

MOMENTUM

#10 JUNE 2010

BROUGHT TO YOU BY SGSS



Responsibility, **Risk,** Ratings

This edition of Momentum coincides with a number of developments that will inevitably affect the international investment community and in particular the securities industry.

A new government has taken office in the UK, that country's first coalition government since the 1940s. One of its first formal duties was to accept European Union proposals on plans for the Directive on Alternative Investment Fund Management. Much work remains to be done, however, on removing conflicts between the terms agreed by the European Parliament on May 17 and by the Council for the European Union a day later. The main areas of contention are the differing proposals for non-EU-domiciled fund passports, and the roles and liabilities of fund administrators and depositaries. Whatever the eventual shape of the outcome, the alternative asset management landscape should be greatly transformed.

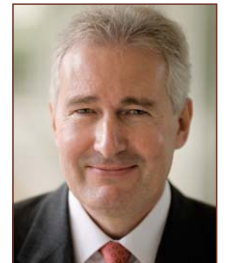
In the meantime, the recent decision taken by France's highest court of appeal to transfer to custodians the consequences of certain decisions taken by asset management companies and prime brokers highlights the increased level of responsibility for trustees and depositaries in France; these exceed current legislation in other countries. For investors, assets are now legally better protected in France than in other countries. For providers, this will maximise market coverage through a solid, internal sub-custodian network or affiliation to a solid financial network. The financial capacity and formal rating of custodians will become even more important in this environment.

Against this evolving backdrop, Societe Generale group's first-quarter results indicate that the group will continue to record strong commercial and financial performance. However, the continued pressure on countries in the euro-zone emphasises the need for

heightened caution and vigilance, and, yet again, to manage risk ever more closely.

On a final note, we would like to thank our readers who took part in the recent readership survey, and reassure all readers that we aim to build on the very strong base that we have created over the past three years, keeping in mind our objective to bring you information about major changes in our industry and share our viewpoints with you.

Alain Closier,
Global Head
Societe Generale
Securities Services



SMARTERSERVICES

All Systems Go! p. 2

MAKEMONEY

Clients Drive FX Enhancements p. 2

INSIGHT

Fund Distribution
Beware Grasp Exceeding Reach p. 3

FRESHFIELDS

After hours
Market watch
Global village p. 4

SNAPSHOT

EGYPTIAN UPGRADE

The transformation of the service on offer through the SGSS presence in Egypt epitomises the improvements that have taken place in its international network in the last three years. "In just a matter of a few months we have taken what was an established purely domestic custody business and turned it into a business that can handle international clients simply, quickly and efficiently, leveraging our Greek hub and French expertise along side our strong local team," says Ramy Bourgi, Head of Emerging Markets at SGSS. "We have already transferred our SGSS clients and signed our first external client, a globally known name."

For more information
ramy.bourgi@sgss.socgen.com

All Systems Go!

Clients are finding themselves faced with the need to make international investment strategies and asset flows simpler, more efficient and more cost-effective to implement and manage. In light of recent regulatory developments and the lack of European harmonisation, the financial capacity and formal rating of third-party custodians are also becoming important factors. As a global custodian, SGSS is making this process of investment easier for clients in Europe, North Africa and elsewhere, with the completion of an overhaul and enhancement of its sub-custody network. All network locations that were previously equipped to handle only domestic custody operations can now also offer inbound and outbound international investments.

“We are not only opening up more markets for investors, we are improving the experience,” says Ramy Bourgi, Head of Emerging Markets at SGSS. “We have upgraded the systems to give a consistent look and feel across our network, which now covers 25 countries, blending local and foreign language skills, and local and foreign market expertise.”

He cites Romania as just one example of the changes that have taken place in a relatively short period of time since he arrived at SGSS in early 2007. “We can now offer so much more than a domestic Romanian custody service. If a Romanian client decides it wants to invest internationally, we can help. If an international investor wants to invest in Romania, we can do that also. In short, we can now handle all three principal investment flows. Clients can go directly to market



“
Clients are finding themselves faced with the need to make international investment strategies and asset flows simpler.”

through our local presence, or through any one of our central hubs in Greece, Croatia, France, Romania and Russia.”

The expansion strategy over the past three years has been based on the principle of following the Societe Generale group footprint, combined with a joint venture in India. “We are in fact building a mini global custodian in a number of markets that have the potential to grow internationally or regionally,” adds Ramy Bourgi. Plans are in train to expand this international presence through two more Societe Generale branches in 2010. The most recent part of the process has seen the transition of assets previously held in external sub-custodians.

For more information

Contact ramy.bourgi@sgss.socgen.com

MAKEMONEY

Clients Drive FX Enhancements

Client demand continues to shape the way in which they can consume securities services. The most recent enhancement to the delivery of the foreign exchange services offered by SGSS is the introduction in June this year of direct access to its FX trading desks. “In addition to the standard automated service, some clients prefer to discuss individual transactions with traders, either because of the size or the geographical orientation of the transaction in question,”

observes Anne-France Demarolle, Head of Liquidity Management at SGSS. “This helps them achieve the best price available in the market for their specific needs.”

The next step in the continual improvement process is the launch of an FX web-based trading platform in the second half of 2010. This service will enable clients to have real-time remote access to live market prices, to trade online on all foreign exchange opera-

tions, and to review their deals at any time. It will increase efficiency, enhance returns, mitigate risk and deliver transparency on pricing.

“We are working towards the ultimate one-stop shop for custody-related services, and these developments are steps in that direction,” concludes Anne-France Demarolle.

