

A one-stop sub-custodian service

Interview with Sean O'Donovan & Bernard Tancré

On 3 October 2014, Clearstream, a Luxembourg-headquartered international central securities depository, successfully completed the acquisition of Citco Global Securities Services Limited ("CGSS"). With the integration of around 300 Citco employees, the Cork-based office is now Clearstream's largest operational hub for processing funds.

"With our expertise in processing transactions in hedge funds for financial institutions, and Clearstream's expertise in mutual funds, the acquisition has brought together two market leaders in investment fund sub-custodian services," comments Sean O'Donovan, Managing Director of the newly named Clearstream Global Securities Services (CGSS) Ltd.

What makes this acquisition important, both to Ireland and the fund management community at large, are the enhanced automated services that Clearstream will be able to apply to all funds.

"Everything we do is around efficiency and safety for our financial institution customers; that's what we've applied to the mutual fund market and we felt the time was right to apply that to hedge fund processing as well," explains Bernard Tancré, Executive Director, Head of Business Solutions, Investment Fund Services, Clearstream Banking.

"The acquisition of CGSS and the licencing of Citco's custody IT infrastructure was a great opportunity for us to get up to speed quickly both from an expertise standpoint - all of Citco's IT systems are fully developed and specialised to handle hedge funds - and also in terms of volumes. Volumes are extremely important because a lot of the good things that we want to do are about building intimacy with transfer agents and hedge fund administrators. When we have conversations with hedge fund administrators the question is always 'We hear your desire to develop automation and



Sean O'Donovan, Managing Director of Clearstream Global Securities Services (CGSS) Ltd



Bernard Tancré, Executive Director, Head of Business Solutions, Investment Fund Services, Clearstream Banking

connectivity but how much volume are you really talking about?'

"We want to offer our clients a one-stop shop for their business. The acquisition of CGSS gives us a jumpstart in getting the necessary volume" confirms Tancré.

Indeed, Clearstream now services more than USD50bn in hedge fund assets and safekeeps approximately USD700bn in mutual fund assets.

From a CGSS perspective, O'Donovan says that the financial institution clients they serviced were increasingly looking to increase and improve their settlement and custody capabilities in mutual funds

Typically, Clearstream approaches transfer agents on behalf of its financial institution clients. Building intimacy takes time - the aim being that a fund uses the Clearstream infrastructure to clear and settle trades.

"That's what we already did for the bulk of transfer agents on the mutual fund side and that's what we want to bring to alternatives," emphasises Tancré.

Currently, CGSS provides hedge fund services for 60 major financial institutions with positions in over 25,000 hedge funds, integrating in Clearstream's Vestima fund processing platform. Such is the level of expectation with CGSS in Cork that Clearstream hopes to continue attracting large hedge fund portfolios and grow its related revenues by a solid 20 per cent in 2015.

The two servicing centres will continue to work to the preferences of their respective clients, supporting them separately and only combining forces when it makes sense. "We are not looking to achieve operational synergies at all costs," says Tancré.

O'Donovan concludes by adding: "We can tailor our services when needed. If clients want a similar high-touch service for their mutual funds as well, we now have the ability to offer that." ■