

YOU'VE COME A LONG WAY, BABY

Citi is increasingly looking like a genuine alternative to the big three

13 April 2011: Citi has never lacked ambition. The problem, historically, was that it could not always match that ambition with the key elements that bestow credibility on any provider: people, products and purpose. Few understood what Citi was all about, and it didn't help its cause by an erratic acquisition strategy (remember Forum and AGF?) and a wobbly explanation of where it wanted to exist on the value chain. It has always had some good people, but found it difficult to attract new talent, precisely because few of the industry's big beasts were willing to bet their careers on a firm that didn't appear to know what it wanted to be.

Product was also an issue. Apart from a longstanding franchise in the insurance sector, no one really knew what Citi's USPs and product capabilities were. Having built a UK fund servicing capability on the back of its 2003 outsourcing deal with Standard Life Investments, it then did next to nothing to capitalise on the investment. Similarly, its pioneering work with AEGON to build a cross-border asset pooling platform was followed by silence.

But Citi isn't like that any more. For a start, its 2007 acquisition of BISYS laid to rest any lingering suspicion that it lacked commitment. It also demonstrated that it was no longer content to be seen as a player that catered for mid-market firms with global aspirations, such as Dimensional Fund Advisors. Instead, it wanted to move into mainstream fund administration, as well as adding some real product firepower to its service offering for alternatives managers.

That investment, and change of strategic direction, are now starting to pay off. Granted, it is still not a heavyweight in the traditional fund servicing sector, and probably never will be, but its product line-up for complex investment strategies is one of the best on offer. And a major reason behind this upgrade of product capabilities is that it is now attracting the industry's top talent. Some of the brightest and the best are heading for Citi, and their work is helping to make the firm's proposition very compelling.

The process of transformation has gone almost unnoticed by its competitors. Yet Citi can genuinely claim to be a market leader in a number of sectors, including hedge fund middle-office outsourcing, managed accounts and wealth management administration, bank debt servicing and OTC derivatives processing.

There is more to come. Citi believes it can build a franchise in the ETF sector, and is gearing up its collateral management capabilities. It has started to gain some traction with third-party securities lending, and a recent global transfer agency mandate from Man Group will give it some valuable credibility in that market space.

For too long, many outside the firm struggled to explain Citi's raison d'être in the investor services business. That was because many inside the firm didn't seem too good at explaining it either. But Citi has sharpened up its communications skills and now has a very compelling story to tell. A growing number of people are listening.

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