investors will be able to meet requirements, in order for them to receive their entitlement."

2017 became a record year for listings on Nasdaq's Nordic Markets. An increased interest from Danish companies also occurred, particularly in Nasdaq First North.

"The Danish capital market is recognised by its many attractive issuers, very strong and efficient bond market and innovation," according to Ola Mjorud head of securities services, Nordics, Citi.

In 2016, Majored said Denmark became the most recent market to join Citi's Direct Custody and Clearing's proprietary global network.

VP Securities was one of the first to obtain a CSDR license, which it received on 3 January 2018. "It is now embarking on an ambitious project to become a Nordic CSD, challenging the incumbent CSD process in each of the Nordic markets," Mjorud added.

ESTONIA

Unweighted	Score
SEB	5.28
Swedbank	4.86

Weighted	Score
Swedbank	6.08
SEB	5.24

2017 was a year of crucial changes for the Estonian securities market, according to custody experts at SEB.

"In September, the Estonian, Latvian and Lithuanian central securities depositories (CSDs) merged into one legal entity Nasdaq CSD SE, licensed under the European regulation CSDR," said Kadi Eichhorn, custody services, Estonia at SEB.

"Under this new set-up Nasdaq CSD SE operates three securities settlement systems (SSS), governed by the laws of each respective Baltic country. "

In September 2017, the CSD successfully migrated to T2S during the final wave using "all-accounts-in" model, the first direct holding market to do so.

At the time of the legal merger and migration to T2S, a common IT platform 'Depend' was adopted on the three Baltic markets.

"Due to the prevailing use of direct accounts at the CSD level, CSDR did not bring along many changes for the market participants in Estonia," Eichhorn explained, adding that despite the turmoil of infrastructure changes in 2017 as a whole, the market participants accommodated the changes successfully."

In June 2017, amendments to existing tax policies were introduced, whereby dividends paid to natural persons (both resident and non-resident) will be subject to an additional withholding tax in situations where the company paying the dividends is eligible for lower income tax rate (depending on historical dividend paying practice).

Inclusion of historical profit distributions into the tax calculation will be implemented gradually over the period of 2019 to 2021.

Eichhorn concluded: "2018 will likely prove to be a year of accommodating last year's significant changes, addressing leftover questions related to new systems and infrastructure set-up, re-creating market participant user groups etc.

FINLAND

Unweighted	Score
SEB	
Nordea Bank	

Weighted	Score
SEB	
Nordea Bank	

The Finnish securities industry has been in the standby mode for some time now, according to custody experts at SEB.

"Despite all of the good efforts that the market has undertaken during past year in preparation to deploy the 'Release 2' of the Infinity system - Euroclear's securities processing infrastructure - the deployment has not been completed," said Jopi Sairio, SEB's head of investor services, Finland.

"After a few postponements, the new launch date is set as May 7, 2018, backup date being May 21, 2018 due to a very high volume of dividend payments and other corporate actions in March and April."

In the first release, the debt market migrated to Infinity in February 2015 and in the second release, Infinity will be introduced for the Finnish equity market

"Technical readiness has improved and confidence increased, hence the market is very optimistic that the new schedule will finally hold," added Sairio.

In accordance with the requirements of the central securities depositories Regulation (CSDR), Euroclear Finland (EFi) as well as Euroclear Sweden (ES) have submitted their CSD license applications to the local authorities in the end of September 2017. Yet, both applications are under review.

Furthermore, in relation to the CSDR Finnish government bill (28/2016) entered in to force on 21 June, 2017. The government bill contains several technical amendments to various Finnish acts, e.g. to the Limited Liability Companies Act, the Co-operatives Act and the Act on the Financial Supervisory Authority, and most importantly the Act on the Book-Entry System and Clearing Operations.

When the Finnish government approved the legislation, it was a prerequisite by the Finnish Parliament that the government will start to draft, without undue delay, a new Government Bill allowing the Finnish tax authorities to receive more detailed information about nominee-registered beneficiaries. As a result, the Finnish Ministry of Finance prepared a draft of this new Bill and circulated it to the Finnish market for consultation. The consultation work is still on-going.

Sairio adds: "In case the draft Government Bill enters into force as such, it will cause substantial changes on withholding tax for dividends and tax at source procedures for nominee-registered shareholders e.g. the current so-called simplified withholding procedure, valid as of 2005, will be abolished and statutory non-treaty rate will be increased to 35%."

FRANCE

Unweighted	Score
BNP Paribas Securities Services	
Deutsche Bank AG	

Weighted	Score
BNP Paribas Securities Services	
Deutsche Bank AG	

To boost the efficiency and attractiveness of the Paris marketplace, Euroclear France and consulting firm Ailancy performed a review in April 2018 and recommend improvements.

A working group comprising representatives from asset management companies, transfer agents, depositories, market infrastructures and industry associations met between September and December 2017 which resulted in the articulation of sixteen recommendations.

One of the recommendations was to remind that the French market provides a multi-currency delivery vs payment settlement solution for subscription/redemption orders via the international central securities depository (CSD) infrastructures.

Another was to open the Euroclear France order routing platform to financial intermediaries that are not Euroclear France members.

Euroclear France is the CSD for equities and debt instruments, and also provides functions such as clearing and settlement, registration and corporate action processing.

A third suggestion from the paper was to promote the use of funds as collateral on the Euroclear's tri-party infrastructure and for margin calls with central counterparties (CCPs).

In terms of tax, the Financial Transactions Tax (FTT) rate increased to 0.3% with effect from January 1, 2017.

Target2-Securities (T2S), an initiative led by the Eurosystem to create a pan-European settlement platform, has been backed by BNP Paribas Securities Services and others since its inception in 2006.

"We fully support the T2S project and its objective to reduce settlement costs and improve safety and efficiency," BNP Paribas Securities Services said in an April 2018 regulatory memo. "We have shielded our clients from the complexities of the project, the migration and from most of the costs to adapt systems and processes. We propose different settlement and custody solutions tailored to the clients' needs, including an unbundled custody solution. We also assist in the selection of an appropriate cash solution, a major part in the move to T2S."

Euroclear moved its central securities depositories in Belgium, France and the Netherlands onto the T2S system in 2016.

GERMANY

Unweighted	Score
HSBC	6.39
BNP Paribas Securities Services	6.05
Deutsche Bank AG	5.39

Weighted	Score
Deutsche Bank AG	6.07
HSBC	5.88
BNP Paribas Securities Services	5.20

German fund industry managed assets with a value in excess of €3 trillion at the end of October 2017, doubling its volume since the end of 2008.

This, in part, is due to Germany continuing to see economic growth, confirming its macro importance in the Eurozone.

"The German corporate Mittlestand which means "medium estate" and is made up of about 3.7m small and medium-sized family-owned and usually unlisted companies - continues to evolve and drive sub-custody volumes both domestically as well as internationally from its various commercial activities," said Robert Scott, head of custody and clearing, corporate clients, Commerzbank.

In terms of volumes, Commerzbank's Scott added that Clearstream, the local central securities depository (CSD) reported a record year with positive developments confirmed by growing volumes.

"Clearstream also introduced new products including OneClearstream which harmonises its service offering with Clearstream Banking Frankfurt as German Securities depository, and with Clearstream Luxembourg as the International CSD," Scott explained. "Capabilities include providing a system which facilitates single login and interface making the movement of domestic and International securities far easier."

T2S (the Central bank's TARGET2-Securities project) finally went live giving rise to a range of processing and operational efficiencies, particularly in the area of collateral management.

"The project's auto-collateralisation capability was widely recognised amongst participants as providing instant commercial benefits," added Scott. "As expected, Germany was well prepared with minimal market disruption despite it representing significant volume increases to the T2S platform. The market continues to prepare for the Central Securities Depositories Regulation (CSDR), with authorisation and settlement discipline soon to come into focus."

2017 was also year of preparation for the impending regulatory changes of 2018. "The German Investment Tax Reform Act came into force in January this year, with wide ranging impacts on the taxation of income in Germany relating to investment fund activities," Scott explained.

Finally, the topic of OTC derivative clearing has featured prominently both in practice and policy. Deutsche Borse's Eurex Clearing launched its Clearing Partnership Programme which is designed to accelerate development of an alternative venue for the clearing of interest rate swaps and improving client choice. "This is occurring against a backdrop of uncertainty around whether recognition will be given to LCH as an approved CCP for EURO activities going forward. This has gained significant traction in recent months given the ongoing Brexit discussions and uncertainties in European passporting," Scott concluded.

GREECE

Unweighted	Score
BNP Paribas Securities Services	6.03
HSBC	5.33

Weighted	Score
HSBC	6.98
BNP Paribas Securities Services	5.25

Kelly Kakanaki, head of Greece for BNP Paribas Securities Services observes that the domestic market has been impacted by the various regulations introduced or revised over recent years, including Emir, Mifir, Mifid II and CSDR.

"We have worked closely with the Greek authorities in order to be compliant with the regulations and participated in internal and external workshops to form the market structure adaptations required by Mifid II, supporting all regulatory requirements in order to be ready for the go live day," adds Kakanaki.

The biggest ongoing project of impact to the Greek market is the CSDR. BNP Paribas Securities Services has actively participated in all market meetings organised to improve the efficiency of securities settlement and support changes in the post-trade landscape.

In Greece, only Bank of Greece (BoG) - which settles fixed income - is part of the T2S. Helex (settlement of cash equity) does not yet participate in T2S.

"T2S and CSDR share consistent objectives, such as 'a common technical platform to support CSDs in providing borderless securities settlement services in Europe'," adds Kakanaki. "With the implementation of the CSDR, the Greek post trading landscape will change dramatically."

HUNGARY

Unweighted	Score
Raiffeisen Bank International	5.72
Citi	5.19
UniCredit	5.07

Weighted	Score
Citi	5.92
Raiffeisen Bank International	5.88
UniCredit	5.80

According to Lívia Mészáros, head of UniCredit Global Securities Services Hungary, since the country joined T2S in February 2017, settlement volume has been negligible and the features of the system are not being utilised by the market and investors.

There are a number of reasons for this, she said. "Even though Hungarian securities are available in T2S, settlement is only possible in EUR due to the partial entry model, meaning that the national currency (HUF) is not a settlement currency in T2S. Furthermore, the so-called T2S BCP operation is still in place, which was implemented to ensure Hungary's T2S accession last year without a proper, T2S compliant CSD system."

Since June 2017, when the system replacement project of the national CSD Keler was suspended, its management and the Central Bank of Hungary - being the majority owner and supervisor of the CSD - have been working to put a new strategy in place, including the next phases of system developments.

The regulatory environment is in continuous evolution, imposing additional challenges on investment services providers, including custodians.

In June 2017 the new Act on the Prevention and Combating of Money Laundering and Terrorism Financing entered into force, ensuring full compliance with Directive 2015/849. This act contains the detailed, enhanced rules of KYC procedures.

CSDR was implemented in Hungarian legislation from January 2016 while the Regulatory and Implementing Technical Standards became effective as of March 2017.

"Keler is currently preparing for the introduction of the 'settlement discipline' in 2019, which is expected to significantly implement the settlement fails management and default procedures for the OTC trades," explains Mészáros. "Taking into consideration that investors will need to comply with these new rules by that date, Keler has planned to establish a special work group with the market participants to elaborate on the settlement discipline rules."

The Hungarian National Stakeholder Group (HU-NSG), the newly established consultation body among market participants and the CSD, has been tasked with harmonising the corporate actions field, to expand the nominee concept for all types of securities as well as to create a more efficient ownership identification process and tax determination.

Members of the HU-NSG are lobbying for the necessary legal regulation amendments at the Ministry of the National Economy.

In line with the strategy of the Budapest Stock Exchange to increase the number of listed companies, in September 2017 a new multilateral trading facility called BÉT Xtend was launched.

ICELAND

Unweighted	Score
Landesbankinn hf	5.30

Weighted	Score
Landesbankinn hf	6.63

Nasdaq Iceland started life as the Iceland Stock Exchange (ICEX) which launched its first trading system in 1989 and listed its first shares the following year. The exchange went public in 1999 and joined the Danish and Swedish exchanges in the NOREX alliance a year later which was the start of co0llaboration between the Nordic markets.

The Iceland Securities Depository established a joint holding company in 2002 and merged with OMX in 2006 before Nasdaq acquired that exchange group a year later. Nasdaq Iceland trades equities, bonds, commercial paper and exchange-traded notes. There are 11 listed stocks and almost 300 fixed income products available to trade.

