

Craig Roberts of Apex Fund Services (Dubai) Ltd outlines how best practice through independent administration can be brought to the Middle East

Adding value

Although Dubai has yet to see a real emergence of hedge funds, the region is full of potential as an emerging market base. For hedge fund managers looking to domicile in the region there are all the usual opportunities ready to be tapped. The infrastructure here is good – with plenty of banks and other institutions starting to emerge – and there is the obvious attraction of strong regional economic growth as a result of the strength of the region's oil economy. Being based in Dubai, you also have the regulatory structure of the Dubai Financial Services Authority (DFSA) and the resources of the Dubai International Finance Centre (DIFC) at your disposal.

The biggest hurdle – and the biggest difference – with Dubai is that businesses require a physical presence here. Generally, offshore funds don't require one as often as onshore funds, but here in Dubai a physical presence is not only necessary, it can be quite an expensive proposition. However, once a fund has decided to relocate their operations here the process is quite straightforward.

Dubai regulations, while still developing, are quite clear and they are of a sufficient standard to be credible and to give investor assurance around the world. Inevitably there will be a need for further modifications as time goes on but the current regulatory framework remains fit for purpose.

Best practice

As independent administrators, one of our strengths is bringing best practice to our clients and then working with them. We are able to bring the benefits of our international experience from other jurisdictions to the region and also work with local firms in raising their standards of such things as due diligence, know your client (KYC) information, reporting timeliness, investor communications and so on, which will obviously help their relations with their investors and also internally with their own staff and funds.

Being independent means that this relationship is what we concentrate on as a service factor

– as opposed to having any sort of political relationships or corporate tie-ins. Independent administrators are therefore able to look objectively at a situation, at a client's needs and requirements and recommend what would really work for them – and, on that basis, hopefully improve what they are currently doing.

First and foremost we are a 'one point of contact' organisation. The relationship with the client is built from day one, to fully understand their requirements. We make sure the quality of service they get is top grade and try to anticipate potential problems for the client. For example, the reporting/dealing frequency here is generally monthly, but we are able to structure it so that clients can offer weekly or even daily dealing.

Immediately, that brings them to a bigger part of the market which they maybe never considered before. Through our ApexFundsNet web reporting package fund managers are able to produce a wide range of information for their clients which sets them apart from the competition.

Client consultation

Apex have been in Dubai for just over a year and during that time we have partnered with our clients very strongly. The clients we have worked for are not just dealing with someone who is providing administration – we are very focused on providing advice and consultation as well as services.

A lot of the existing funds here have been able to do their administration internally and they haven't had to worry about it to date, because they have had strong relationships with their customers or with the local investor base.

Now they are looking at investors from outside of the region, who are more demanding and require independent custodians and independent administrators to add greater transparency to the industry. We have enabled existing firms to add that value to their service; and attract and participate in a greater investment pool via the international markets.



Craig Roberts has been the CEO of Apex Fund Services (Dubai) Ltd since it was formed in July 2006. Prior to joining Apex, Craig spent several years working at two hedge funds in roles ranging from trading, operations and administration.

Responsiveness

Compared to the service model offered by, say, the administration arm of a global bank, our clients know that, because of our single point of contact model, they are going to get their requests answered promptly and properly. They're not going to be chasing different departments. Our responsiveness is key.

Apex also gets involved as an independent advisor as required. We have been involved with clients on a variety of issues such as helping select their front-end trading systems, sourcing risk-reporting providers, doing evaluations for them – maybe even helping develop their products for the market.

These are all things the client wouldn't get if they were using a larger, non-independent company – there would be affiliations to consider, whereas we can shop around. The client therefore gets the best of all the providers whenever they need them.

Smaller funds

Apex Dubai was the first administrator to be authorised by the DFSA to operate in the DIFC and has since grown to offer services to over US\$1bn AUA. The niche for which Apex was formed, however, was effectively the smaller funds and start-ups and this is where relationships become very important. We are able to provide a lot of advice that is not really seen in the fees that these clients pay. For example, choice of jurisdictions, structuring the right product for the right investor base that they are looking for and so on. The earlier we get involved with a client the more value they will get out of us.

We also cooperate closely with law firms and audit firms to ensure that we do as much of the work as possible – from creation of the prospectus and subscription offering documentation to order work papers or reviews. Consequently, other service providers can reduce their workload and, thus, their fees to the client.

Because we have relationships with other service providers we can often take advantage of our group relationship with, say, an audit firm, so that the client can come in as one of Apex's clients rather than as a small client of that firm. Clients therefore get the benefit of our existing relationship and client base. Some custodians, for example, won't touch clients below a certain level. If we make the introduction to the custodian then our client will get the benefit of the fee basis that the custodian has extended to Apex, on the basis of our relationship.

Apex Dubai is effectively an onshore operation and therefore we have a lot more client contact in



the Dubai office than we did in our Bermuda office. Contact in Bermuda was largely through email, telephone and the occasional meeting, whereas here in Dubai – especially once we moved into the DIFC – we were able to have regular meetings and discussions with our clients.

Staff and education

We have also discovered a need for us to become more involved in an education process with some of our clients, particularly because we are a new service to the region. Historically, many existing clients often didn't feel the need to have an independent administrator. Now they have seen the value that we can add and we have to work more closely with them to ensure that the services they want are ones that we are providing. This is in marked contrast to, say, your typical hedge fund manager, who may be based in another location, sets up a fund in Cayman or Bermuda, never visits the island and just lets the fund run itself.

Dubai does see a very high turnover of staff. In the short period of time we have been here we have seen a lot of people in other companies move around the region. We are very open to the opportunities of new talent coming around and as we have expanded we have taken on good people.

Because of the high turnover we always try to staff up ahead of our requirements, so that services are ready to be provided for any clients. We pay a lot of attention to our internal staff by providing good training, good experience and exposure to all facets of fund administration.

The single point of contact model at Apex means the staff get involved in the full range of issues that are faced by any client. That gives them a great deal of motivation and, because we extend a partnership-type arrangement to employees, they get a sense of ownership of their client and take a greater interest in what they are doing.