



EXCHANGE
SERVICES

AGENT BANKS IN MAJOR MARKETS SURVEY



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Thomas Zeeb, Head Securities & Exchanges, Member of the Executive Board, SIX: “We are proud to have been rated by our clients as leaders in CSD services – domestic and cross-border – for the fourth year running. Our ambition is to keep delivering higher and higher levels of value for our clients, by finding innovative ways to reduce the operational pain-points. To do this we have taken a dedicated, focused and pragmatic approach to understand how new technologies can improve efficiencies, enhance client experience and add real value to our clients’ bottom-lines.”

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A shift in focus

The 2018 Agent Bank in Major Markets Survey incorporates several major changes in design and presentation, reflecting the growing importance of risk as a service consideration.

This is the 29th consecutive year in which *Global Custodian* magazine has published a survey of client perceptions of the quality of the services provided by the local agents of global custodian and global investment banks. It is, however, the first in which the magazine has joined forces with AON McLagan investment Services (McLagan) to produce the survey. This follows the agreement in March 2018 between *Global Custodian* and McLagan to co-operate in the management of all the client experience surveys published in the magazine. An FAQ, explaining how the relationship between us works, can be found on the following page.

The survey, which, going forward, will be renamed the Direct Clearing and Custody Survey, was conducted between July and September 2018. It made use of a comprehensively revised survey questionnaire, following advice received in consultations with network managers and agent banks. It is difficult to accommodate the needs of every user of sub-custody and clearing services, but the questions aim to address the current priorities of network managers, which accord greater importance to risk, liquidity and asset safety than to operational concerns such as settlement.

The 2017 Agent Banks in Major Markets (ABMM) survey asked 47 questions divided between Value and Commitment (4), Relationship Management (4), Client Service (3), Reporting (5), Corporate Actions (5), Cash Management (4), Income Collection (3), Tax Reclaims (5), Settlement (7) and Technology and Connectivity (7). The 2018 Direct Custody and Clearing Survey asked 83 questions across Client Service (4), Account Management (7), Asset Safety (8), Risk Management (9), Liquidity Management (4), Regulation and Compliance (6), Innovation (5), Asset Servicing (12), Pricing (10), Technology (7) and Cash Management and FX (11). Both incorporated areas for respondents to make written comments about their service providers.

Although the 2018 questionnaire asked more questions, it allowed respondents to skip any question or service area in its entirety or rate an entire service area by answering a single question. In other words, it was possible to assess a provider in all 12 service areas by answering just 12 questions. In addition, the 2018 questionnaire allowed respondents to divide the in-country operations into two groups: those they wished to assess country by country and those they wished to assess as a group. The intention was to give respondents the maximum degree of flexibility in how they completed the questionnaire.

The format of the questionnaire was also changed. Respondents were asked not to score their agent banks on particular

aspects of a service area, but to agree or disagree with a series of propositions about a service area. The extent to which a respondent agreed or disagreed with a proposition ranged from Strongly Agree to Strongly Disagree on scale of 20 points. For publication, however, results were converted to the 7-point scale (where 1=unacceptable and 7=excellent) familiar to readers of *Global Custodian*. The substantial revision of the questionnaire means that comparisons between the 2017 and 2018 surveys is limited, with roughly one question in three being comparable with the questions asked in 2017. Although this has led to a short-term loss of continuity, the ability to compare one year with another will be restored in 2019 and be established by 2020.

Response base

In all, a total of 1,763 responses were received, of which 393 were discarded for a variety of reasons, leaving a total of 1,370 authenticated responses. The goal is to assess the quality of services as judged by cross-border responses only (in which a respondent in one country is assessing an agent bank in another country) rather than including domestic responses (in which a respondent in one country is assessing a respondent in the same country) or affiliated responses (in which the respondent is linked to the agent bank being assessed by ownership, joint venture or other form of partnership or alliance). The per-country summary of the findings of the survey in the following pages makes use of data filtered in this way. The scores published below are weighted for the size and sophistication of the respondent.

We are conscious of the scale of the effort required to complete a lengthy questionnaire and are grateful to the many clients of the agent banks that took the time and trouble to do so. As a token of our appreciation for their work, McLagan will be distributing to every respondent – after the survey is published – a benchmarking report that shows how their assessment of their service providers compares with that of other clients of the same bank.

We are grateful also to the agent banks that completed the provider questionnaire. This was designed to match exactly the questions posed to their clients, with the aim of picking up any mismatches between internal perceptions of the quality of services provided and the external perceptions of the same services by clients. A map depicting matches and mismatches is included in the research reports that McLagan provides. Contact details for these and other survey-related products and services are to be found in the FAQ which follows on page 74.



ICSDs

SIX

SIX outscores its rivals in every area. In only three does it slip below excellence. One is pricing, despite the fact SIX cut its prices in July, when the survey was live. SIX cannot escape the survey-wide censure in cash and FX (though it does not even offer money market services) and asset servicing. It is countering with new services that enrich client trade with SSIs to automate settlement instructions; xChain, a crowd-sourcing search for the elusive “golden source” in corporate actions; and automated tax relief-at-source and reclaims, plus country-specific tax reporting. SIX cannot be accused of being un-innovative.

An IBM Watson-driven Security Operations Centre (SOC) will boost its reputation – evident here – in cyber-security. The SIX Digital Exchange (SDX), announced this summer, will trade, clear and settle tokenised assets. SIX is ambitious as well as innovative. It is not seeking an EU licence to operate, but it has switched its domestic status from a bank to CSD, and plans to compete in Europe as a third country CSD.