The main Icelandic securities regulator is the Financial Supervisory Authority which oversees exchanges, settlement depositories, banks, brokers and pension funds.

Exchange-traded products settle with Nasdaq CSD Iceland, which handles clearing, settlement on T+2 and is also the National Numbering Agency for Icelandic listed stocks.

Over-the-counter trades conducting by members of the exchange must be reported to the exchange within five minutes of the trade being struck. Short selling is not allowed. Securities lending is permissible but rare.

IRELAND

Unweighted	Score
Citi	5.17

Weighted	Score
Citi	6.50

In June 2017, Ireland's Minister for Finance and Public Expenditure & Reform encouraged applications to the Central Bank of Ireland to establish a central securities depository in Ireland. Notwithstanding the significant size of its financial sector, Ireland is the only EU member state that does not have a CSD.

Due to the historically close links between the Irish and UK financial systems, there has been a sharing of certain financial markets infrastructures, including securities settlement systems. Irish market participants use different CSDs in the EU to settle different financial instruments including Irish listed equities and exchange traded instruments, Irish government debt and corporate debt securities.

The Irish Department of Finance recognised that there was a significant risk of disruption to the services provided by financial market infrastructures based in the UK following the result of the EU referendum. This uncertainty was seen as providing the impetus to the private sector to provide settlement services in Ireland across a range of asset classes.

The department deemed that an Irish based CSD that could meet the requirements of Irish market participants would provide increased choice and an opportunity to all Irish market participants currently serviced by CSDs outside Ireland to relocate that business to an Irish domiciled entity.

For many years, the UK and Irish markets have used a shared CSD in the form of Euroclear UK & Ireland, explains Peter Stewart, head of securities services UK and Ireland at Citi.

"As a result of the decision to leave the EU, Euroclear made a decision in principle to seek to establish a new company in Ireland," he said. "The establishment of Euroclear Ireland was subject to a number of factors outside its control, including approval by stakeholders and regulators. Euroclear will now explore other potential settlement solutions for Irish securities following the agreement on 23 March 2018 between the EU and UK on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union, which contains a 21 month implementation or transition period."

ITALY

Unweighted	Score
Societe Generale Securities Services	6.02
BNP Paribas Securities Services	5.75
Intesa San Paolo	4.75

Weighted	Score
Societe Generale Securities Services	7.84
BNP Paribas Securities Services	5.79
Intesa San Paolo	4.28

The main exchange in Italy is the Milan-based Borsa Italiana which is wholly owned by the London-based LSE Group. The exchange supports the trading of many different asset classes including, equities, government bonds, corporate debt, treasury bills, mutual funds and derivatives, where the Italian market is particularly strong.

The bond trading service MTS is also a key asset. The Italian clearing house CC&G acts as the clearing house for the Italian products and sits outside of the LSE's main clearing house LCH. Monte Titoli is the Italian central securities depository.

Trading is regulated by the Commissione Nazionale per la Societa e la Borsa (known as Consob) while banks and other financial institutions in Italy answer to the Bank of Italy.

All products settle on T+2 apart from money-market products that settle on trade date. All securities listed on Borsa Italiana are eligible for lending.

"As a result of the decision to leave the EU, Euroclear made a decision in principle to seek to establish a new company in Ireland"

LATVIA

Unweighted	Score
SEB	5.53
Swedbank	4.82

Weighted	Score
Swedbank	6.18
SEB	5.48

US exchange Nasdaq runs the only Latvian exchange and owns the majority of shares in Nasdaq Riga, which owns all of the national central securities depository.

Nasdaq said in September 2017 it had completed a cross-border merger of the central securities depositories (CSDs) of Estonia, Latvia and Lithuania into a single entity Nasdaq CSD Societas Europaea, based in Latvia. The firm will continue to provide client servicing in all three countries.

"A few years ago the Baltic CSDs embarked on a path of strategic change driven by the CSDR and T2S pan-European regulatory and infrastructure initiatives. Today that vision is being fulfilled. Our ambition to operate as a regional CSD under a single license, as Nasdaq CSD, is a natural response to the changing CSD landscape across Europe," said Arminta Saladžienė, vice president and head of Nasdaq securities services and chair of the supervisory council of Nasdaq CSD.

According to the exchange it is the first EU CSD to be re-authorised under the European CSD Regulation. Following the merger, Nasdaq CSD has joined European securities settlement platform Target2-Securities, a financial infrastructure project from the European Central Bank.

"T2S has played a key role in building an integrated securities settlement market in Europe, increasing the efficiency and safety of post-trade services. Having joined T2S, Nasdaq CSD, along with the other CSDs that participate in T2S, now benefits from, among other things, collateral saving and liquidity optimisation opportunities," said Marc Bayle de Jessé, director general for market infrastructure and payments of the European Central Bank.

He added: "I also believe that the consolidation of infrastructures by Nasdaq will bring further efficiency gains for the region."

The CSD offers services for shares, government bonds and corporate paper, all of which are dematerialised. Automated trades settle on T+2 while over-the-counter settlement is negotiable by the counterparties up to one year. Short selling is not allowed.

Gatis Simsons, Custody Services, Latvia at SEB, said 2017 has been a year of big changes for the Latvian securities market.

Simsons continued: "On September 18, the Estonian, Latvian and Lithuanian CSDs merged into one legal entity Nasdaq CSD SE with Head office in Latvia and branches in Estonian and Lithuania. Under this new set up Nasdaq CSD SE operates three securities settlement systems (SSS), governed by the laws of each respective Baltic country. Nasdaq CSD SE, is the first European CSDR authorised CSD.

"At the same day Nasdaq CSD SE completed migration to new common IT platform Depend and successfully joined T2S. Migration to T2S increased efficiency of settlements procedures and allows clients to benefit from new T2S functionalities.

"During the year local laws were amended to comply with CSDR, as a result banks are now able to provide different levels of asset segregation for their clients by offering nominee and segregated nominee accounts at CSD level," Simsons concluded.

LITHUANIA

Unweighted	Score
SEB	5.55
Swedbank	4.84

Weighted	Score
Swedbank	6.25
SEB	4.84

US exchange Nasdaq runs the Lithuanian, Latvian and Estonian exchanges, each of which uses the same central securities depository after Nasdaq combined the Baltic settlement functions in to one settlement depository in September.

Nasdaq CSD Societas Europaea, based in Latvia, provides client servicing in all three countries.

Arminta Saladžienė, vice president and head of Nasdaq securities services and chair of the supervisory council of Nasdaq CSD, said at the time: "A few years ago the Baltic CSDs embarked on a path of strategic change driven by the CSDR and T2S pan-European regulatory and infrastructure initiatives. Today that vision is being fulfilled. Our ambition to operate as a regional CSD under a single license, as Nasdaq CSD, is a natural response to the changing CSD landscape across Europe."

There are subtle differences between the rules in the different countries however. Lithuania offers the same product mix as its peers (shares, corporate bonds, government bonds and treasury bills) and the same settlement cycles but it does, unlike Latvia, allow some short selling.

Regulators and the public must be informed if the levels of short selling fall below certain levels as specified by the Supervision Service of the Bank of Lithuania. There are also restrictions around securities lending.

Darius Semenas, Custody Services, Lithuania at SEB, said: "The Lithuanian market went through significant transformation in the second half of 2017. On September 18 2017, the Baltic depositories (including Lithuanian CSD - CSDL) became a single legal entity - NASDAQ CSD SE, with head office in Latvia while CSDL and Estonian CSD were reorganised into branches.

He continued: "At the same day Nasdaq CSD SE completed migration to new common IT platform - Depend - and together with Wave 5 successfully joined T2S. Now Nasdaq CSD SE, the first CSDR-authorised CSD, runs three different Securities Settlement Systems (SSS) that are operational based on Nasdaq CSD Rulebook while Lithuanian SSS is governed by Lithuanian law.

"A successful T2S migration increased efficiency of settlements procedures and allows sub-custody clients to benefit from new T2S functionalities such as hold/release, linkages, etc.

"Local laws were amended to comply with CSDR, as a result sub custody clients are now able to provide different levels of asset segregation for their customers by offering CSD level nominee/segregated nominee accounts," Semenas concluded.

LUXEMBOURG

Unweighted	Score
Clearstream	5.90

Weighted	Score
Clearstream	6.91

The Luxembourg Stock exchange operates two markets – Bourse de Luxembourg and a Euro MTF market which complies with the multi-lateral trading facility rules introduced by the European Union under Mifid I in November 2007.

The exchanges offer between them shares, a range of debt instruments and many types of funds. Equities and debt settle on T+2, the international standard, and the settlement of over-the-counter products is negotiable between counterparties.

All trades settle either with Clearstream Banking Luxembourg and Euroclear Bank. Paris-based LCH SA, owned by the LSE Group, is the central counterparty to the Luxembourg Stock Exchange.

Naked short-selling was banned in September 2008 and there are restrictions about other types of short-selling. Securities lending is allowed and is supported by Clearstream. There are no foreign ownership restrictions in Luxembourg.

NETHERLANDS

Unweighted	Score
BNP Paribas Securities Services	5.61
Deutsche Bank AG	4.77

Weighted	Score
BNP Paribas Securities Services	6.22
Deutsche Bank AG	5.68

The Netherlands is set to beat the overall Eurozone in economic growth in 2018 and 2019, the CPB Netherlands Bureau for Economic Policy Analysis said in a March forecast.

GDP is expected to rise by 3.2% this year and 2.7% the next while unemployment plummets to 2001 levels. Increased government spending, however, will largely minimise the effects of the economic bonanza on public accounts.

In terms of regulation, the Netherlands has communicated full transposition measures for Mifid II to the European Commission, according to the EU executive's website.

Having secured the relocation of the European Medicines Agency, Amsterdam is attracting growing attention as London leaves the EU, and Mitsubishi UFJ Financial Group has selected the Dutch capital as its post-Brexit base.

The Amsterdam exchange is operated by pan-European market infrastructure provider Euronext, which wrapped up the acquisition of the Irish Stock Exchange in March.

In post-trade, the value of securities held by Euroclear Nederland, the Dutch central securities depository (CSD), increased by 6.1% to €1.1 trillion (£0.95 trillion) in 2017.

Deutsche Bank, which launched a T2S collaborative settlement solution with Euroclear and Northern Trust in France, told Global Investor in March it intended to extend the model to the Netherlands, among other EU countries.

The Dutch pension landscape has changed significantly in the past couple of years, according to data released by the Dutch central bank in March.

At the end of 2017, general pension funds, which were introduced in 2016, handled €9.4 billion in assets, dwarfing premium pension institutions, with €6.7 billion, and multi-company pension funds, with €2.9 billion.

NORWAY

Unweighted	Score
DNB	5.39
SEB	5.34
Nordea Bank	5.20

Weighted	Score
Nordea Bank	6.01
DNB	5.81
SEB	5.75

The main Norwegian exchange is called Oslo Bors and the depository is called Verdipapirsentralen (VPS) which settles shares, warrants, derivatives and bonds listed on the exchange as well some unlisted securities traded on a platform developed by the Norwegian Securities Dealers Association.

Exchange-traded products clear on T+2 whereas OTC products clear on T+3. VPS, which was founded in 1985 is not part of the European settlement initiative T2S.

Shares traded on Oslo Bors can be cleared with either the Swiss clearer SIX x-clear or London's LCH, under an inter-operability agreement made possible by Mifid in 2007.

The Norwegian securities market regulator also adopted in December two sets of regulations that mirror the content of European regulation Mifid II and Mifir.

Norway, which is not an EU member state and therefore not required to implement EU regulation unless incorporated into the European Economic Area (EEA) Agreement, decided to introduce rules for investment firms and trading venues that align with Mifid II rules being implemented in the EU.

"It is in the interest of a well-functioning securities market that Norwegian rules conform to EU rules," the regulator, Finanstilsynet, said in a statement.

Norwegian firms are part of the single market by virtue of the EEA Agreement, and will be expected to comply with the new regulations which enter into force on January 1 2018, two days before the EU's Mifid II applies.

Audun Bo, the chief executive of Norwegian CSD VPS, said in a March newsletter: "VPS offers secure, efficient and reliable processes to protect the issuers' and the investors' interests, i.e. through flexible solutions for issues, standardised payment solutions with settlement in central bank money, registration of rights in the securities register and tax reporting."

Bo added: "Together with DNB and Nordea, we are now launching a new and user-friendly issuer portal with more information and with access to more data. The solution will also include information that will enable limited liability companies to fulfil their duties in connection with Shareholders Rights Directive (SRD) II."

