

CUSTODY SERVICES AND TRUSTEE SERVICES

MEANING, ROLES AND EXAMPLE

WHAT IS CUSTODY SERVICE?

☐ DEFINITION

- ☐ A CUSTODIAN HOLDS SECURITIES AND OTHER ASSETS IN ELECTRONIC OR PHYSICAL FORM; THEY ARE RESPONSIBLE FOR THE SAFETY OF ASSETS AND SECURITIES

☐ IN ADDITION

- ☐ MOST CUSTODIANS ALSO OFFER A VARIETY OF OTHER SERVICES INCLUDING ACCOUNT ADMINISTRATION, TRANSACTION SETTLEMENTS, COLLECTION OF DIVIDENDS AND INTEREST PAYMENTS, TAX SUPPORT AND FOREIGN EXCHANGE.

**safe keeping assets and
securities**

**collect information on
income from assets**

**arrange settlement and
deliver in/out currency and
securities**

**administer related tax with
holding documents and
foreign tax reclamations**

CUSTODY SERVICES

**administer corporate
actions on securities held
such as stock dividends/
split, tender offers etc.**

**provide information on the
securities and their issuers
such as annual general
meeting and related proxies**

**perform foreign exchange
transactions**

**maintain currency/ cash
back accounts, deposits
and withdrawals**

CUSTODIAN BANKS

- ☐ THE 4 LARGEST CUSTODIAN BANKS IN THE WORLD ARE
 - ☐ THE BANK OF NEW YORK MELLON (CUSTODIAL ASSETS \$27,100,000 MILLIONS)
 - ☐ JPMORGAN CHASE (\$17,867,723 MILLION)
 - ☐ STATE STREET BANK AND TRUST COMPANY (\$16,386,590 MILLION)
 - ☐ CITIGROUP (\$12,470,000 MILLION)

THE LEADERS

These are the world's largest global custodians ranked by total assets under custody.

RANK		BANK	TOTAL CUSTODIED ASSETS* (\$ MILLIONS)		
2012	2011		2012	2011	PERCENTAGE CHANGE
1	1	Bank of New York Mellon Corp.	\$27,100,000	\$26,300,000	3.04%
2	2	J.P. Morgan	17,867,723 ¹	16,945,357	5.44
3	3	State Street Corp.	16,386,590 ²	16,789,000	-2.40
4	4	Citi	12,470,000 ¹	13,020,000	-4.22
5	5	BNP Paribas Securities Services	6,366,000	6,879,000	-7.46
6	6	HSBC Securities Services	5,425,341	5,838,232	-7.07
7	7	Mitsubishi UFJ Financial Group	5,348,233 ¹	5,204,832	2.76
8	9	Northern Trust Corp.	4,563,900	4,415,900	3.35
9	8	Société Générale Securities Services	4,186,380	4,957,287	-15.55
10	10	Caceis Investor Services	3,200,000	3,200,000	0.00
11	—	Sumitomo Mitsui Trust Group	3,081,991	—	—
12	11	Brown Brothers Harriman & Co.	3,074,000	3,095,000	-0.68
13	12	RBC Investor Services ³	2,745,000	2,990,000	-8.19
14	13	SEB	766,000	676,000	13.31
15	14	Pictet & Cie	377,488	393,615	-4.10

*Assets are as of June 30, unless otherwise noted. Italics indicate that 2011 figures have been restated.

¹As of March 31, 2012.

²State Street had \$22.4 trillion in total assets serviced (assets under custody and administration) as of June 30, 2012.

³Firm was named RBC Dexia Investor Services in 2011.

WHAT IS TRUSTEE SERVICE?

☐ DEFINITION

- ☐ A TRUSTEE IS AN INDIVIDUAL OR A COMPANY THAT MANAGES ASSETS FOR THE BENEFICIARIES OF TRUST, ESTATE OR OTHER PARTY.

☐ IN ADDITION

- ☐ A TRUSTEE CAN SELECT ANOTHER ORGANIZATION SUCH AS BANK TO ACT AS CUSTODIAN.
- ☐ A CUSTODIAN DOES NOT HAVE AUTHORITY TO MAKE DECISIONS REGARDING THE PURCHASE OF STOCK OR BONDS
- ☐ HOWEVER, A TRUSTEE IS ONE MAKING MANAGEMENT DECISIONS AND WILL BE LIABLE IF HE OR SHE DOES NOT PERFORM REQUIRED DUTIES PROPERLY. TITLES OF ASSETS IN TRUST IS IN THE NAME OF THE TRUST ACCOUNT, NOT THE ACCOUNT OWNER

**manage the
investment of the trust**

**prudently invest
the trust asset**

pay taxes

**account for actions and
keep beneficiaries informed**

TRUSTEE SERVICES

**make distributions in
accordance with the terms
of the trust**

defend the trust

give statements of account

**maintain currency/ cash
back accounts, deposits
and withdrawals**

TRUSTEE COMPANY

☐ LARGE COMPANY TRUST PROVIDERS INCLUDE

- ☐ CITI
- ☐ DEUTSCHE BANK
- ☐ THE BANK OF NEW YORK MELLON
- ☐ WELLS FARGO
- ☐ ONE INVESTMENT GROUP
- ☐ BNP PARIBUS SECURITIES SERVICES

CUSTODY SERVICES VS TRUSTEE SERVICES

TRUSTEE	CUSTODIAN
Active control: manage assets	Passive control: hold assets
Can make management decisions	Cannot
Has the power to cancel any agreement that could harm the trust	Must conduct financial transaction for the trustee even though it is a bad decision
Authority over assets	Assets remain in the account owner's name
Can be individual/ stockbroker/ bank/ any organization that has the right to govern a trust	Usually is a bank Can also be credit union/ stock brokerage/ other organization that stores money or financial instrument for its account holders

THANK YOU :)

ANY QUESTION IS WELCOME.