

# Separation and Transformation of a Fund Administration Business



KPMG's strategy team supported a leading Swiss Bank in the separation and transformation of their fund administration business from an internal operational unit to an external service provider.

**Strategic rationale:** While being the number one fund administration service provider in the Swiss market, our client concluded that their global scale was not sufficient in this highly volume driven business. To ensure the future success and the continuous strategic development of the fund administration services, our client decided to transfer their operations to a competitor with a dedicated focus and strong footprint in the fund servicing space. This was also considered to be the right choice for the bank's end clients who will benefit from the complementary expertise and the increased scale of the buyer resulting from the transaction while maintaining their existing client relationships with the bank.

**The transaction scope** included two operational units located in Basel and Luxembourg with approximately 240 employees and Asset-under-Administration of over USD400 billion. The key challenge for our client was to perform a seamless separation and subsequent transition of the fund administration business in alignment with the regulatory requirements of the Swiss and Luxembourg banking supervision while ensuring the high service delivery standards of their ongoing daily operations.

**A special feature of the transaction** was the planned long-term cooperation relationship between the seller and the buyer post deal completion. All fund administration services being transferred to the buyer were sourced back through an extensive service level agreement since the relationships with the end-clients remained with the bank. It was therefore an additional key requirement for our client to ensure that the high service delivery quality of the in-scope operating units would be maintained post-closing. This required not only the support during the buyer due diligence but also required to obtain a clear picture of the mutual fit between the two parties and to develop a detailed execution plan to ensure a seamless transition towards the future cooperation model.

**Our team** supported the client from the very beginning of the transaction process by conducting a Separation Feasibility Assessment together with the client's Management which represented the basis for the subsequent planning of the deal perimeter and transaction approach. Since the fund administration business originated as an internal service provider within the bank, its systems, processes and personnel were highly integrated within the bank. This required a comprehensive analysis of interfaces, interactions and interdependencies between the target's operations and the bank that would remain. Based on these analyses we supported the client in defining detailed Target Operating Models for the involved organizations which were then translated into actionable workplans. As a result, the client possessed a clearly structured roadmap which accompanied him from the pre-signing phase up to the closing of the transaction.

**The client benefitted significantly** from the continuous presence of our core team that provided support during all stages of the transaction from beginning to end. The findings and insights that were gained during the pre-signing due diligence phase could be effectively utilized for the planning and execution of the separation. Thanks to the continuous presence of the core team, the consultants were considered as an integral part of the client's project organization, which enabled a highly efficient collaboration mode throughout the transaction.