Rune Eriksen, Head of Investor Services, Norway at SEB, said: "The Norwegian CSD (VPS) is redeveloping their existing IT platform to become CSDR compliant by quarter one 2019. VPS has been notified to European Securities and Markets Authority (Esma) under CSDR art. 69 no.1 and is operating under current Norwegian legislation. Two of the main features that will be implemented in 2018 are a third settlement batch in quarter four 2018 and hold and release functionality quarter three 2018.

"VPS started the work in 2017 to be one of four CSDs that will develop a blockchain solution for cross-border collateral transfer in co-operation with Deutsche Boerse.

Eriksen added: "On February 1 2018, the VPS business area Fund Services merges with VPS' subsidiary Evolution Software AB and becomes Centevo AB. The new company will offer a wide range of digital services to the asset management market, and will aim to be a leading provider in the Nordic market. Centevo AB is a wholly owned subsidiary of VPS.

"Oslo Bors has received a request from Euro CCP to access and to become interoperable in cash equities clearing with SIX x-clear and LCH on Oslo Bors. Oslo Bors have started to process their access request. If the request is approved, Oslo Bors anticipate a launch in the production environment within Q2."

Eriksen concluded: "The T+2 question is very much on hold in the market. The NUG (National user Group) was re-established in 2016, but there has not been any activity as the CSD have had and have the full focus on their renewal program, and also the rest market seems to have difficulties in answering the question of what is in it for a non-EUR market."

POLAND

Unweighted	Score
BNP Paribas Securities Services	6.54
ING	5.65
Bank Pekao SA	5.42
Citi	4.84

Weighted	Score
ING	6.74
Citi	5.59
Bank Pekao SA	5.12
BNP Paribas Securities Services	4.96

Mariusz Piękoś, head of foreign clients office securities services at Bank Pekao notes, that one of the main goals of the custodian industry in Poland is to lobby for full netting, not only at CCP level but also in the books of local custodians acting as local clearing agents for Warsaw Stock Exchange remote members. "This would improve clearing efficiency and lower clearing costs for foreign investment firms who are Warsaw Stock Exchange remote members."

The Polish CSD is continuously updating its system to adopt it to the Central Securities Depositories Regulation (CSDR) Directive. The changes are implemented twice a year in spring and autumn implementation windows.

The next law that is still under public consultation concerns obligatory dematerialisation of physical shares issued by Polish joint stock companies, explains Piękoś.

"The new law is expected to enter into force this year and as a consequence there will no longer be shares of joint stock companies in physical form. An issuer will have to appoint a licensed entity – local custodian bank, investment firm or CSD - that will keep the company's shareholder register."

On the asset servicing side, KDPW (the Polish CSD) has been developing e-voting functionality for shareholders' meetings built on blockchain technology since the beginning of last year.

The work done during 2017 was presented during a workshop organised by KDPW with market participants in

January 2018, where participants were able to test the prototype tool, casting their votes at a virtual shareholder meeting.

"On the investment funds assets side and services related to it, the Polish Depositary Banks Association has been heavily involved in the continuation of the implementation of the changes surrounding the legal framework for the investment fund industry, following a transposition of the AIFMD and UCITS V directives in 2016," said Radek Ignatowicz, head of GSS Poland at Raiffeisen Bank Polska.

Other significant changes within the last year include the implementation of the ISO 20022 SWIFT standard for corporate actions payments, which contributed to faster processing of payments to clients and ongoing modification of repo and buy-sell-back transactions processing, adds BNP Paribas Securities Services head of location, Andrzej Szadkowski.

PORTUGAL

Unweighted	Score
BNP Paribas Securities Services	5.71

Weighted	Score
BNP Paribas Securities Services	6.27

Following on its rebound from the financial crisis, the Portuguese economy expanded by 2.7% in 2017 and is projected to grow by 2.3% in 2018, according to a March forecast by the Bank of Portugal.

In 2020, the adjusted GDP is expected to be 4.7% higher compared with 2008, as exports and private consumption enjoy an upward trend.

S&P and Fitch stripped the junk label off of Portugal's credit ratings in late 2017.

In the post-trade landscape, Interbolsa, which runs Portugal's central securities depository (CSD), grew its revenue by 4.7% in 2017 thanks to "an increase of settlement, public debt and equities under custody during the year".

Interbolsa, a subsidiary of the Euronext Lisbon stock exchange, linked up to Euroclear's French and Dutch CSDs in February, enabling transfers via the European Central Bank's TARGET2-Securities (T2S) platform, which Portugal joined in 2016.

However, Omiclear, which provides clearing for energy derivative products as central counterparty (CCP), described 2017 as a tough year in its annual report. The clearing house expanded its services in early 2018 to include natural gas futures contracts.

Although Mifid II officially kicked in at the start of the year across Europe, a bill to fully transpose the EU directive into national law only entered the Portuguese Parliament in February.

In March, Euronext Lisbon CEO Paulo Rodrigues da Silva urged legislators not to add extra rules when adapting Mifid II, arguing that additional red tape could hinder Portugal's competitiveness.

ROMANIA

Unweighted	Score
Societe Generale Securities Services	6.29
Citi	5.63

Weighted	Score
Citi	6.42
Societe Generale Securities Services	4.37

As of February 1 2017, Depozitarul Central (DC) became responsible for processing and registration of most corporate events in Romania. A new platform for transmitting information regarding corporate events has become available, allowing the issuers to input the details in a standardised manner, while the application distributes the information to CSD participants either via SWIFT or a graphic interface.

Significant improvements were brought by a new Issuers and Market

Operations Law (no. 24 / 2017) in terms of harmonisation of the local provisions with the European practice and regulations at the level of public offers, transparency regime, corporate actions and market abuse regime, said Andrei Mezdrea, head of GSS Romania at Raiffeisen Bank.

"The law allows the use of SWIFT/ electronic instructions for exercising the proxies in shareholders meetings by the custodian banks. Shareholders represented by the local custodians can cast their votes through electronic means, while the issuance and use of a power of attorney has become optional."

A number of modifications to DC's rule book have been implemented. These include the introduction of additional reporting obligations of the CSD participants (e.g. daily and monthly reconciliation), operational segregation of reconciliation from settlement functions and rules regarding the postponement of the transactions in case of a force majeure event.

Bilateral revocation and correction of certain transactions is now permitted. Direct portfolio transfers between CSD participants became effective, while the obsolete portfolio transfer procedure via DC's Section 1 (implying the registration of holdings in individual accounts opened at the CSD level) is no longer mandatory.

In addition, in July 2017 the central depository introduced EUR settlements, which is currently available only for issues denominated in EUR, explains Irina Savastre, head of UniCredit Global Securities Services Romania. "Furthermore, the central depository submitted its application for authorisation under CSDR to the Financial Supervisory Authority."

RUSSIA

Unweighted	Score
Societe Generale Securities Services	6.34
Citi	4.77

Weighted	Score
Societe Generale Securities Services	5.98
Citi	5.48

The Central Bank of Russia (CBR) made 2017 a year of complete renewal of basic legislative acts on custody activity, according to Natalia Sidorova, head of UniCredit Global Securities Services Russia.

"New regulations have replaced the old ones, including the one that served as the key custody set of rules in Russia over the last 20 years," she said. "Among other changes, CBR has introduced new specific requirements to custody records, registers and documentation flows, localisation of custody records as well as maintenance and archiving of back up storages of information."

In addition to the above changes, the largest custodians in cooperation with the National Financial Association (NFA), one of the largest self-regulating organisations joining local custodians, have developed basic standards on custody activity.

Sidorova added: "UniCredit Bank as a member of NFA was actively involved in the discussion and adoption of the standards. The document details the main principles of safekeeping, recordkeeping and document flow in the market. It came into force in November 2017, providing 9 months to the custodians to get their internal procedures in line."

Another initiative widely discussed during the year of 2017 related to granting foreign nominee holders with the legislative possibility to open direct accounts with the Russian central securities depository (CSD). So far, only international CSDs can open such accounts.

Implementation in July 2018 of a new centralized Ruble payment system known as the Perspective Payment System (PPS) has been announced by the CBR. PPS is built on a single centralized IT platform based on ISO 20022 standards. It will combine the existing payment landscape formed by RTGS and Batch systems. PPS will form a single payment hub centralized in Moscow that will replace the regional component of Batch system.

Plans to develop securities lending (as an alternative to repo transactions currently practised in the market) that have been actively lobbied during many last years based on the demand of foreign investors have transformed into the change to the Law on securities markets, which is currently under approval of the State Duma.

According to experts at Societe Generale Securities Services (SGSS), the most notable developments included the prioritization of instructions & linked transactions services rollout. "The new transaction management solutions allowing CSD participants to set the execution priority of delivery-versus-payment (DVP) transactions and to create a pool of linked transactions," Russia-based experts at SGSS told Global Investor. "Service for automatic transfer of securities between the on-exchange and OTC markets was another important development, allowing automatic transfer of securities from pre-authorized custody accounts dedicated for OTC settlements to on-exchange trading accounts, that enables easier position management."

With regard to corporate action and corporate governance developments, Societe Generale Securities Services added that Russia's National Settlement Depository (NSD) has successfully transferred all of its information services to its Corporate Information Center's (CIC) new technology platform, called NSDDATA.

At the start of 2018, Alexander Afanasiev, chief executive officer of Moscow Exchange, said: "In 2017 trading volumes in many asset classes – bonds, repo with the CCP and repo with GCC, currency swaps and commodity derivatives – reached all-time highs."

He added: "Despite a challenging geopolitical backdrop, we are seeing increased trading volumes from international investors, meaning that the quality of our market infrastructure, our openness and the fundamental attractiveness of the assets traded on our platform are outweighing potential concerns. We continue to actively invest in developing innovative services, most notably in the areas of Big Data and blockchain technologies."

SERBIA

Unweighted	Score
Societe Generale Securities Services	6.51
UniCredit	5.16

Weighted	Score
UniCredit	5.69
Societe Generale Securities Services	4.07

Founded in 1894, the Belgrade Stock Exchange (Belex) is a self-regulating Serbian market under the supervision of the Republic of Serbia Securities Commission.

The exchange lists shares, bonds, warrants and derivatives, and currently boasts 32 broker members including Erste, Raiffeisen, Societe Generale and UniCredit. The market capitalisation of companies listed on Belex is €4.56bn, according to the exchange's website.

The Serbian post-trade infrastructure supplier is the Central Securities Registry, Depository and Clearing House, which was founded in 2001 and is now 100% owned by the Serbian state after a rule change in 2003.

Settlement is mandatory for listed instruments and normally completed on T+2 for equities or debt transactions though counterparties can agree to settle earlier. Only debt can be traded in the over-the-counter market which also settles no later than T+2.

Equities trades are settled in Serbian dinar while Euro-denominated government bonds are settled in Euros. The CSD acts as a clearing agent for all securities and fund transfers relating to the settlement of any transactions conducted on the exchange or in the OTC market. The CSD also acts as the Serbian trade registrar.

Short selling is not allowed by the Serbian Securities Commission. Securities lending is not prohibited but it is rare in Serbia. There are no restrictions on foreign ownership unless the listed company produces armaments or military equipment.

Jasmina Jankovic, the head of UniCredit Global Securities Services Serbia, said: "The Serbian Government remains committed to the development of local government debt securities market. Increased efficiency of the primary market and greater turnover in the secondary market are also important for achieving public debt management goals.

She added: "The intention to introduce a primary dealer concept has been communicated officially to market participants in a kick-off meeting organised by the Public Debt Administration. The Government's intention to come to the optimal solution through a phased approach and in cooperation with market participants has been received positively by the market. Development of the local retail client segment has been encouraged by the introduction of retail savings bonds denominated in local currency and euro."

SLOVAKIA

Unweighted	Score
Citi	5.41
UniCredit	4.99

Weighted	Score
Citi	6.04
UniCredit	5.03

Last year could be considered successful for the Slovak capital market, despite the fact that the number of settled transactions decreased by almost 50% on year-to-year basis to just over 15,000, said head of GSS Slovakia at Tatra Banka, Peter Uhrin.

"The migration of a local depository to T2S has introduced previously unsupported functionality. The new CDCP system is much more flexible and allows its participants to connect their systems to the CDCP system and on the other hand allows foreign participants to activate direct connection to depository."

As a result of the implementation of MiFID II it was possible to eliminate the obligation to settle custody transactions with listed securities through the stock exchange, he continues. "This has solved many problems that local custodians have been struggling with. In addition, the CDCP simplified and - in particular - capped transaction settlement fees at market acceptable levels."

