

A systematic

Over 30 years of experience in the hedge fund industry has led Citco Fund Services to believe its commitment to technology, adaptable systems, personnel and web-delivered products are the keys to success



Kieran Conroy

Citco can trace its origins to before the Second World War, to the founding of the offshore industry and the earliest days of the hedge fund business. Over the last 60 years the development of the world of international finance has mirrored that of Citco - rapid, expansive, and successful.

"Hedge fund administration is a core business for Citco," says Kieran Conroy, the managing director of Citco Fund Services Dublin, "it is not an add-on, it is not a side-project - it is something we have always been specialised in. All of the Citco business lines essentially revolve around hedge funds. Our first big client was Soros in 1969, and from those first early days we have been involved with some of the biggest names in the business and have developed into an organisation with offices spanning the globe and assets under administration of over US\$100 billion."

In order to highlight the importance of this core activity, the Fund Services division was spun out of the main corporate trust division in 1993, creating a specialised group that concentrated solely on alternative investments, with the resources, training

programs and technology required to support a business that it is estimated to double every three to five years and hence will soon be worth a trillion dollars.

Of this market, Citco Fund Services has an approximate 26% market share and is thus the global leader in the provision of accounting, administration, shareholder and corporate services to hedge funds and collective investment schemes. Its aim is to deliver an integrated product in all its aspects: corporate, accounting, shareholder services, legal and compliance - in short, total administration.

Citco's Dublin operation provides full independent net asset value and back office services for the European market, and it concentrates largely on the London-based hedge fund managers. Conroy says: "Dublin is essentially the back office for the London hedge fund market. This is because it has all of the essential ingredients - proximity to London, experienced fund administrators, auditors, listing agents and lawyers."

Personnel is definitely a decisive factor, as unlike many other offshore centres Dublin has a healthy pool of people who either have been involved in fund administration for many years or are interested in following a career in finance. As a

result - combined with the ever increasing size of the hedge fund market - Citco Fund Services staff in Dublin has grown from 20 to 50 in the space of a year, with further growth expected going into next year.

Conroy points out that Dublin and the IFSC is one of the success stories of the global financial services industry. "It was a very smart concept," he says, "and it has worked marvellously. It took a long time to get going, but once it did, the momentum was impressive and it now has a well-respected industry association which includes all the various service providers."

Citco also has an office in Cork that provides back-office services to its banking and global custody group, with US\$25 billion of fund assets under custody. This allows for a certain amount of synergy between the two groups, with Fund Services providing fund administration for hedge funds and fund of funds and the Cork office providing custody, brokerage, subscriptions and redemptions on behalf of the funds, processing all

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approach

of the trades and ensuring that all positions are reconciled.

As the global market leader in custody and administration services for the international fund industry, Citco has clearly found a formula that works. Conroy argues that technology and personnel are the two defining factors. He explains: "All of the hedge funds that we administer

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are more complicated than long-only funds that are straightforward to administer and price. Hedge funds have different instruments; equities, bonds, long and short, futures, forward contracts, contract for differences, combined with multiple classes, equalisation and hedging in various different classes, to give just a few examples. You need systems that can make sure the returns in the portfolios are the same across multiple currency funds, can deal with any complications and avoid reliance on manual entry."

He continues: "Some of our funds have up to 8,000 CFD trades every month, that is complicated, and you need the systems and resources to take in all the daily data, build various automatic reconciliation tools and spit out any differences."

This concentration on technology has resulted most recently in the CITCOWEB site, which offers web-delivered products, such as consolidated shareholder data, extranet connections and exclusive networks for clients, brokers, custodians, and pricing and data vendors.

Citco has had web reporting for investment managers for over two years. Recently it has launched a revamped site (www.citcoweb.com), that can provide full data sets for clients on a daily basis. "This includes full net asset value, P&L, and all combined portfolio reports - all as and when they are needed," says Conroy. In addition, managers can access regular industry news updates from external and internal sources.

He argues that this is one factor that differentiates Citco's platforms and systems from its competitors. "It caters for most of the instruments out there and takes in interfaces from prime brokers and front-end systems alike. InvestorWeb, which will use the same portal as Citcoweb, will provide investors with their consolidated holdings in funds that CITCO administers worldwide, 24 hours a day, 7 days a week."

Conroy is confident that by concentrating on what it does best - focusing on the hedge fund industry, using web-delivered products together with the provision of a fully integrated technological solution to hedge fund managers' varying needs and requirements, Citco will continue to maintain its market share and most likely build on it.

"We are positive about the future - we see the London hedge market continuing to grow, with many of the managers who are already established expanding their products ranges. Dublin is as popular as ever as a location for the servicing of investment funds."

With more than 30 years of servicing the alternative investment fund industry and fund services offices in Amsterdam, Geneva, Luxembourg, Curaçao, Cayman, the Bahamas, Bermuda, the BVI, Hong Kong, Sydney, San Francisco, New

York and Toronto, as well as in the IFSC, the Citco group looks well placed to take advantage of the expected expansion of the hedge fund universe.

EPHESUS

Citco's sophisticated global portfolio accounting software, trademarked as Ephesus, was developed in house and is maintained by Citco's dedicated Information Technology Group, based in Ft. Lauderdale, Florida. It is a genuine multi-currency system, with fully integrated general ledger capabilities. It handles a full range of investments: equities, fixed income, options, futures, forward currency contracts and complex derivatives. It offers various accounting treatments (average cost, FIFO, etc.) unlimited consolidation features, and has fully integrated corporate actions. In addition, Ephesus has PFIC and tax layering features for US investors in non-US funds and domestic partnerships.

To meet certain specific needs of clients, Citco offers, in addition to its proprietary software, other portfolio accounting and partnership taxation software packages. Seamless electronic interfaces with major brokerage firms, custodians, investment managers and pricing and data vendors, as well as highly automated reconciliation programs eliminate time-consuming and error-prone manual processes. Ephesus is continually updated to meet client requirements and take advantage of new market developments.