

BUSINESS

A service to treasure

PROFILE

IN the summer of 2009, Jerry O'Keeffe went for a cup of tea at the home of old friend Carl Corbel.

Both finance professionals, they talked about business and identified a gap in the provision of independent treasury services to local trust companies.

They worked out that there would be a demand for pooled accounts to tackle problems being faced by the trust sector.

These included low interest rate returns on call accounts, the need for greater transparency and the requirement to spread a client's risk.

A pooled account is one where lots of different entities deposit funds into it. In return, a treasury manager is able to negotiate better interest rates with banks than would be available if a single entity deposited a smaller amount.

The two men felt that the trust sector could benefit significantly if pooled accounts were available.

And as a result later went on to form specialist treasury business JCAP, which is now operating from offices in Broad Street.

There were some hurdles to negotiate. Firstly, Jersey born Mr O'Keeffe was working in London for one of the world's biggest financial services businesses, ICAP.

It took some hard work, a role change or two and some time, but about a year later Mr O'Keeffe found himself commuting in the opposite direction to most Islanders in the finance sector.

And he still does. Each week he flies to Jersey from London and on Friday he flies back to Gatwick to spend the weekend with his wife and teenage children at their home in Fulham.

Mr Corbel was involved, and still is, in other projects based in Jersey, including working with a FTSE 250-listed oil company. So he goes into JCAP about three times a week for meetings and briefings.

While Mr O'Keeffe and Mr Corbel were having that initial chat, Peter Laffoley was sipping red wine at his Chateau in France blissfully unaware that his life would soon change.

Loire Valley

The now 50-year-old retired to the Loire Valley in 2007 having had a successful career providing treasury management services for major trust businesses such as Abacus, which became RBC Trust.

But name came up in Mr O'Keeffe's and Mr Corbel's conversation.

It was about a year after that talk, in the summer of 2010, that Mr Laffoley received a call from Mr Corbel to ask if he would be interested in getting involved.

As a result Mr Laffoley is now a director and shareholder at JCAP, spending at least six months a year in Jersey.

Meanwhile, in his last position in London, Mr O'Keeffe had been working on the development of an electronic platform named MyTreasury.

MyTreasury is part of the electronic broking division of ICAP and has grown rapidly since its inception in 2007.

It supports direct trading between investors, funds and banks, and Mr O'Keeffe said it guaranteed transparency between trading parties.

Initially it only offered AAA money market funds. Mr O'Keeffe said the popularity of these funds had risen dramatically in the last few years as investors sought to spread risk through high-quality counter-parties.

'Funds placed with money market funds through MyTreasury recently passed the US\$35 billion mark and the platform is now used by over 300 UK and European investors,' he said.

'In response to investor demand, the scope of the platform is now being extended to include "term deposits" and this presents an opportunity for locally-based banks.'

This month banks across Europe will start putting rates on to the platform.

They will be showcasing over 1,600 trading entities registered on the platform. Live trading of term deposits starts next March.

JCAP has formed a partnership with



Peter Laffoley and Jerry O'Keeffe, directors at JCAP Treasury Services
Picture: JON GUEGAN (01500876)

A Jersey firm is bringing trusts together to give them – and their clients – a better deal

By business editor Harry McRandle

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MyTreasury to market the service in Jersey, Guernsey, the Isle of Man and Gibraltar.

Significantly one local bank is among those due to list rates this month and three or four are expected to put theirs up in due course.

'This could bring in a lot, and I mean a lot, of money to the Channel Islands if the local banks can offer attractive rates. We believe it could prove to be a boon to the banking sector,' he said.

Locally, JCAP's pooled account product was launched last year and has proved popular with the trust sector, especially with base interest rates having remained at half a per cent for such a long period.

The key regulatory change came in 2008 when the Jersey Financial Services Commission agreed that duplication of compliance checks was not necessary if money moved from one regulated entity to another.

Mr O'Keeffe said: 'This meant that a bank could transfer money to another banking counter party without the need to do a time consuming full set of new diligence checks.'

'This was a bonus for counter-party banks as they only needed to accept a letter of comfort from the lending bank to satisfy the diligence procedures.'

'This, coupled with the fact that the funds tended to be lent in significant amounts, meant that the counter-party banks were willing to pay higher rates to attract the funds.'

'In accordance with JSFC codes of practice within JCAP pooled accounts, each trust company has a bank account which clearly identifies the underlying client accounts. Therefore, the funds can be identified by their owner at all times.'

Mr Laffoley said that when the banking crisis was at its height, there were fears that any of the major UK retail banks could fail.

'It is difficult to shut 3,000 individual accounts and move the proceeds with millions in cash in them. However, with a pooled account, the risk can be spread across a number of different institutions and funds can be moved quickly if need be.'

Mr O'Keeffe said that JCAP's High Yield Diversified-Risk Account (HYDRA) structure maintained high liquidity as the money could be withdrawn at any time by a client.

At present JCAP has the commitment of four local banks who are prepared to act as a primary bank for pooled accounts and have 17 counter-party banks willing to take funds from

The trust company will usually charge a fee for the independent treasury service that it is now outsourcing.

However, it may decide to pass on all the improvement in rates to clients.

'It is up to the trust company how it markets the treasury service but it should be a win/win situation for both trust company and client,' said Mr O'Keeffe.

One of the key elements that a trust company needs to consider if it wants to run pooled funds is the specialist software required.

The Trident CMS software required to run the HYDRA structure is provided to the trust company through a partnership JCAP have established with Maltese firm Ascant.

Another significant area of operation for JCAP is foreign exchange execution.

Mr O'Keeffe said that pricing in the foreign exchange market had

changed dramatically through the development of sophisticated electronic platforms.

'To take advantage of the tighter inter-bank prices in the market, we negotiate with the banks to obtain the tightest spreads available for each trade.'

'The trust companies can therefore make sure that its client is getting a fair and equitable rate,' he said.

JCAP was formed in November 2009 and started trading in March 2010.

When it launched it had three members of staff: two full-time and one part-time, but there is now a team of 11 that includes five full-time employees with four directors, one of whom is a non-executive based in Guernsey.

In the space of 18 months it now manages over US\$500 million in cash and foreign exchange.

'Who knows what that will grow into in time,' said Mr O'Keeffe.

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