Preparations made in support of the CSDR licensing process have been one of the central topics for both CSDs last year, adds Zuzana Milanova, head of UniCredit Global Securities Services Slovakia.

"They modified their operational rules, implemented internal risk management frameworks, business continuity policy and IT recovery plans while new participation criteria were defined. CDCP received the accreditation of the GLEIF to issue LEI codes. Both CSDs submitted their application for authorisation under CSDR to the National Bank of Slovakia."

With the aim of boosting the liquidity and price transparency of Slovak government bonds on the secondary market, the Debt and Management Liquidity Agency (ARDAL) launched the electronic trading platform MTS Slovakia in February 2018.

SLOVENIA

Unweighted	Score
UniCredit	5.13

Weighted	Score
UniCredit	5.99

The Ljubljana Stock Exchange was founded by a consortium of banks in 1989 and trades shares, bonds and commercial paper. It currently has 77 listed entities.

The Central Securities Clearing Corporation (KDD) assumed responsibility for post-trade functions in mid-1996 and Croatia's Zagreb Stock Exchange acquired all of the shares of the Slovenian exchange from the CEE Stock Exchange Group in late 2015.

KDD currently handles the clearing and settlement of all exchange-traded and over-the-counter traded securities. The depository is also aligned with the European Target2Securities initiative that seeks to streamline securities settlement across Europe.

Listed instruments (equities, debt and money-market instruments) are settled at T+2 while OTC trades are negotiable between counterparties.

Trading firms must be members of KDD or have a relationship with a KDD member to trade on the exchange. KDD members that are not banks must use a bank to handle cash settlement.

Under Slovenian exchange rules, brokers and custodians must agree to transfer the settlement obligation to the custodian from the broker. Trading on the exchange requires a code that enables the automatic allocation of assets to the relevant account within the KDD.

Short selling is allowed but the regulators and the public must be informed if the position reaches levels as defined by the exchange itself.

Securities lending takes place on a bilateral basis and for the purposes of making good on trades that would otherwise have failed due to lack of stock.

Non-Slovenian firms are allowed to invest in listed companies but there are restrictions over the types of firms with which they are able to engage.

Elmedina Garibovic, the head of UniCredit Global Securities Services Slovenia, said: "The past year has been a very busy year for all market participants and institutions in Slovenia. The migration to T2S in a fourth wave during a weekend from February 4-6 2017 was smooth and a new corporate action process, in line with CAJWG/CASG standards, was implemented at the same time."

She added: "The Slovene CSD – KDD is now the central point of corporate actions' execution. The implementation of important days, especially Ex-date and fixed-payment date for payments of dividends, are a big step forward in the corporate actions' process on the Slovene market in general. This novelty enables our clients to know exactly when the dividends will be paid.

Garibovic said: "There were some fears related to market claims, as the market was not familiar with those claims but the fear was at the end proven unfounded as KDD executed the market claims. The successful T2S migration and implementation of cascading system for corporate actions are the result of a tight and long-term cooperation between market institutions and market participants."

SPAIN

Unweighted	Score
BNP Paribas Securities Services	6.09
Societe Generale Securities Services	5.99
BBVA	5.24

Weighted	Score
BBVA	5.74
Societe Generale Securities Services	5.67
BNP Paribas Securities Services	5.39

Bolsas y Mercados Españoles (BME), which owns Spain's stock exchanges and post-trade infrastructure, reported net profits of €153 million (£134 million) in 2017, a 4.3% drop from the previous year.

The group's CEO, Javier Hernani, presented the results as evidence that business "remained stable in 2017 in a complex market and regulatory environment".

Iberclear, the national central securities depository (CSD), finalised migration onto the European Central Bank's TARGET2-Securities (T2S) platform in September and consolidated settlement for equity and fixed income, completing a reform of Spain's clearing and settlement systems.

The CSD picked Citigroup in October for global custody to enable Spanish institutions to settle international securities using Iberclear as a single point of access to international markets and the T2S framework.

Rafael Gonzalez-Aller, head of securities services for Southern Europe and Germanics at Citigroup, said Spain's implementation of T2S was "very successful", "being recognised by the industry as the most successful and smooth implementation and transition to the T2S platform with no incidents in such process at all".

In late December, the Spanish government issued a decree to partially implement Mifid II. Parliament has validated the decree and is fast-tracking a full transposition of the EU directive into national law.

In macroeconomic terms, Spain continued its recovery from the financial downturn despite the regional Catalan government's push for independence, which prompted retail banking customers to move €31 billion out of Catalonia in the last three months of 2017, according to data from the Spanish central bank.

The Spanish economy grew by 3.1% in 2017, racking up four years of consecutive growth, and the Bank of Spain raised its growth forecast for 2018 to 2.7% in March.

The unemployment rate stood at 16.5% in December down from more than 26% in 2013. The government announced in March that the number of workers contributing to the social security system had reached its highest point in nine years, but Spain is still one million jobs away from returning to pre-recession levels.

SWEDEN

Unweighted	Score
SEB	5.71
Nordea	5.15

Weighted	Score
SEB	5.75
Nordea	4.72

Nasdaq Stockholm is the main Swedish market while the Nordic growth market is aimed at small to medium-sized companies.

The exchange also acts as a regulator of activity conducted on its market, working with the Swedish Financial Supervisory Authority and the Riksbank, the central bank of Sweden.

The exchanges offer equities and debt, all of which settle on T+2. Securities lending and short-selling are allowed.

Euroclear Sweden, the national central securities depository, has taken various measures to modernise its procedures in recent years including:

- Settlement penalty fee of 500 SEK for central counterparty (CCP) deliveries that fail to settle on intended settlement date
- Penalty fee of SEK 50 000 for clearing members violating the Euroclear Sweden General Terms and Conditions for Account Operations and Clearing regarding the expected net payment amount as settlement headroom for fixed income securities.
- Euroclear Sweden distributes settlement efficiency reports, one report based on value and one report based on volume, including all clearing members' settlement ratios to all market participants for further distribution to all clearing members.
- Euroclear Sweden started to send requests for explanation on failing trades to clearing members. This applies when the Swedish market has for a specific day a settlement ratio for CCP cleared transactions below 90% of settlement value and the total value of fails in the Swedish market is above SEK 2 billion. Euroclear Sweden gathers the information received by participants and sends a compiled report of market fails to the regulator.

Alexander Lantz, Investor Services, Sweden at SEB, said: "All these measurements have not had as positive impact on the settlement ratio as Euroclear Sweden expected; therefore, there are ongoing discussions now in 2018 on what the next measurement/s that is to be implemented."

He added: "Euroclear Sweden decided October 2015 to implement a new CSD platform, based on Euroclear Finland's Infinity system, in Sweden as the best way to achieve CSDR compliance. The implementation of the new system, called EuroclearSafe, was tentatively planned to take place in 2018 and extensive market consultation was performed during 2016.

Lantz concluded: "In December 2016, Euroclear Sweden decided to put on hold the implementation of EuroclearSafe. Instead it was decided to rebuild the current VPC system to make it CSDR compliant. A number of changes related to settlement discipline, such as intended settlement date, partial (split) settlement functionality and settlement transaction type codes, are tentatively planned to be implemented in October 2019. Further changes, supporting penalties and buy-in, are tentatively planned to be implemented in 2020."

SWITZERLAND

Unweighted	Score
UBS AG	5.50
Credit Suisse	5.38

Weighted	Score
Credit Suisse	5.92
UBS AG	5.17

The Swiss Exchange is one of the world's leading trading centres for shares, warrants and bonds. Switzerland is also home to Europe's leading structured products market after the termination of a partnership with Deutsche Boerse called Scoach.

All instruments listed on the Swiss Exchange settle on T+2 through SIX Securities Services (SIX SIS) which serves the Swiss financial centre as the central securities depository (CSD) for assets and documents.

The central counterparty for the Swiss market is SIX x-clear, which is one of the leading European exponents of clearing interoperability, a contentious subject in Europe where national operators tend to be fiercely protective of trading in their domestic securities.

Securities lending is commonplace and foreign investors can participate without any restrictions but naked short selling is not allowed. There are no restrictions on foreign ownership of Swiss listed companies.

TURKEY

Unweighted	Score
BNP Paribas Securities Services	6.42
Deutsche Bank AG	5.50
Citi	5.25

Weighted	Score
Deutsche Bank AG	6.33
Citi	6.15
BNP Paribas Securities Services	5.27

Ertunc Gurson, head of Turkey for BNP Paribas Securities Services observes that 2017 was an active year for the Turkish Capital Markets. Borsa Istanbul (BIST) continued the roll-out of BISTECH, the infrastructural change designed to replace the execution, clearing and settlement systems in all of its markets in partnership with Nasdaq OMX Group.

"The BISTECH migration in the BIST futures and options market, which enabled a faster data flow and order entry via ITCH and OUCH protocols, was completed in March," he said. "The new system also made 'give-up' of executed trades and different types of memberships possible."

The BISTECH migration and implementation of Takasbank's CCP role was completed in the BIST cash equity market in June 2017 and concepts of general clearing membership of banks and the give-up model have also now been introduced.

The next phase - scheduled for May 2018 - is the BISTECH migration and CCP implementation in the BIST debt securities market and the precious diamonds and metals market.

In November 2017, MKK (the Turkish central registry agency) introduced direct position reporting for segregated accounts of non-resident beneficiaries to global custodians. MKK also continues its automation efforts in corporate actions and proxy voting.

"In the funds industry, the government has been taking radical steps to increase the savings rate - for example, with pension scheme auto-enrolment plans - and to improve the returns on pension funds, such as the requirement to appoint at least three asset managers," adds Gurson. "Finally, BIST is on target to complete its long awaited IPO in 2018."

UKRAINE

Unweighted	Score
Citi	5.19

Weighted	Score
Citi	5.94

At the time of writing, trading in Ukraine remained a risk due to tensions linked to the annexation of Crimea by Russia in 2014.

The market itself is fragmented, boasting ten regional exchanges. The main regulators in the country are the Cabinet of Ministers of Ukraine, the National Securities and Stock Market Commission, the National bank of Ukraine, the State Property Fund, the State Commission for Regulation of Financial Services Markets of Ukraine and the National Depository of Ukraine (NDU), the national central securities depository.

NDU was established in 1999 and received full CSD status in 2013.

The various exchanges offer shares, government bonds, corporate bonds, treasury bills and derivatives.

Equities are dematerialised while bonds are held in book entry form. Equities, corporate bonds and over-the-counter products settle on up to T+3 while government bonds settle on trade date.

NDU handles all Ukrainian securities except treasury bills and government bonds which are handled by the National Bank of Ukraine.

Short selling and securities lending are not available.

UNITED KINGDOM

Unweighted	Score
BNP Paribas Securities Services	5.69
HSBC	5.27
Citi	5.17

Weighted	Score
Citi	6.43
HSBC	6.18
BNP Paribas Securities Services	3.26

Brexit continues to be a leitmotif in British finance as businesses strengthen their footprint in Europe and the continent's financial hubs vie for relevance ahead of the London's departure from the EU.

Euroclear revealed in February that it intended to split up its UK central securities depository (CSD), which currently services both sides of the Irish border, to establish an additional one in Ireland.

In March, the post-trade giant disclosed it was relocating its legal structure to Belgium ahead of Britain's EU exit.

Still, the ramifications of Brexit remain unclear.

European leaders agreed in March on a 21-month transition during which the UK would retain access to the single market and EU rules would continue to apply. The transition, however, hinges on the approval of a final exit deal.

The bloc's leadership also greenlighted guidelines for negotiating the terms of a future relationship with the UK, but conversations have yet to start.

Some of the biggest Brexit-related question marks in finance are what will happen if firms forfeit passporting rights, whether delegation rules for asset managers will change and what the future holds for the London-based euro clearing industry.

EU chief negotiator Michel Barnier has insisted that UK firms will lose their passports the moment Britain leaves the single market, and British prime minister Theresa May said in a speech in March the British government was "not looking" to secure passporting.

Delegation rules, which allow buy-side firms to be domiciled in the continent while the bulk of the business takes place in the UK, may also change due to Britain's departure. The European Securities Markets Authority (Esma) said in an opinion paper that regulators should look at "substance" when assessing delegation.

The European Central Bank (ECB) proposed seizing authority over euro clearing in June, a move the Commission has backed, urging the European Parliament and the Council of the EU to adopt the proposal.

