

Is your fund administration compliant with new investment oversight? Are you sure?

By Origo Consulting

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There's a long way from Luxembourg to Wall Street (Photo)

The financial authority have placed still more responsibility on the Luxembourgish fund investment industry. This time in something which requires investment expertise - something Luxembourg no longer have in droves.

The CSSF has with the circular [18/698](#) of August 2018 placed the responsibility for investment oversight with the investment fund manager (short ManCo). This makes their oversight easier on a few hundred manco's while they in turn then must control the tens of thousands individual investment manager mandates. This again raises the quality by insuring that the business of handling other people's money are done properly.

However this require that said ManCo's have the updated theoretical and practical experience with investment management responsibility. This however is not the natural competence to find with most fund administrations.

At the same time competences within investment management have mostly disappeared from Luxembourg. This development has a perfectly rational explanation, albeit the degree to which it has happened is somewhat "stealthy".

A quick Luxembourg industry flash-back

Luxembourg rank 12th in the Global Financial Centres Index (GFCI). Impressive in itself, but this is due to competences in fund administration - not within skills in the financial markets.

40 years ago the Luxembourg finance industry was quite differently composed. The business then was by far the private banking industry - a high margin low competence business thriving on the country's status as tax haven.

By 2015 this punch bowl was taken away as the franchise had become increasingly unpopular with, well everyone else.

Luxembourg saw see this coming from afar and had already positioned itself as the home of administrating investment funds to be distribute to the world. It is today the second largest of its kind in the world. No small accomplishment indeed.

The industry has build a strong base in fund administration; accounting, settlement, reporting and a plethora of controls to check that regulatory boundaries are respected.

However, this has naturally developed in the still more competitive world that is has been necessary to allow for still greater outsourcing various sub-services for better and cheaper resources. You guessed it, that also included the high margin business of the people who make the day-to-day decisions on how money are invested, which are

concentrated around the global financial investment cities of New York city, London, Tokyo and Singapore.

The experience of handling the intricacies of the financial markets, a liquidity run, an underperformance or similar which you as investment manager are solely responsible of are a very different set of competences.

This brings us to today

Today Luxembourg manco's have been given the oversight responsibility of something outside their natural area of expertise. Many are in need of a resource boost ...

This opens a business risk to manco's in competence gap ...

Origo Consulting are professional asset managers specialised in investment management and process analysis. We are located in Luxembourg and experienced with funds as well as investments ...

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