

Rebuilding Swiss investor confidence in hedge funds

Interview with Luis Pedro

Oligo Swiss Fund Services received its license from the Swiss authorities 13 months ago to provide Swiss legal representative services and has already onboarded more than 200 funds registered for distribution to Swiss qualified investors. These include offshore hedge funds, UCITS-compliant hedge funds and private equity funds.

“Our team has experience in hedge funds, UCITS funds and private equity funds,” explains Luis Pedro, CEO of Oligo Swiss Fund Services. “The size of fund assets on the platform ranges from EUR20m at the lower end to EUR20bn at the upper end, spanning all types of strategies and structures targeting a broad range of qualified investors.”

There are two types of investors in Switzerland: qualified investors and non-qualified investors. Non-qualified investors are retail investors. Any fund manager distributing UCITS funds into Switzerland have always been required to have a Swiss legal representative and paying agent. Moreover, the funds authorised for retail distribution have to be registered with FINMA.

Qualified investors, on the other hand, include pension funds, family offices, HNW individuals, etc. Up until 1st March 2015, a New York or London-based hedge fund manager could come to Switzerland and freely approach qualified investors under the private placement regime.

That has now changed. Since 1st March 2015, CISA regulation means that managers targeting qualified investors must now appoint a Swiss legal representative and paying agent, bringing hedge funds under a regulated environment that focuses on investor protection.

“Most of the funds that we have onboarded have been for qualified investors. However, Oligo has a full license so we can also onboard retail UCITS funds,” notes Pedro.



Luis Pedro, CEO of Oligo Swiss Fund Services

Oligo does an operational on-site visit to each one of the funds it represents. Although this is not mandatory from a regulatory standpoint, Oligo feels that it is important for a Swiss investor to know that its legal representative has performed serious due-diligence.

“We are seeing more demand now among Swiss investors for hedge funds. There were many US managers marketing their funds here pre-2008, but following the Madoff incident there was a big pullback among Swiss private banks and wealth managers. This led some US managers to stop doing business here. Investor demand just wasn't there. That's now changing,” observes Pedro.

To help connect investors with the hedge funds that it represents, Oligo organises a breakfast event every quarter. February was the fifth such event it has done, and with each event the interest seems to be growing.

“In the beginning we thought, when doing the first couple of events, that we would have a good number of investors and that it would then get harder to keep attracting new investors. In fact, it is getting easier. We are seeing strong demand and this shows that investor interest in hedge funds is building again; we are seeing more multi-family offices, hedge fund consultants and so on.

That Swiss investors are starting to accept hedge funds again is encouraging news for the hedge fund community. Putting in place a Swiss legal representative is a sign of acknowledgment that managers now operate in a more transparent way in today's post-Madoff era.

“When investors come to our events, our goal is to make them feel comfortable that these are serious funds that have the right operational procedures in place. The Swiss legal representative definitely gives Swiss investors more confidence,” concludes Pedro. ■