

Chris Harkness, managing director and founder of Swiss Fund Services, a new Bermuda fund administrator, is confident his firm will flourish in Bermuda's highly competitive environment

Boutique revival

Chris Harkness formed Swiss in 2005, having worked at PricewaterhouseCoopers and most recently at JPMorgan Tranaut where he was manager of business development and IT. He is hugely satisfied after watching his company grow and prosper in its first year of business.

"I joined Tranaut when it was a small office here in Bermuda and I watched it grow to operate from three locations

staff turnover means they often recruit individuals with little experience. Swiss believes its recruitment policy results in staff who can service clients to an extremely high standard.

"We recruit people we already know who work in the industry," Harkness adds. "That individual has to be a qualified accountant with several years of hedge fund experience behind them working for a major fund administra-

"We find the software fast and reliable. For example, we service a high volume long/short trading fund and by mid-morning the following day we are able to provide the fund with its prior day valuations. What this means is we have imported around 1,000 trades, independently priced the portfolio and reconciled cash and stock positions. This task is performed efficiently due to our software, reconciliation tools and knowledgeable individuals devoted to the account. Combined, these elements made this task seamless."

Swiss believes daily reporting to clients is crucial and the firm is able to provide daily estimates to clients where required. In most cases, month-end fund estimated valuations and NAVs are produced by the first business day of the following month.

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worldwide. It has since been taken over by JPMorgan," says Harkness.

"I understand the challenges faced by the larger fund administrators and the team at Swiss aims to do things a little differently. Operating as a boutique company while providing a high degree of personal service and supported by state-of-the-art technology means we can easily compete with the other administrators. We have built the company on strong principles coupled with the belief that client servicing is key. As a result we have gained significant business."

Staffing challenges

A major challenge facing Bermuda is the global shortage of qualified accountants, and attracting them to the island is becoming a major headache for many of the large administrators. Most administrators employ qualified accountants from abroad at high recruitment and training costs and many find the need to service their clients and manage

tion company. As a result, training costs are lower and project implementations run to an accelerated schedule."

Investment in technology

One area Swiss has invested heavily in is technology and its accounting systems have enabled the company to compete in the market immediately. Swiss purchased Pacific Fund Systems' widely recognised PFS-Paxus fund administration system in 2005 and has developed a variety of automated reconciliation tools internally. Not only is the General Ledger system flexible but the daily reconciliation process is fully automated.

Harkness explains: "We chose PFS-Paxus software as it is adaptable to our needs and the support service is excellent. We are also instrumental in testing the software before a new release is implemented and frequently our ideas are incorporated into new releases by software specialists. This includes the incorporation of new reports, reporting functions and reconciliation tools.

Innovation in Bermuda

Bermuda, with its robust infrastructure, is currently the place to be for the fund administration business and Swiss is ready to capitalise on innovative products. For example, Bermuda is seeing a growth in reinsurance-related products, such as hedge funds built around a reinsurance company or catastrophe bond funds. This growth comes from the massive re-capitalisation of the reinsurance industry at the beginning of the year following the 2005 hurricane season. Those new products require a unique administrative approach as they are harder to value. Swiss is well placed to benefit from its expertise and is able to take on products that other administrators would be unwilling to participate in.

Swiss is working with strategic partners in the recently developed area of

Cayman's segregated portfolio companies (SPCs). A Cayman SPC fund is an innovative structure with limited liability. This allows multiple share classes to be opened quickly and at a low cost once the main structure has been established. A share class is completely segregated from the other share classes. In effect one could have multiple mini hedge funds within the existing SPC entity. These SPCs allow fund of fund managers to establish as many classes as they wish and in effect create a fund of managed accounts. The share classes are managed by sub-advisers using their various fund strategies. It also provides the fund of funds manager with stronger control over their clients' assets and allows them to provide a higher level of risk analysis on their portfolio.

Another innovative line of business for Swiss comes from interactions with clients involved in the development of overlay funds. Traditionally, overlays were mostly performed on behalf of multinational companies wishing to systematically hedge their currency

exposures. This idea is currently being extended to hedging other types of exposures and also to reproduce or mimic income streams from some standard hedge fund strategies with a smaller set of liquid instruments.

Growth prospects

Swiss currently services an extensive range of clients including funds of funds, equity, equity-derivative and bond funds with a variety of complex structures incorporated in multiple jurisdictions. Its aim is to grow the company while maintaining a high level of personal service.

"Boutique administrators can provide a personal service to clients because each client will have one point of contact rather than a client calling different individuals for different functions on their account," explains Harkness.

"This ensures the relationship is solid. Our clients prefer to operate through a single-point person who oversees the account and has a detailed knowledge of their activities and can quickly resolve any problems arising. Coupled with

rigorous controls, this structure has proven to work efficiently.

"We intend to keep this basic principle in place while aiming to grow and develop. This devotion to clients results in strong relationships. Our staff are highly motivated working in this kind of environment, resulting in the pursuit of service excellence."

Swiss believes there is still a demand for boutique administrators and with many of the big players not accepting new clients with less than between US\$80m and US\$100m, there is a demand from smaller start-up funds as well as established funds seeking better service. Swiss has the desire and means to provide a world-class level of service to any client, of any size or complexity.



Chris Harkness is managing director of Swiss Fund Services. Prior to establishing Swiss, he was a group manager with JPMorgan Tranaut located in Bermuda.

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