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Fund Administration

Many in the finance industry might describe the term fund administration differently.

To help understand why, it's probably worth starting with what outsourcing is. In simple terms, outsourcing is when one business appoints another business to perform certain tasks or fulfil particular functions on its behalf.

In the funds world, this would generally involve the fund manager focussing on managing its investments and the appointed third party – i.e. the outsourced provider – taking care of the operation of the fund. In this scenario, the outsourced provider is referred to as a fund administration business.

Although the name implies that its role is limited to administrative tasks, it can do much more than that and usually does. In many cases, the fund administration business will provide most of the resources, systems and controls that the fund needs to function on a day-to-day basis – effectively operating as an extension of the fund manager's own in-house team.

Other names you may hear in place of 'fund administration business' include 'fund administrator', 'fund and corporate services provider' and 'fund services business', but ultimately most will provide similar, if not the same services. To make things even more confusing, you're also likely to hear the term fund administrator used in reference to both the company providing the outsourced services and the individuals it employs to deliver them.

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Fund administration businesses

What fund administration businesses do is entirely up to the fund manager. The role may require only a limited number of services or be much more comprehensive in nature. It's also not unusual for the arrangement to evolve and grow in scope over time, as the fund manager becomes more comfortable with outsourcing and the level of trust between the two parties develops.
Typically, a fund administration business will support fund managers with the following activities:

Fund establishment

A fund will typically consist of multiple entities, which make up the fund structure. While this part of fund formation is very much in the domain of a lawyer, the administrator will generally handle everything that's needed to get the fund up and running. This will include liaising with the regulator, being the Jersey Financial Services Commission (JFSC) if the fund is a Jersey entity, completing and submitting relevant paperwork and implementing the controls and procedures that will govern the operation of the fund.

Investor onboarding

Having identified the fund's investors, the next stage is to onboard them. This process is usually managed by the administrator's anti-money laundering team, who will undertake what's called 'due diligence' on the investors to verify their identity, background and source of funds – how the investors have, or will, provide the money they have agreed to commit to the fund. Once sufficient due diligence for all investors has been received, the administrator will co-ordinate a meeting with the directors, lawyers and fund manager to admit these investors to the fund.

Ongoing investor support

Interaction between the administrator and the fund's investors doesn't just end at onboarding and collecting the money for investment. As well as making distributions (providing the investors with a financial return on their investment) from the fund to the investors, the administrator will usually be responsible for ensuring investors are engaged and kept informed of what's going on with the fund. This means preparing and issuing reports and other documents in a timely and professional manner. It's also important to remember that the investor is the fund manager's client, so needless to say the administrator needs to treat them like a client too!

Administration

Payments need to be made, records and registers need to be maintained, meetings need to be organised and held, and communication and correspondence need to be managed. These are just a handful of the many administrative tasks that are undertaken on a day-to-day basis. Very often, the employees responsible for these activities will play a broader role in the overall coordination of the fund, ensuring that everything is done on time and in accordance with applicable laws and regulations, but also the conditions the investors first signed up to, which are typically detailed in the fund's limited partnership agreement (LPA).

Accounting

The fund will require a number of accounting duties to be undertaken, including recording and maintaining financial reports, making complex calculation and paying fees. Most administration businesses are set up to manage all aspects of accountancy for fund managers, often employing a specialist fund accounting team.

Governance

A fund structure will have a range of laws, regulations and directives to adhere to, both locally in Jersey and internationally. As with any other industry or profession, failure to comply with these can lead to serious financial and/ or reputational damage. More often than not, the administration business will build a specialist team of compliance, risk and other regulatory professionals to manage these complex requirements.

Key roles at a fund administration business

A fund administration business requires people of all different skillsets to successfully meet the needs of their clients. These include:

- **Administrator**: Coordinating the day-to-day operation of the fund, including managing correspondence, payments and procedures, maintaining records and organising and convening meetings.

- **Accountant:** Working alongside the administrator, assuming responsibility for financial reporting, fund calculations and other day-to-day accounting tasks.

- **Compliance officers**: Ensuring all parties involved in the operation and administration of the fund comply with policies, controls and relevant regulation.

- **Anti-money laundering officers**: Detect and reporting suspicious activity, including money laundering and terrorist financing.

- **Risk**: Adopting measures to manage and mitigate financial and reputational risk, ensuring employees operate within the parameters of the administrator's risk framework.

Support team roles include:

- **Business development**: Identifying and exploring opportunities for new business among existing and prospective clients.

- **Marketing**: Promoting the business and its services to its target client base, such as fund managers.

