

## Big administrators edge out small funds

Hedge funds with less than \$100m are finding it increasingly difficult to obtain administration services from established players, according to Dermot Butler, chairman of Custom House Administration and Corporate Services.

Speaking at IBC's Hedge Fund Administration and Prime Brokerage conference in Dublin, he said consolidation among administrator firms with large numbers of wealthy hedge fund clients is making smaller funds feel they are a low priority. "If I was a \$70m fund sitting with one of the big administration players, I wouldn't be feeling very secure," he said.

Kieran Conroy, managing director at Citco Fund Services, denied large administrators were focused solely on the institutional market. But he justified Citco's tendency to gravitate towards larger clients, pointing out funds with fewer assets are more likely to fail, making service providers understandably cautious. He estimated there were between 50 and 60 hedge fund failures in Europe last year.

Glenn Kennedy, head of the legal department at Bisys Hedge Fund Services, agreed. "The key to our business going forward is to keep it more controlled," he said. "Perhaps five years ago we were more willing to take a punt on a manager.



Dermot Butler  
Custom House

Now, we're more focussed on control and on servicing our existing clients."

However, he said, consolidation has helped the industry, with scale bringing advantages in capacity, improved technology and more reliable safeguards.

Conroy denied the industry was undergoing real consolidation, pointing out the number of groups operating in the area has been increasing.

"I agree there hasn't actually been a reduction in hedge fund administrators, there has just been a change of names around the place," added Butler.

He raised concern about Dublin's future as a centre for hedge fund administration companies, pointing out that with constantly improving communications, location is decreasing in importance. He said rising costs in the city are pricing it out of the market. But he noted that Dublin's loss could be the rest of the country's gain.

Butler also criticised the notion that there are no good new managers or that all the best managers are closed to new investment, labelling it "poppycock". He said smaller admin groups such as Custom House that service new funds or ones with less than \$100m make such funds feel safer and are also at an advantage with medium-sized funds.