



# Article

Cayman Islands

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**Deutsche Bank****Cayman Funds 2013****Custody: an essential component of Cayman's funds offering****By Dan L Peterson, Director, Client Advisor, Deutsche Bank (Cayman) Limited**

With the global funds landscape continuing to shift, in terms of regulatory frameworks, investor demands and trends in approaches to asset management, it is reassuring that the Cayman Islands are continuing to attract high quality alternative funds business.

That that is the case is testament to the fact that firms in the jurisdiction have made a concerted effort to remain flexible to market conditions and adapt accordingly. As a result, they have found that, despite the persistently challenging environment, there are opportunities out there.

The ongoing drive towards ever more stringent levels of regulation, such as the Foreign Account Tax Compliance Act (FATCA), continues to challenge all industry participants - requiring banks outside of the US to grapple with new operational challenges, and consider the potential added costs associated with meeting those challenges. Tougher regulatory control is having a knock-on effect, putting greater stress on operations and increasing cost-to-income ratios, meaning that some banks are simply having to withdraw certain services and products.

However, for banks that can successfully adjust their operating models, there are opportunities. Those banks that have remained alert, have a commitment to innovation and adapt to the new environment are now in a strong position to grow their market share.

It was with this in mind that, as a globally strong organisation, Deutsche Bank saw an opportunity to add value in the marketplace and launch a complete custody service in Cayman, as an addition to the services already provided to its clients by the Financial Intermediaries team. That decision has proven a real success for the Bank and its clients, and, as a vital part of its overall alternative funds offering, is also helping Cayman retain its position as a centre of excellence for both custody and fund services on the international stage.

**Demand**

Having been driven by significant demand from financial intermediaries in the Caribbean, the Bank's custody service has significantly expanded on the range of products and services available to them locally.

It has become increasingly obvious since the launch of the custody service just over a year ago that financial intermediaries – fund administrators, trust companies, family offices, law firms, accounting firms, liquidators – are all demanding a strong service provider with global capability. A locally available option within Cayman, backed by a global banking organization, is certainly proving an attractive proposition for them.

In addition, the preference increasingly is to custody discretionary investment strategies within Cayman. With the ability to book custody services in Cayman now, financial intermediaries don't need to worry about any conflicts of law that might arise through other more complex multi-jurisdictional arrangements. At the same time, they are still able to access portfolio managers in other jurisdictions – investors don't mind where their portfolio management is done, but do care where their assets are held. That they can all be held in Cayman is a compelling proposition.

The ability to offer a more holistic offering is also proving attractive to clients in Cayman, who are able to tap into a complete suite of services from their home jurisdiction – including, through the Bank's global network, access to securities settlement services in more than 100 markets, and a joined-up and seamless set of reporting tools.

The time zone is also often an operational challenge faced by clients, particularly previously when custody business was booked through centers in Europe. Many executing brokers, understandably, don't want to deal with a custodian who is five or six hours away.

This is important for underlying clients of financial intermediaries supported from Cayman. With Latin America remaining a key growth region for many financial intermediary clients, for example, trust companies setting up Cayman and BVI structures for their Latin American clients are increasingly looking for a high quality Caribbean custodian too.

### **Local Access, Global Reach**

In a world where jurisdictional competition is increasing, it is important for Cayman that it is able to offer a broad range of appropriate, high quality services locally. The experience of Deutsche Bank is that having a strong custody element is really playing a major part in strengthening Cayman's position as a leading funds centre.

It is also the case that institutional clients demand that their financial service providers have multi-jurisdictional reach. So whilst a locally accessible service is desirable, a service that retains

a global dynamic into markets like Singapore, Sao Paulo and Mumbai, and that is backed up by an international organisation is very attractive indeed.

In the current environment, reputation and stability are also increasingly important. High net worth individuals, families and multi-national companies all look for custodians that have a positive global reputation and a strong name in the world of investment banking. In this respect, Deutsche Bank's Tier 1 status and global reputation for custody solutions is playing an important role in attracting high quality custody business to the jurisdiction.

Over a year since it was launched, Deutsche Bank's custody service in Cayman is now well established and has already brought in some new high quality business. We expect this trend to continue, helping both us and our clients grow. Competition is strong, however, and Cayman must be ready to make sure it is part of the jurisdictional decisions financial intermediaries make. Having a strong custody industry can be a key part of that.

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**About Deutsche Bank (Cayman) Limited**

Deutsche Bank (Cayman) Limited is a subsidiary of Deutsche Bank AG and was established in Grand Cayman in 1983 and through its Private Wealth Management and Corporate Services divisions provides a comprehensive range of offshore services for international corporate, institutional, intermediary and private clients.

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