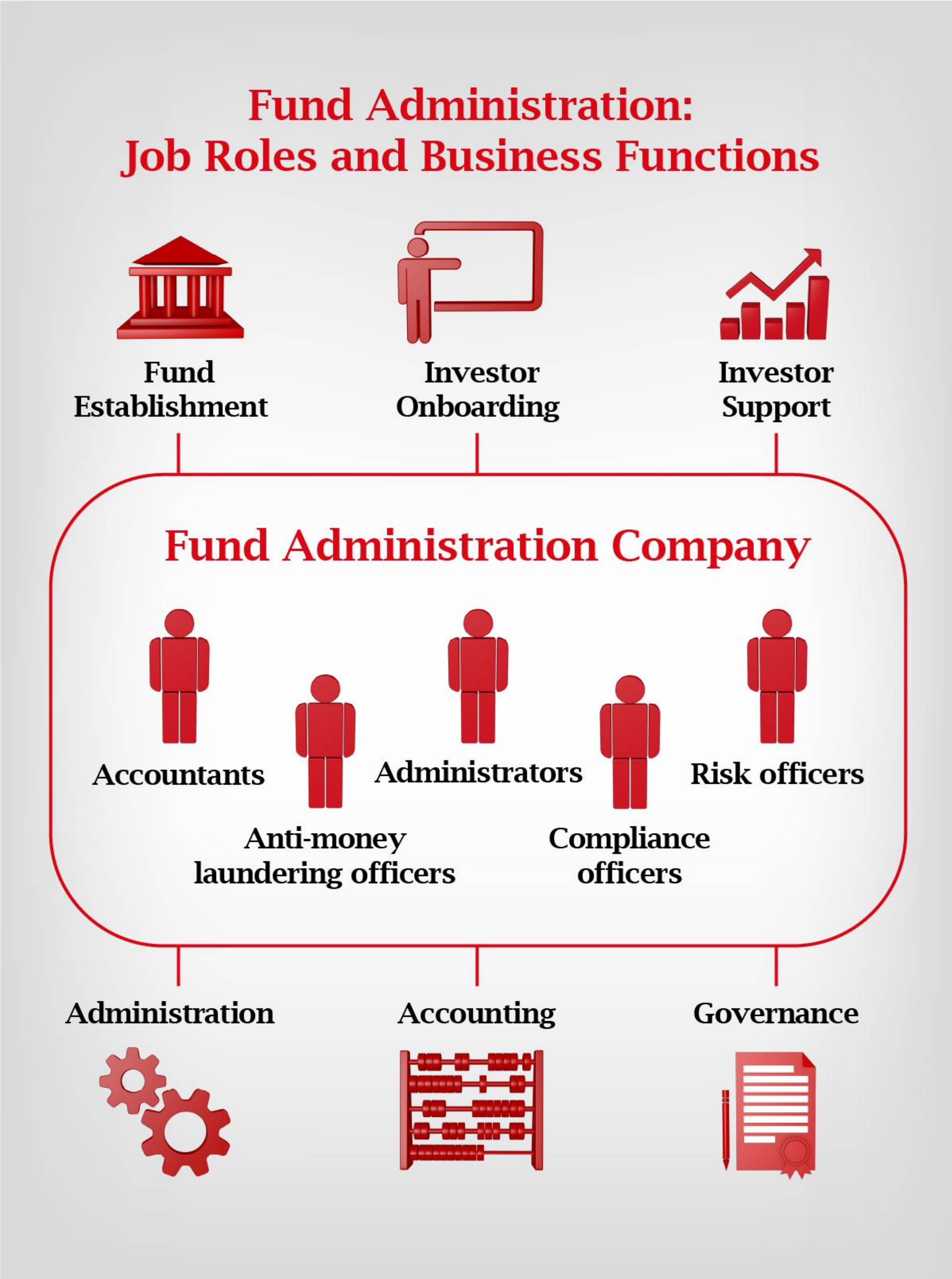
- **HR**: Recruiting, rewarding and developing staff. Some companies will even have specialist teams dedicated to recruitment, employee relations, and learning and development.

- **IT**: Managing and maintaining the administrator's technology platform and related infrastructure, ensuring staff have the tools they need to service their clients.

- **IT security**: Adopting measures to manage information security risks to the business, including the threat of cybercrime and providing training and guidance to staff on how to identify threats.

- **Finance**: Managing the company's finances, including making payments, overseeing transactions and controlling money coming in and out of the business.

On top of these roles, you'll have project management staff, receptionists, facilities staff and many more individuals, all making a valuable contribution to the day-to-day running of an administration business.


Fund Administration:
Job Roles and Business Functions
Fund Establishment
Investor Onboarding
Investor Support
Fund Administration Company
Accountants
Anti-money laundering officers
Administrators
Compliance officers
Risk officers
Administration
Accounting
Governance

Why fund managers outsource

While fund managers ultimately outsource so they can focus on managing their investments, there's often a number of other reasons for this decision, including:

Specialist expertise

Outsourcing provides instant access to a broad range of professionals who are vital to the operation of a fund. Not only is this very convenient, but it also removes the challenges associated with, and expense of, recruiting and training specialist employees. The fund manager will also be able to draw on the administrator's experience of working with other managers who have similar requirements.

Technology

Technology plays an important role in most industries and fund administration is no different. From the coordination of meetings to the preparation of financial reports and investor correspondence, there is usually some form of system in play that helps increase efficiency and maintain quality. Administrators will often invest significantly in systems, the cost of which will be shared across an entire client base, as opposed to it being incurred by a single fund manager, as would be the case if the administration was done in-house by the fund manager themselves.

Operating platform

Expertise and technology may be two central components of a fund administrator's operating platform, but its controls, processes, procedures and presence across other locations will carry just as much importance. Again, it's a case of the fund manager choosing a "tried and tested" operating model and picking up a portion of the cost rather than making that investment exclusively.

Why administer a fund in Jersey?

Many of the leading fund managers choose Jersey for the administration of their funds. Alongside a robust infrastructure, proximity to the UK and respected and stable legal, regulatory and political environments, Jersey offers:

- **Expertise**: More than 13,500 people work in the Island's finance industry – that's more than 20% of the working population. The vast majority work in the field of administration too. This workforce currently looks after a staggering £342 billion in fund assets for a truly global client base.

- **Reputation**: Fund managers who choose Jersey can be confident that they are working with a well-regulated and compliant jurisdiction, cooperative on a range of matters including tax transparency, financial crime and regulatory reporting.

- **Efficiency:** A fund manager will look for a favourable tax environment, which Jersey offers through its zero corporation tax offering. The straightforward system means that tax is only paid once – other international finance centres offer the same but with greater complexity and higher costs to set up.