The UK government has said that if forced to relocate, clearinghouses would most likely move to the United States.

For its part, the British Financial Conduct Authority (FCA) said in December it was recreating EU rules to mitigate uncertainty for the market.

Peter Stewart, head of securities services for the UK and Ireland at Citigroup, said that the challenges derived from regulation and changes in the market will haunt industry members until the scope of Brexit is gauged.

"Regulation and associated market change have become a pivotal discussion in the United Kingdom's securities market; the outcomes of which will continue to challenge custodians, investors and brokers until the legal challenges that Brexit may bring are fully understood," he said.

The London Stock Exchange (LSE) Group appointed Goldman Sachs' David Schwimmer as CEO in April after his predecessor, Xavier Rolet, stepped down in November.

The group reported a 17% revenue boost in 2017, with information and post-trade services growing fastest. ■

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BAHRAIN

Unweighted	Score
HSBC	5.34

Weighted	Score
HSBC	6.77

Bahrain Bourse (BHB) was established in 2010, replacing the Bahrain Stock Exchange (BSE) that was established in 1987. The exchange has grown in the number of listed securities and trading is carried out through 12 securities brokers active in the market and day-to-day trading takes place through the Automated Trading System (ATS). There is also a clearing, settlement and central depository system (CDS), which is likewise automated.

These two systems have combined to ensure a fast and efficient trading process, ensuring delivery versus payment on a T+2 basis.

The Bahrain Financial Exchange (BFX) was established as a multi-asset exchange to list derivative and cash instruments on multiple asset classes such as currencies, commodities, and securities related products for trading.

Bait Al Bursa is an Islamic finance division of the BFX exclusively offering electronic exchange traded Islamic financial instruments.

The BFX has set-up its clearing and depository corporation (BCDC) as a wholly owned subsidiary of the BFX to clear and settle the contracts traded on the exchange.

As the BFX facilitates trading across multiple time zones spanning from to the US, special processes are implemented by the BCDC to support clearing in the extended trading window. The BCDC presently ensures the settlement of all the transactions conducted on the BFX platform is completed on a T+1 day basis.

It is licensed as a clearing, settlement and depository institution under Central Bank of Bahrain (CBB) law and the clearing, settlement and central depository module of CBB's rulebook.

The capital market is under the regulatory and supervisory oversight of the Central Bank's Capital Market Supervision Directorate, which oversees both the primary and secondary markets.

BOTSWANA

Unweighted	Score
Standard Bank	5.42
Standard Chartered	4.70

Weighted	Score
Standard Chartered	6.36
Standard Bank	3.78

The Botswana market is fairly small and has grappled with low liquidity owing to excessive capital chasing few investable assets available on the Botswana Stock Exchange (BSE).

Vincent Baituti, head investor services, Stanbic Bank Botswana, said the market is predominantly in the hands of local pension funds and institutions that are typically long term focused.

"In order to mitigate liquidity constraints, the BSE formulated a 5-year strategic plan which is expected to drive sustainable economic growth by providing a gateway for raising capital and accessing diverse investment opportunities."

2017 saw a number of initiatives taking place or gaining momentum to support this strategy.

In the debt market, corporate bonds settled at the Central Securities Depository of Botswana (CSDB) reached a dematerialised rate of 96.9% (end January 2018) and the BSE reduced the cost of trading corporate bonds as at 1 January 2018.

The exchange also completed the drafting on the revised debt listing rules that will not only make it easier to issue and list bonds, but will also explicitly cater for commercial paper, a short-term debt instrument that is vital for raising working capital.

"Stanbic Bank Botswana sees these initiatives as driving improvement in the trading of debt instruments and subsequently unlocking liquidity in the market," Baituti added.

Other ongoing developments include: significant traction in the demutualisation of the BSE; linking the CSDB to the Botswana Interbank Settlement System (BISS) so that CSDB transactions are settled in central bank money and the establishment of a single national central securities depository to centralise trading, clearing and settlement in the market. Rules for securities lending and borrowing are also in the works.

Speaking to Global Investor, experts at Standard Chartered said improvements to fully automate billing for clients on the core custody system, SecCure, is a target for 2018.

COTE D'IVOIRE

Unweighted	Score
Societe Generale Securities Services	5.46
Standard Chartered	4.46

Weighted	Score
Standard Chartered	6.38
Societe Generale Securities Services	4.75

Standard Bank has confirmed it plans to establish a custody business in Ivory Coast by the end of 2018.

"Standard Bank will be looking to launch custody services in the market before the end of 2018, subject to regulatory approvals," the company told Global Investor.

Standard Bank pointed to Ivory Coast's rapid economic growth and position as a regional hub as reasons for setting foot in the country.

"This is the culmination of a deliberate drive by Standard Bank to establish a presence in the Francophone West Africa region with its diverse, rapidly growing economies and business-friendly reputation," Kenny Fihla, the group's chief executive for corporate and investment banking, said of the announcement.

Stanbic Bank's local chief executive, Hervé Boyer, labelled the country as an "excellent launch pad" to develop its services.

"Côte d'Ivoire's vibrant financial services sector and competitive banking industry is an excellent launch pad for Standard Bank to expand its services and we look forward to being able to contribute to the economic development of the country," he said in a statement.

Standard Chartered claims to have a 40% market share among eight custodian banks in the country and a 70% share when it comes to foreign institutional clients. The firm has formally obtained official approval from the market regulator to safe-keep and reflect money market securities in its custody system/books on behalf of our clients.

More recently Standard Chartered successfully lobbied the regulator to develop an "investor's protection fund" to improve investor's protection in the Ivory Coast market

The Regional Stock Exchange (BRVM) is a collective exchange serving the following West African countries – Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal and Togo.

In 2016 Morgan Stanley Capital International (MSCI), which runs the MSCI Frontier Markets Index, said BRVM had met its liquidity and operating criteria and included it in the frontier benchmark from November 2016.

The promotion to frontier-market status was a useful boost to investment prospects and the reputation of the bourse.

EGYPT

Unweighted	Score
HSBC	5.20
Citi	5.15

Weighted	Score
Citi	6.64
HSBC	6.61

Despite the economic challenges facing the country, a report from Oxford Business Group notes that 2017 was a positive year for the Egyptian Exchange (EGX), with the main index expanding by approximately 17% on the back of a strong 2016, in which it was one of the best performing markets in the world in local currency terms.

The main market is a multi-location platform with floors in both Cairo and Alexandria, which operate on a standard primary (new issue) and secondary (trading) basis. Both locations share the same trading, clearing and settlement infrastructure.

The EGX is primarily an equities platform, with trading in stocks accounting for almost 80% of market activity in January 2018. However, recent years have seen growing interest in debt instruments - in 2015 bond trades hit their highest level in the history of the EGX, reaching $5.9bn and remained at the relatively elevated level of $5.2bn in 2016.

Debt issuance remains dominated by government activity, with the traded value of government bonds exceeding $5.1bn in 2016, compared to just $131.8m for corporate issuances.

Foreign investor appetite for Egyptian T-bills reached record levels in 2017 as a result of the devaluation of the currency. The average yield on Egyptian Treasuries climbed as high as 22% at one point, although investors were also incentivised by the government's investment-friendly approach in its ongoing process of economic reform, as well robust GDP growth forecasts.

While the EGX's main board continues to account for the vast majority of market activity by trading value, since 2010 investors have had the option to direct their capital to a range of small and mid-cap firms that are listed on a separate board, the Nile Stock Exchange (Nilex).

Like other secondary markets in the region, this sub-market shares the same basic trading rules and principles as the main market, but attempts to attract businesses to its board through less onerous listing requirements.

Sara Touba, Vice President, Client Services, HSBC Securities Services, Egypt S.A.E., said: "During the past year, Egypt has witnessed several important market developments, which can be summarised as follows:

Important amendments to the Capital Market Law number 95 for the year 1992 have been approved in February 2018, which allow for the establishment of futures exchanges, availing futures, options and swaps, and issuing new instruments like Sukuks.

The market is studying the introduction of securities lending and borrowing.

Appointment of new Chairmen for the Egyptian Exchange and the Financial Regulatory Authority.

The Financial Regulatory Authority introduced a new decree effective July 2017, which requires custodians to receive an authorization from clients allowing local brokers to block their shares prior to sale, and also mandates


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that unified codes are marked as dormant after 12 months of no trading activity and requires clients to submit a request to re-activate their unified codes in the market when they turn dormant.

Misr for Central Clearing, Depository and Registry (MCDR) was appointed by the Ministry of Finance as the withholding tax agent for government bonds effective 1 August 2017.

The Egyptian Exchange applied a stamp duty tax on all transactions executed on the Egyptian Exchange, and extended the suspension of Capital Gains Tax until May 2020."

GHANA

Unweighted	Score
Standard Bank	5.91
Standard Chartered	4.13

Weighted	Score
Standard Chartered	5.45
Standard Bank	4.16

Ghana's financial sector is rated as fairly developed by the 2017-18 Global Competitiveness Index (GCI) report and the sector is considered robust.

The key financial instruments available to foreign investors in the Ghanaian capital and money market are equities and bonds (both government and corporate).

"While no regulatory developments were implemented during 2017, significant progress was made regarding the testing of a number of initiatives," according to William Sowah, head of investor services, Stanbic Bank Ghana.

"The Central Securities Depository (CSD) is planning to provide an online interface to enable brokers place bids electronically for equity IPOs. This is expected to lead to the standardisation of the bidding process for equity IPOs and enhanced transparency."

In addition, the CSD is also developing a web-based portal granting clients real-time access to securities account balances at the CSD. This, Sowah suggests, will lead to enhanced transparency and access to investor information.

Lastly an online interface is being developed to enable investors to vote electronically on Annual General Meetings (AGM) resolutions.

"This will allow for a standardised and enhanced AGM voting process. All these initiatives are expected to go live by end of the second quarter of 2018," he explains.

The CSD has started an initiative to deploy Swift as a method of communication within the Ghana securities market.

The project is at the scoping stage and Stanbic Bank Ghana is an active member of the securities market practice group that has been established to discuss the proposals submitted by Swift. The CSD is awaiting the revised scope and pricing from Swift.

"The adoption of Swift in Ghana will give clients authenticated standardised messaging among securities market participants, provide greater transparency and enhanced market efficiency, explains Stanbic Bank's Sowah.

"In 2018 Stanbic Bank Ghana plans to integrate securities settlement with cash settlement to eliminate manual matching and ensure seamlessness in the settlement process. These initiatives build on the momentum growing in the Ghanaian financial market infrastructure to develop and improve opportunities for investors in Ghana."

ISRAEL

Unweighted	Score
Bank Leumi	5.26
Citi	5.01
Bank Hapoalim	4.59

Weighted	Score
Citi	6.56
Bank Leumi	5.90
Bank Hapoalim	5.30

Most investment on the Tel Aviv Stock Exchange (TASE) from outside Israel is carried out via global custodians who generally enter into sub-custody agreements with the local clearing house members that are banks. Citi is the only foreign institution that has become a clearing house member. Local banks, including Bank Leumi and Bank Hapoalim, have significant sub-custody contracts in place.

The exchange plays a major role in the economy and is a key player in its economic growth by raising capital to finance investments and activities. TASE's main function is to approve the issue of new securities and to provide trading facilities for all security types and clearing transactions.

Israel Securities Authority (ISA) is responsible for protecting the interests of the investing public, and regulating the TASE.

The Bank of Israel is responsible for the issuance of Treasury Bills; supervision of the banks; regulating monetary policy; promoting financial stability; managing the foreign currency market and foreign exchange reserves. In conjunction with the Committee of Banks, it also regulates the clearing of electronic payments and checks.

JORDAN

Unweighted	Score
Standard Chartered	5.22

Weighted	Score
Standard Chartered	6.55

The capital market development strategy and roadmap for Jordan published in January 2017 by the Jordan Securities Commission (JSC) and the European Bank for Reconstruction and Development noted that Jordan possesses all the required ingredients to operate a healthy capital market and that while additional functionality and restructuring was advisable, the country did not need to create new entities.

The absence of investable funds is not a problem for the Jordanian capital market, but substantial sums lie outside of the country and lack of participation by domestic investors has been driven by regional unrest and lingering resentment from the market crash of 2007.

There are also regulatory and mechanical obstacles that have impeded foreign investors from coming to Jordan. For example, companies law is not clear on the types of securities enterprises may issue and domestic companies do not view the securities market as an attractive alternative to bank financing.

