

Listed fund administration in focus

What drives the decision to outsource? Listed funds specialist, Chris Copperwaite, explains why many fund managers take the decision to outsource the administration of their operations to an external team, and describes the steps to a fruitful outsourcing partnership.

What are the main drivers behind a decision to outsource?

There is growing recognition that fund management is an area of specialist skills and knowledge. On the one hand, managers have specialist expertise in working with investors, watching markets and allocating capital. On the other hand, the operational side of that expertise is a specialist field in itself; this is especially true of policies, procedures, controls and day-to-day operations, all of which are influenced by rapid technological innovation and regulatory changes on regional and global scales. The impact is that managers are focusing more on their clients' investments, working with an outsourced administrator to provide the operational underpinning to their investment decisions.

It can be very costly and time-intensive to recruit operational teams, provide ongoing training, and invest in technology and controls that keep pace with regulations and client requirements. Outsourcing provides a cost-effective solution whereby these costs are absorbed by the administrator and spread across all clients; managers are left to focus on their specialist 'front-of-house' activities, safe in the knowledge that back office activities are streamlined, efficient and fully compliant. Experienced administrators will also have knowledge of various sectors, different listing rules and funds of all sizes, so are well-placed to offer advice and apply best practice.

To use a technology analogy: the outsourcing provider's services are the continually-updated and efficient cloud-based software; the fund manager relies on that software to operate their system and deliver results.

What does a typical outsourcing partnership look like?

There's nothing typical about it! Every partnership is shaped around the client's needs.

Some managers may only need to outsource certain elements of their operations, such as the company secretarial function. Others look for a fully comprehensive partnership that includes the set-up of vehicles and the listing processes, through to the ongoing administration of the fund structure. Ongoing administration services can include financial reporting, transaction management, liaising with listing sponsors, managing stock exchange announcements, the maintenance of statutory records, compliance and client due diligence - to name a few. Some outsourcing partnerships may also extend to the administrator acting as the fund's depositary.

Listening is key. The administrator should take time to note their client's needs, shaping a service and building a unique operational platform around those needs. Partnerships that start on a good footing can evolve, and many managers test the water with a small suite of services before growing into a more fully-fledged arrangement over time.

What should managers look for in an outsourcing partner?

On the face of it, most outsourced administration service providers seem the same: all have invested in technology, all have specialist teams, and all have an impressive list of clients. Managers should lift the bonnet and consider how that technology and those specialist skills have actually been put into place for those clients.

Take technology, for instance. How does that technology enhance a manager's operating platform rather than being a token piece of software? Look out for best-of-breed administration systems, client portals, compliance tools and digital boardroom software.

Seeking client testimonials will indicate whether the administrator is as good as their word, and whether they truly take time to learn about their clients' needs. It

is important to understand if the administrator genuinely has a specialist listed funds team and that they understand the additional complexities and requirements involved with listing on various exchanges. Listed company secretarial services, for example, can add clear value at board level, with a good administrator displaying clear understanding of regulations, transactions and corporate governance.

At a high level, managers should take the time to learn about the outsourced partner's overall business. Are their teams functional or centred around their clients? How can continuity of service be provided and what is the business' staff turnover rate? Does the business have specialist support in the form of legal, risk, IT and regulatory reporting teams? The whole is often greater than the sum of its parts.

What steps can be taken to ensure a successful partnership?

A good start is critical. This begins with the administrator really learning about the manager's business and aims, but that's only the first step. Migration or onboarding is particularly important: how has the administrator managed the process for other clients and what is their action plan? How has that action plan been tailored to the manager's specific needs, and what are the exact timeframes and deadlines? No detail is too small, and no stone should be left unturned.

Administrators should introduce the manager to the proposed relationship team. Everyone should be crystal clear about individual responsibilities and service agreements and, equally, it's important for a manager to meet the people who will be managing the day-to-day operations of their fund, learn more about them and what they can expect as the partnership evolves.

To find out more about our listed fund administration services, please click [here](#).