Exclusive: US Bancorp reveals middle office and depo plans

by Sam Macdonald - 23 January, 2015

The development of middle office and full depositary services for Quintillion are high on the agenda for US Bancorp in 2015, some 12 months after the completion of its acquisition of the Dublin-based administrator.

US Bancorp bought Quintillion in November 2013 as it sought to establish a presence in the hedge fund admin space in the UK and Ireland and to develop brands across Europe and Asia.

Speaking to HFMWeek, head of alternative investments Christine Waldron said rolling out Quintillion’s full AIFMD depositary service is a big focus for the coming year and demonstrates the advantage of bank-backing.

“Quintillion has offered depo-lite since this past summer, and plans are now under way to develop full depositary services,” she said. “We are evaluating our delivery strategy in the next 12
months."

The construction of a full middle office solution in both Quintillion and US Bancorp’s US admin business is also in development, elements of which could be outsourced to a third party.

Waldron said: “We realise the need to enhance our middle office solution and we expect to have something in place in 2015. Given the demand for this service, we are evaluating the requirements; we could possibly achieve this either through a build or by a relationship with a third party.”

Asset growth is another obvious focus and with Quintillion AuA currently at around $19bn, Waldron says she expects this to reach $25bn by the year end and adds similar percentage growth on total assets of $119bn has also been targeted.

The growth in assets, expanding service range and heightened regulatory obligations mean Quintillion’s staff will increase by 40% over the next two years, which in turn will lead to it seeking new offices in the Irish capital.

There are currently 75 staff members in Dublin and 18 in London, 100% of which were retained following the Quintillion deal.

Waldron said: “We see the need for a new real-estate plan in the next two years, as growth is strong in both the Dublin and London offices.

“We are also looking at Europe; from our perspective, an acquisition would allow us to get to market in a more timely manner than through a build of our own, although we are not eliminating either at the moment. That is something that will be decided upon in 2015.”

The bank is aware that currently its brand is not commonly known outside of the US and has confirmed its intention to retain the Quintillion brand as well as its commitment to small and mid-size managers.

“US Bancorp is very similar to Quintillion, and while we enjoy working with large asset managers, we started this business working with smaller managers and continue to have a large book in that space. It is our 'sweet spot', and we see our offering and service lending itself to that target market space. We will continue to work with small to mid-size managers, she said.

As hedge fund managers continue to feel the pinch of regulatory burdens, Waldron said low end managers need to be able to
reach an asset threshold of around $50m in order to be sustainable.

She added: “Regulatory costs are a factor, and for products to break even I would say you are looking at $50m. You have to find competitive pricing from service providers and need to demonstrate long term growth and distribution strategies. You can still make it work, but it’s a tight area.”
A gain of 10% or more
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