The tax code imposes income tax on investment funds - making them more costly than direct investment – while the 2012 decision to impose the civil service salary structure on the JSC, the Amman Stock Exchange (ASE) and the Securities Depository Centre (SDC) caused severe personnel loss and impeded staff training and development.

In addition, the legal and regulatory regime surrounding the capital market has not kept pace with wider developments in finance and needs to be reviewed and upgraded.

KENYA

Unweighted	Score
Standard Bank	6.08
Standard Chartered	4.88

Weighted	Score
Standard Chartered	6.58
Standard Bank	4.16

The Nairobi Securities Exchange (NSE) was founded in 1954 and demutualised in 2014. The east African exchange group currently has 24 brokers, including Barclays, Old Mutual And Standard Investment Bank. There are 62 listed companies, including the NSE itself, one real estate investment trust and an exchange-traded fund. The listed companies have a combined market capitalisation of slightly less than £20bn.

The Central Depository and Settlement Corporation (CDSC) was incorporated in 1999 and the central depository system was commissioned in late 2004. Electronic government bond trading started in 2009 and the settlement cycle was cut to T+3 from T+4 in July 2011. Corporate bonds went live in 2014.

Kenya is a dematerialised market, with shares held at the depository in immobilised form. Treasury bills and bonds are held in dematerialised form by the Central Bank of Kenya.

Janet Waiguru, Head of Investor Services at Stanbic Bank Kenya, said Kenya was in the headlines in 2017 partly due to the fact there were two general elections in that country.

She said: "In 2017 the Capital Markets Authority (CMA) launched international certification standards for participants in the capital markets industry. In addition, there was progress on the development of the central securities depositories (CSDs) and the creation of the NSE Futures Exchange. These developments intend to bring greater efficiencies to the Kenyan market."

Waiguru said the CDSC made progress on its system upgrade with full implementation expected by the third quarter of 2018 and integration with global payments network Swift towards the end of 2018. The Central Bank of Kenya CSD also rolled out a new system to enable participants to access government securities through online banking.

She continued: "The NSE is set to open a futures exchange for trading of currency, market indices and interest rate contracts. This is expected to deepen the capital markets through diversification of investment products with an expected launch date of the second quarter 2018."

Waiguru also said the CMA has published a draft guidance note on Global Depositary Receipts and Global Depositary Notes and, in collaboration with the World Bank, developed and issued proposed regulations to govern securities lending and borrowing, and short selling.

Standard Chartered Bank said it has been working hard in Kenya. The bank said it has "advocated to be made a settlement bank to reduce counterparty and settlement risk and provided inputs to securities lending, borrowing and short selling to the Capital Markets Authority".

"The absence of investable funds is not a problem for the Jordanian capital market, but substantial sums lie outside of the country and lack of participation by domestic investors has been driven by regional unrest and lingering resentment from the market crash of 2007."

KUWAIT

Unweighted	Score
HSBC	5.20

Weighted	Score
HSBC	6.55

Index provider FTSE Russell, owned by the LSE Group, gave Kuwait a deserved boost in September last year when it added that country to its emerging market list.

Fund management experts estimated at the time the improved status Kuwait could lead to inflows of up to or more than $800 million, given the country would make up about 0.5% of the entire investable group.

The upgrade reflected a long-standing effort by Kuwait's regulator the Capital Market Authority, which was only formed in 2011, and its main exchange to modernise rules and processes in that country.

Boursa Kuwait Securities Company took over the running of the Kuwait Stock Exchange in April 2016 and has continued an agenda of reform since that time.

The exchange currently lists 173 companies worth a collective $90bn but it is keen to grow these numbers and diversify into other asset classes.

One of its main projects is the introduction of new technology from US exchange group Nasdaq.

The Kuwait exchange launched in 2012 Nasdaq's flagship X-Stream trading system for equities and forwards. The second phase of this technology roll-out could see Kuwait put in place the tools to launch fixed income products, and futures and options, and support market-makers.

The Kuwait Clearing Corporation handles clearing, settlement and other custodial services for the Kuwaiti market.

The exchange group said in March 2018 it is considering listing some of its onw shares on its market, a trend that is consistent with moves made by other large exchanges in the Middle East.

MALAWI

Unweighted	Score
Standard Bank	4.80

Weighted	Score
Standard Bank	4.65

The Malawi Stock Exchange (MSE) was founded in 1994 and started trading in 1996 when it listed its first company – National Insurance Company Limited. The exchange has a main board, a junior market for small and medium-sized entities and a debt market.

The exchange has three brokers: Stockbrokers Malawi Ltd; Cedar Capital; and Continental Capital.

The Blantyre-based market is working towards the launch of a bespoke central securities depository.

Dalitso Kabambe, the governor of the Reserve Bank of Malawi, the central bank, told a delegation in July 2017 the country was making progress in its financial reform programme.

He said: "We take pride in some of the efforts which have been made over the years in this area including modernisation of existing financial sector laws, such as the banking, insurance, securities, microfinance, pension, financial cooperatives, agent banking, credit reference bureau, payment systems, introduction of the National Switch which has promoted mobile money banking, which have all improved the architecture of our financial systems and advanced the financial inclusion agenda."

Kabambe added: "The Reserve Bank continues to play this pivotal role and is currently championing the Microfinance Processing Hub, the Automated Trading System for the Malawi Stock Exchange, the Central Securities Depository (CSD) system for securities and equities. These eight initiatives will benefit the public through increased access to finance and, most importantly, at affordable cost."

Wilson Kuyokw, Head of Investor Services, Malawi at Standard Bank said: "The market is predominantly in the hands of local pension funds and institutions that are typically long term focused. In order to mitigate liquidity constraints, the MSE has started courting new companies to raise capital through the exchange and this has started yielding results and there have been two very successful fully underwritten and subscribed rights issues in the last year."

Kuyokw added: "The MSE board has also decided to implement a central securities depository for listed equities and corporate bonds. Before this project is implemented, it is necessary to upgrade the current trading platform to an Automated Trading System (ATS).

With the improved infrastructure, investors will experience improved efficiency when executing trades. It is expected that these two projects will be rolled out before the end of 2018.

He concluded: "A CSD will result in improved capital market offering in Malawi with a possible reduction in the settlement cycle, and improved safety of assets, turnaround times and processing efficiency."

MAURITIUS

Unweighted	Score
Barclays	6.87
HSBC	5.16

Weighted	Score
HSBC	6.38
Barclays	5.70

Mauritius is for the purposes of this guide part of Middle East and Africa but the Indian Ocean island state is unusual in that it is relatively stable and prosperous when compared with some of its African counterparts and it has very strong economic links with India.

The Stock Exchange of Mauritius is the only financial market infrastructure firm on the relatively small group of islands. SEM trades shares corporate bonds and Treasury Bills, with a total issued market cap of $9.2billion, mostly from 51 listed firms.

SEM has a main, listed market for share trading and a secondary market called the Development and Enterprise Market which is tailored to smaller firms whose shares are not actively traded and are more suited to over-the-counter market.

The exchange allowed from late 2016 firms to settle trades in some securities in US dollars.

The Central Depository and Settlement Company Ltd, which is majority owned by the Mauritius exchange group, is the clearing house and settlement depository for trades executed on SEM. The Bank of Mauritius is the clearing bank behind CDS.

The settlement cycle is T+3 for equities and short selling is not allowed.

The exchange is looking to grow its debt trading business and said in November: "SEM has successfully attracted the listing of a growing number of debt instruments on its Debt Board. The total market capitalisation of all debt instruments listed and traded on the SEM currently stands at Rs21.5 billion ($455m) and this capitalisation level is expected to increase in the coming months as more listed issuers resort to debt funding.

The exchange continued: "The timing is, therefore, opportune to create a Bond index which will provide bond investors with a dynamic and measurable tool of the time-series performance of the bond index constituents. The launching of SEM-BI confirms the attractiveness of the SEM as a compelling capital-raising and listing platform for debt instruments. It is also expected to enhance the visibility of the debt market in Mauritius."

Standard Chartered Bank (SCB) said it is committed to the market: "SCB is a participant to Stock Exchange of Mauritius Consultative Committee run by the Stock Exchange of Mauritius. We are also members of the Mauritius Bankers Association and our CEO Mathieu Mandeng is the Deputy Chairman."

MOROCCO

Unweighted	Score
BNP Paribas Securities Services	5.89
Citi	5.32
Societe Generale Securities Services	5.03

Weighted	Score
Citi	6.94
Societe Generale Securities Services	6.31
BNP Paribas Securities Services	4.16

Founded in 1929, the Casablanca Stock Exchange has 75 listed entities, three equity markets and a bond market. Maroclear, the central securities depositary, was established in October 1998 and has seen various upgrades since then. A derivatives market has been discussed.

The settlement house moved to T+3 from T+5 in 2001 and adopted a new clearing system the following year. Maroclear still processes delivery versus payments equities and primary market debt on a T+3 basis while secondary market debt is settled on T+0.

Over-the-counter trades, which are

exclusively in fixed income instruments, are settled on the same day as the trade was executed.

Settlement of shares listed at the Casablanca Stock Exchange is based on three processes, according to the exchange.

The Adjustment Process registers and controls trade adjustments by order, giving custodians contract notes produced by brokerage firms for each trade.

The Markets Process handles trades executed by brokerage firms on markets organised by the Casablanca Stock Exchange.

The Closing Process ensures the simultaneous delivery of securities against cash payment after the checking of intermediaries' balance. It is supervised by Maroclear.

Short selling is not authorised and securities lending has not yet permissible but a law has been proposed that would ease this restriction. Foreign firms are allowed to invest in Moroccan listed firms but there are restrictions around which types of companies are in play.

NAMIBIA

Unweighted	Score
Standard Bank	4.52

Weighted	Score
Standard Bank	5.37

Namibia boasts one of Africa's first exchanges after a short-lived market emerged in Luderitz in 1904 to tap into the diamond rush in that part of the South-West African country.

Today's Windhoek-based exchange went live in 1992 with four listed companies, and launched its first depositary receipt in 2012 and an over-the-counter market the following year.

At the end of last year the Namibian Stock Exchange (NSX) had some 38 listed companies, including Anglo American, Investec and Standard Bank, with a combined market capitalisation of N$1.85 trillion (£110bn). According to the exchange's website, it has four brokers and seven sponsors.

The exchange has a good range of products including shares, government bonds, corporate debt, derivatives and unit trusts. These instruments can be physical certificates or dematerialised.

Equities settle on T+5 and debt instruments settle on T+3.

Namibian treasury bills are settled by the Bank of Namibia while shares that are jointly listed on the NSX and neighbouring South Africa's Johannesburg Stock Exchange (JSE) settle through the JSE's depository Strate.

Short-selling is not applicable and securities lending is unusual.

Patrick Morgan, interim Head of Investor Services at Standard Bank Namibia, said Namibia is a relatively small market for international investors: "There are 35 listed companies on the Namibian Stock Exchange (NSX), of which ten are local listed companies. The bulk of the others have their primary listing on the JSE.

"The market is predominantly in the hands of local pension funds and institutional investors, who have mostly adopted a buy and hold strategy to satisfy regulatory requirements. In order to mitigate liquidity constraints, the NSX has started courting new companies to raise capital through the exchange which will ultimately increase liquidity and free-floating investment opportunities."

> "At the end of last year the Namibian Stock Exchange (NSX) had some 38 listed companies, including Anglo American, Investec and Standard Bank, with a combined market capitalisation of N$1.85 trillion (£110bn)."

Morgan said the development of a central securities depository (CSD) in Namibia continued in 2017.

"The Namibia Financial Institutions Supervisory Authority (Namfisa) concluded its reviews and industry engagements. The regulations are now with the Minister of Finance for consideration and promulgation. The Financial Institutions Market Bill is expected to be tabled in parliament this year. There is no indicative date as to when this will happen, however, we understand from the latest industry consultations that the bill has been prioritised."

Morgan continued: "The market initiated discussions in 2015 to launch a CSD for local listed and unlisted securities (including government securities). Standard Bank Namibia Limited has two seats of representation on the CSD industry working committee and actively participates in discussions around regulatory and operational frameworks for the CSD.

"Authority (BIPA), who are the custodians of the Companies Act. These discussions include other local custodians and the Association of Global Custodians to present a collaborated case in a joint meeting with BIPA, the Financial Intelligence Centre and Namfisa," Morgan concluded.