Clearstream

Clearstream eclipses its rival in all but four areas. The scores have a Manichean quality – less than one in six generates an indifferent score – that drives the average towards the mean. The exceptions are pricing (where respondents find virtually nothing to reward) and compliance (which they find faultless). Clearstream shares with every provider declining client confi-

dence in the competitiveness and transparency of cash and FX, and demands for choice, but it would expect to do better on collateral management. “Credit risk department decisions make no sense,” says a client. “It looks like even being over-collateralised means nothing.” Clearstream can afford to ignore continuing issues in asset servicing (settlement and income collection apart) because nobody is doing better. More worrying, and concealed by respectable averages, is the lack of evidence in client service and relationship management that Clearstream people have retained their hold on the affections of their clients. “Strong decrease of the service” as one respondent puts it.

Euroclear

“We have an excellent relationship with Euroclear, working closely together as if we are part of the same team,” writes a sub-custodian bank. Certainly, Euroclear has much in common with sub-custodians: Clients who want better asset servicing; more choice and disclosure in treasury services; and who believe their assets are safe and their trades will settle. Euroclear will not be dismayed by this or by the fact its clients believe it is expensive.

What warrants analysis is the under-performance in cash and collateral (“They do not help much with liquidity”) and the mixed messages from client service and relationship management. One respondent name-checks his current RMs (“always approachable and willing to help in any way they can”) but says service has taken a “decided dip” since his (also name-checked) CSO left. “The current team do not seem to go to the same lengths to help,” he writes.

WEIGHTED AVERAGE SCORES

	SIX	Clearstream	Euroclear Bank	Market Average	Global Average
Market share (% of responses)	36%	31%	33%		
Relationship management	6.22	5.41	5.05	5.33	5.20
Client service	6.21	5.62	5.75	5.75	5.40
Account management	6.30	5.28	5.31	5.41	5.44
Asset safety	6.17	5.88	6.08	6.01	5.68
Risk management	6.70	5.76	5.27	5.61	5.46
Liquidity management	6.48	5.27	4.96	5.21	4.89
Regulation and compliance	6.02	6.37	5.69	5.95	5.64
Innovation	6.17	5.27	4.82	5.10	5.18
Asset servicing	5.88	5.27	4.93	5.12	5.09
Pricing	5.82	4.41	4.18	4.43	4.82
Technology	6.22	5.36	5.23	5.36	5.28
Cash management and FX	5.90	4.76	4.07	4.42	4.25
Total	6.21	5.42	5.14	5.36	5.24



Switzerland

SIX

A new questionnaire makes it hard for SIX to maintain the upward momentum of the last two years, but the outcome is nevertheless both impressive and consistent. Only in relationship management is there a hint of something less than excellent, but the average owes less to individuals or relationships than the inability of a financial market infrastructure to bespoke its services. “Some of the pending items last too long, although we understand this might be due to some factors within other departments of SIX, or external ones,” as a client puts it. Comments on the SIX people are flattering anyway. “Excellent responding times,” says one client. “Very pro-active.” A second avers that “our long-lasting business relationship is built around trust and a high level of quality communication.”

BNP Paribas Securities Services

BNP Paribas has a substantial operation in Zurich, providing global custody to Swiss institutions and fund administration services to foreign fund managers distributing in Switzerland, as well as supporting trades executed on the Swiss Exchange and cleared via X-clear.

The bank enjoyed outstanding results here last year. Their 2018 equivalents compare well on the human side but, in addition to raising survey-wide issues in banking, respondents are looking for more, particularly across pricing and asset servicing and even aspects of settlement.

Credit Suisse

This is an excellent performance, albeit one created by a small number of clients. Valuing the counterparty is axiomatic for clients of Swiss universal banks, and nobody thinks Credit Suisse will fail to make their clients whole if assets go missing. The assessment of both client service and relationship management is generous to the point at which the bank is seen as a marketing tool by its clients. Across account management, asset servicing, liquidity and risk management, compliance and even cash management, FX and pricing, the only blips are either shared by every other bank in the survey (such as poor corporate actions notifications) or venial (such as resistance to passing on infrastructural cost savings).

UBS

A strong turnout by clients has not translated into persuasive scores. Confidence in UBS as a counterparty is unquestioned. Clients think the bank understands their sensitivity to asset safety and award UBS plaudits for helping them achieve the optimal balance between segregated and omnibus accounts. The settlement score is solid, but those for asset-servicing are not. “The back office can still improve in delivering pro-active service,” writes a client. “We often have to send a reminder in ongoing cases.” A bank with a high profile in exploring the potential of blockchain, APIs and AI will be disappointed not to have registered its investment in innovation with more clients. The RMs, which UBS trains and incentivises to build strong relationships with clients, are doing better than the average suggests. “They are trying to do their best to service us” is the Delphic verdict of one client.

WEIGHTED AVERAGE SCORES

	SIX	Credit Suisse	BNP Paribas	UBS	Market Average	Global Average
Market share (% of responses)	12%	15%	32%	41%		
Relationship management	5.02	5.92	6.00	4.36	5.08	5.20
Client service	5.46	5.61	5.70	4.82	5.15	5.40
Account management	5.61	5.81	5.94	4.58	5.30	5.44
Asset safety	6.32	6.20	6.19	5.20	5.67	5.68
Risk management	6.09	5.91	4.91	4.59	5.34	5.46
Liquidity management	6.25	5.76	4.87	4.05	4.82	4.89
Regulation and compliance	5.80	6.07	5.37	5.67	5.68	5.64
Innovation	6.44	5.45	5.60	3.53	4.83	5.18
Asset servicing	5.89	5.58	4.67	3.99	4.77	5.09
Pricing	5.61	5.27	4.75	3.70	4.58	4.82
Technology	6.31	5.49	5.19	4.46	4.99	5.28
Cash management and FX	6.22	5.33	3.75	3.93	4.32	4.25
Total	5.78	5.71	5.22	4.42	5.07	5.24





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