



COMPLEMENTARY CUSTODIANS

WHAT MAKES A CUSTODIAN BANK A GOOD FIT? WEALTH MANAGERS TAKE US THROUGH THEIR CHECKLISTS



CAMILLA GIANNONI
Editor

Finding the perfect match in any walk of life is never easy and selecting the right custodian bank is no exception. Things become even more complex when there are multiple partners involved. Independent asset managers do not just need to decide which institutions they want to work with but also how many they need.

'It really depends on the size of assets under management. However, I am convinced it is better to be important to a small number of custodian banks rather than being a small player with many of them,' said Joe Mirante of MFM Mirante Fund Management.

For Julien Solioz of Primenest, the type of mandate also influences what should be the ideal number of banks to partner with. 'Clients related to our family office activity (ultra-high-net-worth individuals) are asking for greater diversification of banks, aligned with their values and needs,' he said.

When it comes to selecting the right institutions, there are many factors to consider, and, according to Matthias Biedermann of Emcore, some are essential. 'In order to carry out daily business as efficiently as possible, a modern and reliable online platform for transaction processing is mandatory,' he said.

From a smooth communication system to high-quality service to pricing, the research for the perfect custodian bank starts here. Read on to find out what the most important features are for these four independent asset managers.



JOE MIRANTE
MFM Mirante Fund Management

We currently work with four custodian banks, ranging from big players to renowned private banks, all based in Switzerland. On choosing suitable contenders, it really depends on the size of assets under management. However, I am convinced it is better to be important to a limited number of custodian banks rather than being a small player with many. The service and collaboration will definitely be better if we are among the bank's key clients. Pricing is crucial too, but it is even more essential to have the highest quality of service, as this will underpin the level of service we can give to the clients. This is why we want to work with banks that offer the best service in the sector.



JULIEN SOLIOZ
Primenest

We work with approximately 20 custodian banks. All of them bring value to our customers and have a purpose. It is important to understand that each bank has its own DNA, market position, strength and minimum business requirement. The number of banks which an independent asset manager should work with depends on the type of mandate. We have selected four to five depository banks for discretionary and advisory mandates; there is no need for more, as the interaction with the end clients is limited for those mandates. Clients related to our family office activity (ultra-high-net-worth individuals) are asking for greater diversification of banks, aligned with their values and needs. The choice of bank depends on many criteria, such as the size of assets, type of services offered, contact personnel, location and pricing. We try to ensure that clients and custodian banks fit together well, as this is the only way to ensure all the stakeholders are satisfied in the long term.



MATTHIAS BIEDERMANN
Emcore

As an independent institutional financial partner, Emcore operates entirely free of any internal interests or binding obligations to any custodian banks. Financial security is our top priority. Accordingly, attributes we look for in a custodian bank include a healthy balance sheet, a high Tier 1 capital ratio and a solid capitalisation in terms of financial stability. To ensure we always meet our client requirements, we only consider financial centres with the highest credit ratings from the well-known rating agencies. A transparent and client-oriented fee policy as well as high quality service and fast processes for account openings are further requirements. In order to carry out daily business as efficiently as possible, a modern and reliable online platform for transaction processing is mandatory.

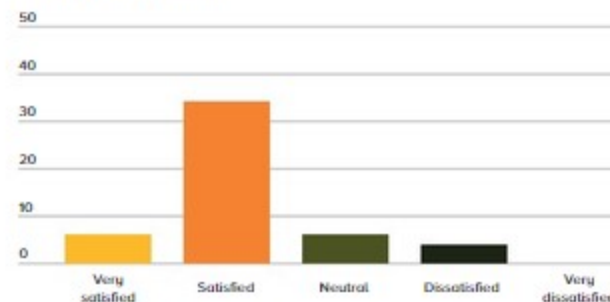
For these reasons, we have no more than 15 custodian bank relationships, and we have maintained these partnerships for decades. Our aim is to generate economies of scale across all our custodian banks and to best achieve our clients' investment objectives through our active portfolio management approach. Therefore, each external asset manager should define for themselves which banks they want to work with.



PAOLO PANZA
LFA

When it comes to relationships with depository banks, LFA differentiates itself from a 'traditional' independent asset manager. Due to the nature and specifications of our niche end market (US clients), LFA is more than just a client for our depository banks. We see ourselves as partners, in that we deliver solutions to manage and retain clients who would otherwise leave. When it comes to clients that have a US link, banks are happy to work with an established Securities and Exchange Commission (SEC) registered asset manager. This enables them to retain clients without undertaking the burden of complex and costly SEC registration and oversight. We currently work with more than 15 depository banks. LFA's clients select the custodian banks on their own initiative, our job is to analyse the chosen bank taking into account the technology used to communicate with banks, among other things. If there's an automatic data feed in place between the bank and asset manager, the relationship is much smoother than if the bank's data has to be manually processed from the asset manager's back office. For that reason, the level of technology and the banks' roadmap are factors we look at closely when partnering. Other important aspects include the bank's operations, such as time needed to onboard a new client and processes needed to submit a change in client information, and, of course, their financial situation.

HOW SATISFIED ARE YOU WITH THE SUPPORT OF CUSTODIAN BANKS?



Data from Citywire Switzerland Top 50 Independent Asset Managers 2021