NIGERIA

Unweighted	Score
Standard Bank	5.48

Weighted	Score
Standard Bank	5.88

The Nigerian economy exited recession in 2017 with a positive 0.7% GDP growth. This was supported by a capital market that had the third highest positive performance in the world – the Nigerian Stock Exchange (NSE) index appreciated 43% in 2017. The Central Bank of Nigeria (CBN) also introduced the Investors and Exporters Window for FX trading. This gave greater FX liquidity, eliminating the FX challenges for offshore investors in Nigeria.

"There were two key developments in the capital markets in 2017," said

Akeem Oyewale, head of investor services, Stanbic IBTC, Nigeria. "The first was the issuance, safekeeping and administrative processes of the Certificate of Capital Importation (CCI) changing from paper to an electronic form. Parallel issuance of paper and electronic CCIs ended on 11 September 2017. Stanbic IBTC Bank led the initiative to automate the CCI process, believing that this adds significant efficiencies to the process."

The second major development was the Central Securities Clearing System (CSCS) changing to a new settlement platform. TCS BaNCS was successfully launched in October 2017 and platform change aims at improving efficiency in depository, clearing and settlement services. "This change will allow for the adoption of Swift, which is currently being tested," Oyewale suggested.

He added: "We attend to about 80 to 85% of all foreign investors taking investment decisions in Nigeria. The bank plays an active role in shaping regulations and market developments in the Nigerian market, often through our participation in the Association of Asset Custodians of Nigeria."

During 2017 progress was made following the launch of securities lending and borrowing services and Stanbic IBTC Bank had a few commercial trades with local clients in December. The services are currently only available to the Nigerian market makers and stockbrokers. Plans to extend to foreign clients are still underway. "There has been continuous and increased awareness and engagement among key market participants including the NSE, asset managers and brokers," Oyewala claimed.

He concluded: "Overall, 2017 was an impressive year for investors in Nigeria. Good yields on fixed income instruments, increased liquidity in the foreign exchange market, good equity returns and improved efficiencies in the infrastructures for supporting trading and settlement in the economy. The expectations are that the dynamics for the economy would continue to be robust and not be impacted by the upcoming 2019 elections."

OMAN

Unweighted	Score
HSBC	5.28

Weighted	Score
HSBC	6.70

The Muscat Securities Market was established in 1988 and began trading in the middle of the following year. Trading was initially open outcry until an electronic trading system was implemented in 2003.

The exchange offers shares on 75 listed entities, government bonds and corporate bonds. Equities settle on T+3 while bonds settle on T+2. Over-the counter trading, short selling or stock lending are not permissible.

Investors must obtain a National investor Number from the Muscat Clearing and Depository (MCD), the securities depository of Oman. The MCD holds non-resident securities in a custody account that cannot be accessed by local brokers.

Foreign investment is limited to 70% of Omani listed companies but the companies themselves can set their own restrictions, with most setting that level at 49% of tradeable shares.

Standard Chartered Bank said it passed various milestones in the Omani market last year including: the first implementation in the Middle East of the Single-Touch Custody Model "providing clients with a consistent custody and asset servicing solution with near-market cut-offs and timely reporting".

SCB said it also worked in Oman on the introduction of Securities Lending & Borrowing (SLB); Foreign Account Tax Compliance Act (FATCA) Reporting; 100% straight-through processing rate due to roll-out of Straight2Bank to clients in the region; and onboarded the first Sovereign Wealth Fund client in the market.

QATAR

Unweighted	Score
HSBC	5.51

Weighted	Score
HSBC	6.87

International investment into Qatar has been complicated by the move in June 2017 by various Gulf states including Saudi Arabia to cut-off diplomatic relations with the country.

Qatar is economically strong, being

home to the world's third largest natural gas reserves. Its domestic market is well developed. The Doha Securities Market was founded in 1997 and changed its name in 2009 to the Qatar Stock Exchange (QSE).

The Qatar Central Securities Depository (QCSD), which went live in January 2004, is owned by the Qatar Central Bank and the QSE, a regulated by the Qatar Financial Markets Authority.

H.E. Sheikh Abdullah Bin Saoud Al-Thani, the Governor of the Qatar Central Bank and Chairman of the Board of Directors at QCSD, said on its website: "The QCSD aims to create a cost effective post trade financial infrastructure wherein all types of customers can hold financial assets such as Treasury–Bills (T-Bills), Bonds, Sukuks in a safe and secured environment."

He added: "Central security depositories are of great importance because of their active role in risk management which reflects positively on the economy and strengthens the confidence of the financial sector within the state of Qatar. I am confident that the QCSD will be able to perform a central role in the financial sector with distinction."

The CSD handles equities, treasury bills and bonds, all of which settle on T+3. There are three custodians active in the Qatar market: HSBC, QNB and Standard Chartered.

Short selling is not permitted and securities lending is restricted.

Shreen Abeysekera, Head of HSBC Securities Services, HSBC Qatar, said: "The stock exchange is looking at the introduction of the Central Counterparty concept, covered short selling and Islamic structured products similar to futures and options. The exchange is working with Sharia scholars to determine how to best structure these products.

He added: "In 2017, the Qatar Central Securities Depository (QCSD) introduced an Ultimate Beneficial Owner disclosure requirement for account opening at the Central Depository. The focus of the change is to improve overall Anti-Money Laundering / Know Your Customer standards."

Abeysekera added: "One of the changes we hope to see in the near future is the introduction of bulk order execution. This will enable brokers to trade on behalf of multiple NINs (National Identification Number) through one single trading account and by end of day allocate the shares to clients' NINs. We also hope to implement an error trade correction window to rectify error trades without impacting clients."

SAUDI ARABIA

Unweighted	Score
HSBC	5.26

Weighted	Score
HSBC	6.60

In November 2017 the Saudi Stock Exchange (Tadawul) and Nasdaq signed an agreement to transform Tadawul's post-trade technology infrastructure, including registry, depository and risk management technologies.

The new post-trade technology will replace Tadawul's existing registry, depository, clearing and settlement solution, which was implemented in 2001. In addition to introducing a new central counterparty clearing solution, this will enable both Tadawul and market participants to introduce new asset classes to the market and offer new services to investors.

It is expected that the changes will increase the efficiency and effectiveness of the Saudi Stock Exchange and promote further market growth.

Khalid Al-Hussan, CEO of the Saudi Stock Exchange said the announcement was a continuation of market enhancements undertaken to integrate securities trading in Saudi Arabia with global equity markets and enhance post trade infrastructure and efficiency for local and foreign investors.

Earlier in the year, he said the exchange should be ready to introduce equity futures and options by 2019 once reforms to help it manage the risks of such products were completed.

Futures and options will be in demand as hedging tools for the foreign institutional investors expected to enter the market following the listing of national petroleum and natural gas company Saudi Aramco. Having initially been expected to list on an international exchange, the company is now predicted to list on the domestic stock market, possibly in the second half of this year.

Earlier this year, MSCI said it expected to conclude it consultation on the potential reclassification of the MSCI Saudi Arabia Index to emerging market status by June 2018.

The T+2 settlement cycle was introduced in Saudi Arabia in April 2017 and since then there have been two significant changes - the ability of independent custodians to reject client trades where the client had failed to fund in time (permitted from 21 January 2018) and the new Rules for Qualified Financial Investors, which went live on 23 January 2018.

The first change removed the quasi-clearing function of the local custodian and the second was an extensive overhaul of the original QFI support framework, the first iteration of which was introduced in June 2015.

"Not only have the market entry criteria been relaxed in the latest version of the rules, it is also no longer a requirement to have the Capital Market Authority determine the QFI application," explains Charles Cohen, head of securities services at Deutsche Securities Saudi Arabia. "Responsibility for determining QFI applications now sits with the local authorised persons."

There have been a host of smaller rule changes including the introduction of tradable rights, aggregate orders, partial settlements, trading and depository eligibility of certain government issued bonds.

The pace and magnitude of change, coupled with the smooth implementation has been an enormous achievement for the Capital Market Authority, Tadawul and all the authorised persons active in the market, said Cohen.

"In April 2017 the market saw significant developments to securities lending, borrowing and short selling in the market. The introduction of the CCP and the ARMACO IPO may provide the catalyst to enhance volumes in the lending and borrowing space."

SOUTH AFRICA

Unweighted	Score
Standard Bank	6.01
Societe Generale Securities Services	5.60
Standard Chartered	4.58
RMB	4.46

Weighted	Score
RMB	5.26
Standard Bank	4.96
Standard Chartered	4.70
Societe Generale Securities Services	4.29

According to Rajesh Ramsundhar, head of investor services South Africa at Standard Bank, the two key market changes in South Africa over the last 12 months were the changes in bond settlement – the project was known as the Debt Instruments Solution (DIS) – and the establishment of new exchanges.

The essence of the DIS project was the central securities depository (CSD), Strate, the JSE and CSD participants completely revamping the post-trade bonds technology and operational processes. The purpose of this change was to reduce business risk, provide operational flexibility and enhance controls in business processes and the system change enabled the functionality to support central security accounts. In addition, capital event processing was automated.

"The project was launched with good readiness from all market participants, clients and the technical platform, but significant challenges were experienced in the days immediately following the launch," said Ramsundhar.

"Settlement was intermittently disrupted, resulting in extension of the settlement window, delays in settlements and materially higher settlement failures. However, the strong collaboration between market stakeholders ensured that the challenges were resolved in good time and that the bonds settlements process was stabilised."

During 2017, two new exchanges started trading in South Africa – A2X and 4AX. Ramsundhar expects the new exchanges to drive efficiencies in the market, reduce costs, introduce new investors and issuers into the market and ultimately increase the size and liquidity of the capital market.

"During 2018, we expect the National Treasury to implement its electronic trading platform (ETP) for the South African government bonds market. The implementation of ETP will improve transparency in the government bond market, mitigating systemic risk and protecting against market abuse while improving liquidity. In addition, the JSE's integrated trading and clearing (ITaC) initiative is expected to introduce an integrated technology solution for the JSE's trading and clearing services, allowing clearing members to hold securities as collateral of up to 20% of their margin requirements."

In August 2017, the Financial Sector Regulation Act was signed into law, which lead to the creation of a prudential regulator (the Prudential Authority) from 1 April 2018. The Financial Services Board will be transformed into a dedicated market conduct regulator, the Financial Sector Control Authority.

SWAZILAND

Unweighted	Score
Standard Bank	4.49

Weighted	Score
Standard Bank	5.90

The Swaziland Stock Exchange was founded in 1990 by current prime minister Barnabas Sibusiso Dlamini as an over-the-counter market but it evolved into a full listed market in 1999. The exchange, which offers equities, corporate and government bonds, is regulated by the Capital Markets Development Unit of the Central Bank.

There are seven listed companies, two dealing members and the Central Bank of Swaziland is the sole plan sponsor. The Financial Markets department of the Central Bank of Swaziland is responsible for the country's central securities depository and automated clearing house.

Lindiwe Manana, Manager, Investor Services, Swaziland at Standard Bank, said: "Global intermediaries opened accounts in the Swaziland market 10 to 15 years back and to date there has not been any foreign investor activity in the securities market outside of South African institutions. The Swaziland Stock Exchange (SSX) still comprises 100% domestic investors.

"In order to stimulate the activity of the local SSX, the Financial Services Regulatory Authority has stipulated that it will strongly enforce the 50% local investment allocation for the asset managers as stipulated in Securities Act 2010."

Manana added: "During 2017 there was not much progress in terms of market developments. The SSX is yet to finalise the automation of its processes, though the integration between the SSX and the Central Bank is complete. The automatic trading system (ATS) has still not been launched. The SSX is in the process of reviewing the Listing Requirements and the Rule Book."

Manana said the SSX is involved in intense consumer education on exchange traded funds, another initiative aiming to stimulate activity on the SSX.

TANZANIA

Unweighted	Score
Standard Chartered	4.31

Weighted	Score
Standard Chartered	6.18

The Dar es Salaam Stock Exchange has been making steady progress since its incorporation in 1996, including the launch of its central depository in 1999 and, more recently, the launch of treasury bonds in 2002 and the introduction of a new central depository system in 2013.

The exchange also listed its own shares in 2016 and took measures in early 2017 to update its settlement guidelines to encourage greater participation from foreign and local investors.

The DSE currently offers shares and bonds, and is supervised by the Capital Markets and Securities Authority (CMSA).

Foreign investors are allowed to invest up to 60% in aggregate of the share capital of any listed company, which breaks down into a 1 % cap for individuals and 5% limit for corporates, the company said on its website.

There are currently 25 listed companies, 14 registered brokers and six custodians active on the DSE, according to its website.

