Safekeeping

What are the Roles of the Custodian?

The term Custodian describes a set of services relating to the administration of investments made both within and outside the client's domicile

The role of the Custodian is to :

Safekeeping

- Safekeep client's assets
- Ensure all investments are properly controlled and only released from safekeeping in accordance with authorised instructions from or on behalf of the beneficial owner

Safekeeping

Safekeeping is in two forms – Dematerialised and materialised

Securities are registered in a nominee name i.e. Custodian
- The Custodian is the legal owner
- The Underlying Investor remain the beneficial owner

Assets are held in segregated or omnibus accounts

Client

Global Custodian

Sub-Custodian

(I)CSD

Safekeeping

Segregated vs Omnibus at CSD level is determined by local market regulations and client requirements

Client assets held by the Global Custodian or its Sub-custodians are segregated from proprietary assets

Daily reconciliation of client holdings – Global Custody records vs Sub-custodian records

Spot checks performed to verify Global Custodian records against those at Sub-custodian and CSD

External legal opinions obtained by the Global Custodian describe how legal "ring-fencing" of assets is established across different markets and asset recovery processes in the event of insolvency of Sub-custodians and/or CSDs

Client

Global Custodian

Sub-Custodian

(I)CSD

Sub-custodian Selection and Monitoring

Agent Selection
Sub-custodians chosen with best in market approach, financial and operational robustness
All agents subjected to a rigorous selection, risk assessment and approval process covering the following areas: – Credit risk according to Global Custodian's internal credit risk system (approved by FCA) – Operational risk – Country risk using Global Custodian's country classification – Market infrastructure risk – Legal risk

Sub-custodian Selection and Monitoring

Ongoing Agent Monitoring
On-site due diligence performed to verify account structuring and reconciliation processes at Sub-custodian
Annual credit and country risk reviews approved by Global Custodian's Group Risk
Each Sub-custodian bank assigned a Risk Manager to monitor the financial condition of the Sub-custodian continuously
Financial reviews and Basel II/III risk assessments of Sub-custodians

Sub-custodian Selection and Monitoring

Detailed, on-site due diligence

- Identification of suitable providers via comprehensive questionnaire and on-site meetings covering the following:
- Evaluation of financial strength, quality of service, management and staff
- Commitment to custody business
- Best in market approach
- Approved banks as defined by the FCA
- Re-assessment on a regular basis (defined by risk-based approach) agreed and monitored by Compliance, Credit and Risk

Market infrastructure knowledge and monitoring

- Meetings conducted with regulators, CSDs and stock exchanges as part of on-site due diligence to discuss market developments
- External CSD ratings obtained for each market

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