For more information

Contact anne-france.a.demarolle@sgss.socgen.com

Fund Distribution

Beware Grasp Exceeding Reach



Pascal Bérichel,
Head of Fund Distribution Services, SGSS

In the tragedy that superstitious actors preciously refer to as *The Scottish Play* (otherwise known as *Macbeth* to we mere mortals) the playwright, poet and actor-manager William Shakespeare warned of the perils of one's grasp exceeding one's reach. As fund managers become more and more ambitious, and more and more intent on international activity, perhaps the time is appropriate to remind them of Shakespeare's words. If their international fund distribution grasp exceeds their international reach, the result will be trouble.

The complexities surrounding international fund distribution should not be overstated. There are few difficulties, after all, in the

financial services world, that a little intelligent design cannot help resolve. But they cannot be ignored either. Any fund manager whose business model is based on cross-border activity needs to know where and whom to turn to for the necessary fund distribution support.

Perspectives differ on what exactly fund distribution support comprises. In essence, the name refers to the services that fund managers need if they intend distribution to take place beyond their own country's borders. On one level sits the role of transfer agency. On a second level, a fund domiciled in Luxembourg or Dublin but distributed in Asia, for example, would find it very difficult

The complexities surrounding international fund distribution should not be overstated.

to support Asian investors. A fund distribution support service provider with an office in Hong Kong which has access to the same systems as are used in the domicile office, and can track all transactions, can help circumvent that little local difficulty. On a third level, fund distribution support can help address matters that are related to specific practice and/or specific legal requirements in specific markets.

In such a situation, local knowledge can be leveraged to great effect. For instance, Luxembourg funds distributing on a non-private basis to countries such as Switzerland, the UK, Belgium and the Netherlands must have a local paying agent and a representative agent. Products being distributed in Italy must maintain a register of all the Italian investors investing in the product in Italy. A sub-Transfer Agency, or *banca corrispondente*, is needed to record all the underlying investments. In other countries, it is established market practice rather than local laws and regulations that dictates the need for external assistance. French investors, for example, will expect to follow the same procedures for offshore funds distributing in France as they would expect for French funds in France. This requires the appointment of a bank with access to local knowledge and expertise, and to the local investment infrastructure. To succeed in France offshore funds must do as domestic funds do.

Not everyone can help fill these roles through a local presence and local expertise, let alone offer a single point of contact with one client relationship manager across a spread of countries.

For more information
Contact pascal.berichel@sgss.socgen.com



Jean-Christophe Glomet, Migration, Implementation & SMI Correspondent for Global Issuer Services, SGSS



Andrea Swennosen, Head of Transfer Agent Operations for Fund Distribution, SGSS



After Hours

Fighting Fire With Volunteers

Late night calls, tough physical drills, on-call duty, successive training sessions, life-threatening interventions: such is the life of a volunteer fire fighter. For Andrea Swennosen and Jean-Christophe Glomet the benefits of sacrificing personal time to help others far outweigh the inconveniences.

A third-generation fire fighter and one of seven female members of the 103-strong fire brigade in the community of Pinneberg near Hamburg, Andrea's day job is Head of Transfer Agent Operations for Fund Distribution services in Hamburg (see photo above). Andrea finds that the intensity fosters a real community spirit. "Working with the fire department is different from being in a sports club. You put your life in the hands of your colleagues. That creates very different kinds of relationships."

Jean-Christophe Glomet, Migration, Implementation & SMI Correspondent for Global Issuer Services in Nantes, has been a volunteer with the St Julien de Concelles Fire Department since 2002. He enjoys a variety of activities in the role, including regular exercise and training in fire fighting, life saving, anti-bacterial, chemical and nuclear pollution. Duties include driving the department's fire engine, fulfilling the dream of most little boys, and managing the medical emergency team.

Find out more by visiting the websites below

Andrea's Fire Department:
www.feuerwehr-pinneberg.de

Jean-Christophe's Fire Department:
www.pompiers-stjulienconcelles.fr

Global village Green Momentum



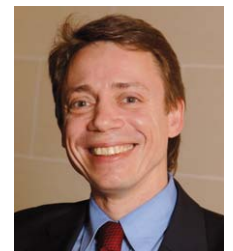
One of the results of the readership survey referred to on page 1 was the strong feeling amongst some readers that Momentum should be published only in an electronic form. While some readers feel the printed format is ideal for easy reading, we cannot ignore those other readers. We fully acknowledge their eco-concerns, and would like to point out to our readers that Momentum is already published electronically as one of the distribution options on our Internet site (www.sg-securities-services.com). In addition, as part of the Societe Generale group's adherence to corporate and social responsibility tenets, its physical version is printed on PEFC certified paper with vegetable based ink. Along these same lines, SGSS now plans to offset the carbon emissions for which it is calculated to be responsible by supporting a non-profit NGO specialised in sustainable offset projects. Further details will follow in our next edition.

For more information

Contact sgss.com@socgen.com



Market watch: New SGSS Country Manager for Luxembourg



Olivier Renault, SGSS Country Manager in Luxembourg

Olivier Renault has been appointed SGSS Country Manager in Luxembourg, replacing Michel Becker who has retired. SGSS is one of the major securities services providers in Luxembourg and has developed a true

centre of expertise dedicated to traditional and alternative fund managers. In addition to standard products, SGSS' offering includes securities lending and borrowing, OTC independent valuation services, a

platform for fund trading, as well as being an agent for issuing international securities.

For more information

Contact olivier.renault@sgss.socgen.com