The role of infrastructure institutions in the development of mutual fund markets

Mutual Fund Market Forum
Moscow, November 2nd, 2017
Agenda

I- Development of Mutual Funds Markets: pre-requisites and key drivers

II- International market infrastructures: the challenge of cross-border investing

III- Outlook / Conclusion
Development of Mutual Funds Markets
Pre-requisites and key drivers
Pre-requisites and stakeholder’s expectations

**Investors**
- High returns
- Low risks
- Well known Brand / asset manager
- Tax efficient product
- Diversity of investments
- Security / TRUST

**Asset Managers**
- Attract inflows (especially large mandates)
- Decent management fee
- Efficient distribution network
- Low competition (Vs peers and products)

**Distributor Banks**
- Attract new customers
- Offer all products
- Increase revenues
- Be uniquely positioned

**Regulator**
- Investor protection
- Investor protection
- Investor protection
- Support the domestic market

**PRE REQUISITES**
- Political Stability
- Social Stability
- Investor education
- Pension system
- Interest rates
A few markets / examples

- Regulation: all UCITS funds can be distributed without any restriction.
- Strong demand (retail and institutional). Saving plans are encouraged.
- Broad distribution network: banks, insurance companies, independent advisors, multi-management.
- Secure and transparent investment process.
- Offer stimulated by trailer fee payments (will evolve with implementation of Mifid II).
International market infrastructures: The challenge of cross-border investing
The challenges imposed by Open Architecture
The challenges imposed by Open Architecture
The Investment Funds World today
“Open Architecture”
Clearstream’s market infrastructure

Our core beliefs
- Investment funds should follow the same trading, settlement & custody process as equities and bonds wherever possible
- Vestima: A standardised and automated order management & central custody solution for institutions

Facts & Figures
- Over 190,000 ISINs on Vestima (from around 1,000 asset managers in 40+ fund jurisdictions)
- Around 1,000 customers in 73 countries use Vestima as a unique venue for funds processing (mutual funds, ETFs, hedge funds)
- Customer segments cover universal banks, private banks, retail banks, global and local custodians, asset managers, fund platforms and other Institutional investors
- 13 million STP transactions per
- €700bn international fund assets deposited in Clearstream, €2.3tn funds in total.

- Efficient cash management due to netting of redemptions and subscriptions
- Risk reduction due to DvP/RvP mechanism
- Unique channel for Order Routing
- Central settlement in a single account within Clearstream
- Efficient electronic reconciliation with one counterpart
- Full asset servicing (corporate actions and dividends) and reporting.
Processing Model

1. Order entry

2. Order Validation and enrichment

3. Order routing

4. Deal execution

5. Order confirmation

6. Order confirmation

7. Settlement Instructions

8. DVP settlement

9. Cash Netting

10. Reporting

11. Reporting

Bank 1
Bank 2
Bank 3
Bank 4
Bank 5
Bank 6

National CSD

Vestima

Account(s) of CSD

TA Fund Issuance account

CBL account

Transfer Agent

Order desk

Register
Outlook / Conclusion
THANK YOU FOR YOUR ATTENTION

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