

Boost in securities servicing business

By Linette Lim | Posted: 21 June 2012 2301 hrs



SINGAPORE : Asset management firms have been tightening risk management controls in the wake of the 2008 financial crisis.

That has boosted the business of brokers who help them manage counter-party risks.

Largely seen as a region of savers, Asia is changing rapidly in terms of its risk appetite.

Asset management firms like Phillip Capital Management said Asians are investing more.

That has helped more than double its assets and revenue over the last five years.

Over the past decade, its money market funds have grown about 30 times, to more than S\$1 billion.

Jeffrey Lee, managing director & chief investment officer of Phillip Capital Management, said: "The growth in our funds has been a result of our clients who have increased allocations to us, be it the high net worth individuals, retail clients, the institutions, the government agencies, the sovereign wealth funds... They have added assets to us over the years."

While Phillip executes its trades in-house, other asset management firms and hedge funds use the various banks to do so.

With these investor clients making up more than half of their revenue base, brokers and the securities servicing arms of banks have benefited.

Over the past three years, Citi Singapore's securities and fund services said its assets under custody more than doubled to US\$169 billion, while transaction volumes tripled to 130,000 a month.

Alvin Goh, head of Securities and Fund Services Singapore at Citibank, said: "What we have seen is a trend of globalisation of investment, expansion of investors' money beyond their home market, and that has really fuelled our growth in the investors' segment."



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Analysts said this growth in Singapore can also be attributed to regulatory arbitrage.

Bernard Lee, CEO of HedgeSpa and research fellow at ITI @ SMU, said: "What you are seeing is a fairly impressive growth since 2008 when some of the prime brokers in the US are basically running into problems, and then you have a wave of relocation - because of various regulatory concerns from Europe - to various jurisdictions like Singapore and Hong Kong."

That is set to boost the securities servicing business in Singapore.

For instance, Citi's Securities and Fund Services Singapore expects revenue and transaction volume to see double-digit growth annually, for the next three years.

- CNA/ms