Andrew Mgunda, Head of Investor Services, Tanzania at Standard Bank, said: "All securities in the market are issued, traded and held in dematerialised form. Equities, corporate bonds, commercial paper, warrants, collective investment schemes, and government bonds and treasury bills are held at the CSD. Unlisted securities are traded over-the-counter (OTC) in the physical certificate form, however these have not been traded."

He added: "Following the DSE making custodian banks settlement participants for foreign investors and local institutional investors in late 2016, settlement processes were reviewed. These guidelines were issued in April 2017. From July 2017, foreign investors are now able to participate in telecommunication IPOs without any restrictions."

Mgunda said: "There continues to be engagement with the regulators regarding the lifting of restrictions for foreign investors outside East Africa to invest in government securities and the removal of pre-advice notification on the sell trade. Stanbic Bank Tanzania is lobbying the DSE to adopt the negative affirmation concept to be able to accommodate foreign clients trades which have late instructions and funding."

Effective October 2017, the CSD and Registry Company (CSDR) Limited took over the functions of the CSD and Registry Services department of the DSE.

Standard Chartered Bank (SCB) said it has worked on "changes in stock exchange rules to allow SCB as a custodian to become a settlement bank so that settlement is done using Central Bank money, this is now a new practice in Tanzania".

The bank added: "SCB advocated the integration of Depository at DSE & Bank of Tanzania Depository to have a single depository (specifically for government securities, this is now active, in which all government securities bought on the secondary market settle directly in the BOT depository)."

"Standard Chartered Bank (SCB) said it has worked on "changes in stock exchange rules to allow SCB as a custodian to become a settlement bank so that settlement is done using Central Bank money, this is now a new practice in Tanzania""

TUNISIA

Unweighted	Score
Societe Generale Securities Services	5.43

Weighted	
Societe Generale Securities Services	5.91

The Tunis Stock Exchange (TSE) has an agreement in place with Euronext which will see the latest electronic trading technology provided by the future platform of Euronext (Optiq) installed by the end of 2018.

"It is a multi-market and multi-asset platform," said securites services experts at Societe Generale. "It manages the cash markets (equities, bonds, ETFs, warrants) and derivatives (futures and options)."

For the central securities depository (CSD), Tunisie Clearing, a request for proposals document has been published the acquisition of new CSD system with better straight-through processing capabilities.

Tunisie Clearing has selected Montran Corporation to run this project with the implementation of the system scheduled for

"Workshops regarding the new CSD platform are expected to start in May 2018," SocGen's experts added.

Tunisie Clearing also plans to establish a business continuity plan in 2018 as part of its strategy of acquiring a new CSD system.

At the Regulator level – Tunisia's Financial Market Council - two projects were submitted for public consultation and have been approved. These cover insider trading and rules around anti-money laundering.

UGANDA

Unweighted	Score
Standard Bank	5.37
Standard Chartered	4.62

Weighted	Score
Standard Chartered	6.51
Standard Bank	4.30

Uganda's economy remains on positive trajectory with GDP growth for 2017/2018 projected at 5%, from 3.9% recorded in 2016/2017.

The Central Bank rate dropped to 9% from 9.5% in December 2017 to support credit expansion in the private sector and ultimately boost economic growth.

"During 2017 the Uganda Securities Exchange (USE) launched their Easy Portal (e-Portal). The e-Portal allows investors to view their stock performance, monitor their account balances and view statements," said Andrew Omiel, head of investor services, Stanbic Bank Uganda.

"In addition, the USE was given approval to operate a demutualised stock exchange. This paves the way for the planned self-listing of the USE through an Initial Public Offer (IPO)."

As part of the biggest bank in Uganda and as the current chair of the Association of Ugandan Custodians, Omeil said Stanbic Bank Uganda continues to use its position to steer market opinion by participating actively in industry changes.

"These includes the Automated Trading System (ATS) implementation; pension reforms in Uganda; and lobbying regulators and market participants to support key market changes such as the dematerialisation programme and promotion of true delivery versus payment (DVP)."

He added: "True DVP settlements for all exchange traded securities, i.e. equities and corporate bonds will be achieved when the Securities Central Depository (SCD) is linked to the national payment system (RTGS), hosted by the Bank of Uganda.

"As a custodian, Stanbic Bank Uganda remains a key promoter of the reforms in the pensions' sector currently under consideration in Parliament, further growth and development of capital markets, such as the introduction of new products for example, derivatives and securities lending, as tools of financial deepening."

Standard Chartered also has a strong presence in Uganda. The bank is involved in various market initiatives, such as advocating for same day settlement of stock and cash for equity trades by linking the depository to the national payment system.

It continues to advocate for central settlement bank to reduce counterparty and settlement risk.

In terms of the outlook in 2018, Standard Chartered is also involved in the discussions for central bank settlement to achieve true DVP for equities and corporate bonds.

The firm will also continue to be involved with the Capital Market Authority's 10 year development master plan discussions.

UNITED ARAB EMIRATES

Unweighted	Score
HSBC	5.51

Weighted	Score
HSBC	6.89

Solid steps have been taken following the unveiling of the Securities and Commodities Authority's (SCA) ambitious five-year plan to elevate the UAE stock market to 'developed' market status by 2020 in collaboration with the Dubai Financial Market (DFM) and the Abu Dhabi Securities Exchange (ADX).

"Exchanges have enhance the infrastructure of the UAE market, introduced new products to diversify its suite of products & services, provide market participants with new tools to further strengthen their trading activities and increase liquidity levels in order to better attract investors," said Rocio Echagüe, head of HSBC Securities Services – UAE. "These steps were triggered by SCA's decision to transfer of the governance role to the exchanges in the UAE."

Evidence of these steps are notable in a number of initiatives. Short selling has been launched after the necessary regulatory framework, technical and procedural preparations were finalised. This same is expected to increase the level of liquidity in the market and enable greater margin of profits.

DFM launch of the Allocation Account mechanism, which will enable local brokers to use a combined/omnibus trading account with the DFM clearing house in order to execute trades on behalf of their fund managers or foreign broker clients, provided these transactions are allocated to the investors' National Investor Number (NIN) during the allocation period on trade date.

Meanwhile, a plan by ADX to establish a derivatives market in line with their expansion strategy aims at increasing the depth of trading through diversified services and contribute towards the development of the financial services sector in the UAE.

"Following SCA approved regulations on central counterparty (CCP) clearing which separates the clearing activity from the Stock Exchanges, DFM announced their plans to introduce Central Counterparty (CCP) clearing based on international best practices.

"The specialized CCP clearing entity is expected to ring-fence the risks associated with clearing and settlement of trades and increase market liquidity. They plan to commence the CCP Company's operations by early 2019," added Echagüe.

Other regulatory changes that SCA facilitated to elevate the UAE markets infrastructure was a decision to approve regulations on organising the central securities depository (CSD) activities, in accordance with the requirements of International Organization of Securities Commissions (IOSCO). The regulation aims to separate the CSD activities from the Stock Exchange, increase operational efficiency of the markets (in accordance with the requirements of IOSCO) as well as reduce the risks associated with a single entity handling all the market functions.

Last but not the least, to cope up with the rapid global change of the financial services industry in connection with the regulatory infrastructure, SCA signed an agreement with PwC.

"The agreement lays the foundations for a vital, fintech-centered project, as part of the UAE government's strategy to foster a culture of innovation which is consistent with SCA's role in regulating the securities industry and with its strategic objective of developing a stable investment environment and providing the proper regulatory infrastructure to develop products and services, thus raising capital market efficiency."

HSBC's Echagüe added: "While the UAE Stock Markets have undeniably evolved as part of their ambitious journey towards accomplishing 'developed' market status by 2020, further reforms are being requested by foreign institutional investors to make the markets more attractive – for instance they would like market entry to be eased, by unifying Investor Numbers across the exchanges, an improvement to automation in the post trade settlement processes and electronic proxy voting."

ZAMBIA

Unweighted	Score
Standard Bank	5.80
Standard Chartered	4.62

Weighted	Score
Standard Chartered	6.24
Standard Bank	5.83

Chenge Besa-Mwenechanya, head of investor services, Stanbic Bank Zambia, said the Zambian market, like most markets in the region, has "grappled with a challenge of low liquidity" owing to excessive capital chasing few investable assets available on the Lusaka Securities Exchange (LuSE).

"The market is predominantly in the hands of local pension funds and institutions that are typically long-term focused," Besa-Mwenechanya explained. "In order to mitigate liquidity constraints, the LuSE, with the support of the Ministry of Finance, aggressively directed all listed companies to comply with the minimum free float of 25% in 2015."

She added: "The progression has been very slow in terms of compliance as we see companies such as Airtel with free floats of less than 5% and 10% respectively."

The LuSE upgraded its Automated Trading System (ATS) and Central Securities Depository (CSD) platform in December 2017. The upgrade was to improve and ensure a more robust and efficient trading and clearing platform. There were no significant changes in the trading rules as the system was deployed in line with the current processes.

However, the system has brought forth enhancements, new functionalities and additional capabilities. As an example, the new system has Swift capability and once fully implemented, end of day statements will be generated.

The amendment of the SEC Act in 2016 makes allowance for the separation of the CSD from the Lusaka Stock Exchange, and the linking of the LuSE CSD and the Bank of Zambia CSD systems. This is set to start in Q2 2018.

The market still awaits another legislation reform, namely the Pension Act. This reform is meant to harmonise all three acts so as to better regulate the market. Completion of the SEC Act and the BSFA has set the ball in motion and we expect the momentum to continue in terms finalising the other legislative reform.

"Stanbic Bank Zambia is one of two custody providers in the market with an estimated market share of just over 55%," Besa-Mwenechanya added. "In the domestic market we have 75% custody market share in the unit trust industry in terms of assets under custody. We also support a Zambian depository receipt programme in the market and are looking to establish a trustee capability to support the unit trust funds we hold in custody."

Standard Chartered also operates in the Zambian market and is providing inputs to the country's Pensions and Insurance Authority to allow foreign banks to act as custodian to pension funds.

In terms of industry participation, Standard Chartered is also a member of the Bankers Association of Zambia and one of our directors is a board member for the LuSE.

ZIMBABWE

Unweighted	Score
Standard Bank	5.24

Weighted	Score
Standard Bank	5.10

In 2017 Zimbabwe continued to experience foreign currency challenges that saw foreign clients experience challenges in repatriating their funds.

Takunda Magumise, head of investor services, Stanbic Bank Zimbabwe, said this saw the development of the Zimbabwe Portfolio Investment Fund by the Reserve Bank of Zimbabwe with a promised seed capital of $5 million.

"The aim of the fund is to assist in the repatriation of foreign clients' investments," Magumise explained.

At the beginning of May 2017, the Zimbabwe Stock Exchange (ZSE) and Chengetedzai Depository Company (CDC) successfully reduced the settlement cycle from T+5 to T+3.

CDC rules were adopted following market consultations and as instructed by the Securities and Exchange Commission.

The migration of the settlement model from delivery versus payment (DVP)2 to DVP3 is expected to be completed during 2018.

"The ZSE also developed new listing rules that talk to disclosure and KYC requirements, as well as bonds. The rules are currently awaiting approval by the Ministry of Finance. We expect the rules to be gazetted during 2018," Magumise added.

The Minister of Finance and the Reserve Bank Governor, through the Fiscal Policy Review and Monetary Policy, announced their intention to have government bonds listed on the ZSE in a bid to increase investment options and boost liquidity. To date the ZSE submitted the amended bond market listing guidelines to the Securities and Exchange Commission of Zimbabwe (SECZim) and they were approved. They have been submitted for gazetting. The launch date is yet to be advised.

The CSD has commenced work on the system infrastructure and Stanbic Bank Zimbabwe continues to play a crucial role in the setting up and subsequent launch of fixed income instruments on the depository. To date the CSD has on-boarded one medium term instrument. We remain a part of the Steering Committee set to look at the further on-boarding of existing and new fixed instruments.

Magumise added: "Stanbic Bank Zimbabwe is lobbying for greater asset protection within the capital markets. In the unit trust segment, we continue to advocate for inclusive schemes that cater for our various types of clients. This has seen the SECZim initiate a project to revise the Collective Investments Schemes Act.

"In our efforts to continually evolve and offer enhanced services and increase controls we launched automated reconciliations with the CSD and continue to lobby to the market participants and the CSD to be on Swift to enable straight-through processing. Currently there are manual repairs due to the fact that the CSD and brokers do not have Swift addresses." ■