Q Securities

Beyond vanilla: Depositary solutions for non-traditional fund strategies

By Jarek Kokoszka

Luxembourg's financial landscape thrives on innovation and inclusivity. However, finding the right depositary provider can be a hurdle for funds pursuing complex, non-traditional strategies. Here's where Q Securities comes in.

Deep expertise, broad appetite

Q Securities provides specialised depositary services for alternative investment funds and thus supports the growth of Luxembourg's financial ecosystem.

"We understand that not all funds fit neatly into a "plain vanilla" mould. Many innovative strategies, particularly those in their early stages, face challenges securing services from traditional depositary banks," notes Jarek Kokoszka, Head of Depositary Product at Q Securities.

Backed by a team of legal specialists from a renowned law firm – MWW – Q Securities boasts a deep understanding of diverse investment strategies. "This translates to a broad risk appetite, allowing us to delve into the intricacies of each fund before onboarding. We don't shy away from complexity – we embrace it," declares Jarek Kokoszka.

Before accepting a fund, the business acceptance team meticulously vets funds across various strategies and jurisdictions. The operational team, in turn, continuously expands their knowledge base to effectively cater to this diversity. "Understanding global intricacies and navigating multilingual documentation are ongoing challenges we actively address," says Jarek Kokoszka.

The well-established process allows Q Securities to offer services that extend far beyond traditional offerings and cater to a wide range of fund structures, including:

- Private equity (direct, SAFE, venture capital, and tokenised)
- Debt origination, participation, loan packages, and securitisation instruments
- Infrastructure and real estate
- Maritime equipment, e.g. ships and tankers
- Chemicals and minerals, e.g. uranium mining
- Insurance policies and liquid assets

- Tokens and digital assets

"While established depositary banks and specialised PSFs play a vital role, we see ourselves as complementary players, not competitors. We focus on servicing smaller funds that larger institutions may overlook," explains Jarek Kokoszka. In fact, two-thirds of the funds Q Securities onboards come from new launches rather than migrations from other providers. Many of the company's clients had been rejected by larger institutions due to insufficient target size. At the same time, as Q Securities holds an investment firm depositary license, it allows it to work with open-ended structures and those without a five-year lock-up period, thus winning clients who cannot be serviced by specialised PSF type service providers.

Beyond compliance

Some view depositaries merely as a regulatory burden. "However, our role extends far beyond simply ticking boxes. Regular reporting and proactive identification of potential inconsistencies ensure ongoing compliance and safeguard investor interests. Ultimately, a strong depositary relationship translates to smoother audits and instils confidence in investors," explains Jarek Kokoszka.

Escalations, a vital part of a depositary role, can be misconstrued as negativity. "However, these are essential tools for mitigating risk and taking corrective actions. We strive to foster a collaborative environment where escalations are seen as a supportive measure, not a reprimand," he says.

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The recent pandemic and geopolitical events undoubtedly impacted the capital markets. However, with rising interest rates, many previously stalled debt-focused projects are now being revitalised. Additionally, Luxembourg's licensing of management companies for virtual asset strategies paints a promising picture for the industry. "We are optimistic about our role in empowering innovative investment strategies within Luxembourg's flourishing financial ecosystem," concludes Jarek Kokoszka.

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