

4 reasons your Luxembourg fund needs an in-market administrator

Luxembourg ranks as the largest fund centre in Europe and second largest in the world. If you have funds based there, location should be a primary consideration when choosing a third-party administrator. Learn why in the article below.



When selecting a third-party administrator for a Luxembourg-based fund, the foundation for long-term satisfaction – like in real estate – starts with three words: location, location, location. Here are four reasons you should choose an in-market team with a simple, clear and contained operating model.

1. Outsourcing has significant drawbacks

Outsourcing, in one form or another, is commonplace throughout the fund servicing industry. On the surface, sending work (e.g., administration, reporting, fund

accounting, etc.) to lower-cost countries seems like a sensible, cost-effective approach. Many administrators choose this operating model and subsequently entice clients with attractive prices. But often, inefficiencies and other disadvantages can grossly outweigh potential cost savings.

“In our experience, clients who work with providers that outsource functions around the globe are unhappy for many reasons,” says David Kubilus, U.S. Bank Global Fund Services Chief Commercial Officer. “They don’t know who to call. They have difficulty getting

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timely responses they or their investors need. There's a lack of client focus. There are time zone issues. And the list goes on."

At U.S. Bank, it's a core belief of ours that the client experience is significantly improved when services are provided in-domicile. That's our business model. All functions are handled in Luxembourg (or occasionally Ireland or the U.S. if it makes sense for the client), and the client has a single point contact for a smooth, efficient partnership.

2. An in-market administrator is an accountable administrator.

A high-quality service experience comes from finding the right expertise combined with the right cultural match. This balance is best achieved when an administrator has their service sites in the domicile of the client or the domicile of the fund. By contrast, an organizational structure that functionalizes and outsources processes and service models to remote locations often yields a disjointed client experience.

Partnering with an in-market administrator reduces distance, time zone and communication obstacles. Your team is accessible, which means they're accountable. As a client, you know what individuals you're working with and where they're located. And you're able to rely on them as an extension of your own office. With proximity, the relationship model becomes one of partnership and provides the following benefits:

- Greater efficiency
- Faster issue resolution
- Increased responsiveness
- Streamlined communication
 - Between service groups
 - With the client, investors and other parties

3. An accountable administrator cultivates an engaged team.

For an in-market administrator, client accountability creates a strong incentive to develop a culture where all disciplines cooperate, collaborate and work as a cohesive unit. This can generate numerous advantages for clients, including:

- A solution-based relationship approach
- Anticipation of needs
- Proactive issue resolution
- Accurate prioritization

In an engaged environment, there's a simple and clear allocation of work, but everyone shares the same goal. Each employee feels a direct connection to the client rather than just to their specific task. They understand the importance of their role to the relationship as a whole. And this, in turn, fosters cross-functional knowledge and deep expertise for best-in-class service.

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4. An engaged team prioritizes the client experience.

The best administrators prioritize proactiveness, responsiveness and flexibility to ensure you're able to get what you need when you need it.

"When you have an engaged team, your satisfaction as the client ranks as the driving motivational force," says Didier Delvaux, country head of Luxembourg for U.S. Bank. "Their focus is fixed on finding specialized ways to meet your specific needs rather than just checking the boxes on transactional assignments."



In short, you want an administrator who won't let anything compromise the client experience. But this involves more than just desire. It requires infrastructure, resources and ongoing commitment. Look for a partner with the following characteristics:

- Robust, next-generation technology platform
- Financial strength and stability
- Flexibility to accommodate your specific structures and strategies
- Full range of fund administration, depositary, custody and account service capabilities
- Local experience

If you have a Luxembourg-based fund or you are considering one, make sure to thoroughly evaluate your administrators – specifically their service model and locations – to determine how they align with your needs.

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