Article

The 6 benefits of a multiple-role service model for European funds

Explore the efficiencies of using a single provider for depositary, custody, banking, fund administration, transfer agency and domiciliation agent services.

In Luxembourg and Ireland, an in-domicile depositary must be appointed in the domicile of the regulated fund. But other functions, such as domiciliation and banking solutions, can be handled by duly regulated third-party providers (and in certain cases, by multiple such providers).

Depending on the service model you expect, having key services supplied by different providers might not be the most effective or cost-effective approach.

The same is true for private funds, which have the regulated overlay.

Ideally, your depositary and custody bank partner can accommodate other necessary responsibilities within a collaborative-team solution. When that's the case, bundling services from appropriately regulated entities within the same overall group of companies presents a much more efficient alternative than engaging multiple disconnected firms.

"Providers that can offer more than just the fund administration piece of your solution, such as servicing underlying investments like loans, can add significant value," says David Kubilus, chief commercial officer of U.S. Bank Global Fund Services – Europe. "With servicing teams working in the same integrated systems, you'll receive consistent data output and reporting and a more efficient client experience overall."

Here are six reasons why you should, whenever possible, opt for having all your European fund servicing handled by a single, multi-functional team working on the same systems under the same organization.

1. Cost advantages related to economies of scale

A key benefit of bundling services is cost efficiency. This results both from economies of scale and from your ability to negotiate fees with a single group versus numerous stakeholders.

"From a provider's perspective, it's more efficient for them (meaning more cost efficient for you) to perform their duties when they already have all critical onboarding, static and dynamic data within the group," says Breda Sullivan, head of Depositary Custody & Banking International for U.S. Bank. "They're able to seamlessly source information from within their own organization, rather than creating and maintaining channels to communicate with third-party service providers."

Alan Doyle, head of product for U.S. Bank Global Fund Services, offers additional comments: "Essentially, as your integrated fund administrator and depositary partner, we'll gather critical onboarding data or otherwise interface with you once on data flow. Then, we can re-purpose the same data and leverage established internal operational workflows. Obviously, there are cost savings as a consequence of this, which are in turn passed along to the client."

2. Point-of-contact efficiencies

Using a single provider significantly reduces the amount of work clients put into managing the partnership.

Consider how much easier it is to engage with just one set of contacts in an organization. And contrast that with the complexity of establishing and navigating multiple relationships with multiple stakeholders at different service providers in different time zones. At U.S. Bank, we can provide a principal service team in your time zone supported by staff of specialists in the jurisdiction where your product is domiciled. That way, it's easier to schedule conference calls, manage projects, handle client onboarding and navigate other administrative tasks with a single integrated contact team instead of many.

"Everything about bundling services is less cumbersome for the client," says Ashweeni Basenoo, head of Depositary Luxembourg for U.S. Bank. "If I have a question, I'm able to go to my colleagues in fund administration and get what I need, because we're sitting meters away from each other here in Luxembourg. And this is a much less client-intrusive way of accessing the information that I need to perform the depositary duties."

3. Uniform data output and reporting

Different service providers have different fund accounting and transfer agency systems, so using multiple providers often means receiving output in a variety of formats. It often takes a fair amount of effort to normalize data from different formats and channels, then standardize and reformat it all per regulatory (or other) reporting parameters.

Even on the most basic level, differences in something as minor as country codes, for example, can require an enormous amount time and energy to make uniform. Predictably, the cost of normalizing and reformatting them gets passed along to the client. By contrast, a single provider will naturally process all the daily values in the same format – eliminating the need for costly data normalization efforts.

"All our teams are working within the same accounting systems – whether they're accessing them from Luxembourg, Ireland, the United States or elsewhere – so the output data is identical," said Alan. "And beyond that, we are further integrated to regulatory, risk and financial reporting vendors such that they can deliver additional operational efficiencies."

4. Time zone flexibility

Only a small portion of business hours for U.S.-based clients overlaps with the Central European Time workday, which can create significant lags in response time. But by working with a single provider with a global footprint, the impacts of this issue can be reduced.

"At U.S. Bank, we've built a framework where we're able to handle necessary responsibilities in-region in Dublin or Luxembourg," says Breda. "We can easily access information from our partners in other time zones – for example, the loan administrator to private funds. In this example, U.S. Bank Global Corporate Trust provides the loan administration in the U.S. time zone. Then we can directly access the documentation supporting those loan investments without needing to revert to the client."

5. Consistent service standards

Another advantage is that clients know exactly what to expect in terms of service – the same standards apply across the board.

"If you appreciate the high-touch approach you receive from your depositary team for example, you know that's the same quality of attention you'll receive from all your teams – given we're all part of the same organization," says Breda. "The quality of service driven by our culture will be the same across the board, and you eliminate a lot of the variability of working with different providers with varying standards of service."

6. Cross-functional expertise

By using the same provider for multiple services, clients access their wealth of institutional expertise. Providers with broad capabilities have deep insight into market trends and a unique view into multiple sides of the investment industry.

"At U.S. Bank, we've got operations in a number of jurisdictions," says Breda. "We're the same organization – in Ireland, in Luxembourg and elsewhere – offering the advantages of bundled services under one roof. That's a lot of individuals bringing a lot of unique perspective to our organization and our clients."

Bundling services presents an excellent way for you to expand your current operating model – as well as your pre-existing service team in your time zone – into new jurisdictions with minimal impact to your existing processes. It demands fewer relationships than multi-provider options without compromising your service. It's almost always more cost effective, and it offers risk reduction and a variety of other efficiencies as well. So, if you have a European fund or you're considering one, this is definitely an approach worth exploring before you consider other options.

*For more information on our European fund servicing solutions, **contact us** or visit our **website**.*