

Case Study

ALPHA

Citi helps Alpha to grow its alternatives segment

"Alpha's solution, which leverages Citi's infrastructure, is one of the first to market for fund and Alternatives managers and has enabled Alpha to rapidly become a leader in this fast-growing segment."

Alpha is a leading provider of FX risk management, accounts and payments solutions, dedicated to global corporates and institutions. Its local payment networks extend to over 70 countries, facilitating payments and collections in more than 160 currencies. It is listed on the London Stock Exchange and has a market capitalisation of over £800 million.

The challenge

Alpha's Global Accounts division recognised that there was an opportunity to significantly improve the accounts and payments offering available to the alternative investment industry. Clients in this segment are not serviced by fintech payment providers, which typically focus on the SME market. Moreover, there is limited bank interest in establishing relationships with these entities (which are often special purpose vehicles). This is because, without dedicated people, processes and technology, the complexity of investment structures means they are typically time-consuming, resource-intensive and expensive for traditional banks to onboard and monitor; furthermore, once accounts are opened, they typically make and receive a small number of large value payments and have few additional revenue-generating banking needs. As a result, it can be challenging for fund managers to set up traditional bank accounts for their investment vehicles; even where this is possible, it can take many months to open accounts. Finally, once accounts are opened, the service provided is constrained by a lack of dedicated expertise, systems and processes.

Alpha's approach

Alpha's solution has been purpose-built for the alternative investment market, with bespoke e-money technology that enables fund managers and other institutions to make payments and receive collections across multiple markets and in a variety of currencies.

However, to facilitate its solution for the alternative investment segment, Alpha requires bank accounts to hold client monies with bank providers in the jurisdictions where its fund clients are incorporated (typically Ireland, Luxembourg, the Netherlands, and the UK). While Alpha could set up multiple accounts with local banks in these jurisdictions and make payments and collections on behalf of its clients, reconciliation would be extremely complex, fragmented and resource intensive. The alternative option, establishing individual accounts to better manage liquidity on behalf of each of its clients in various jurisdictions, would be time-consuming and prohibitively expensive.

Citi's solution

Leveraging Citi's 95-market network, Alpha is helping its alternative investment clients gain access to the local and global payments and collections capabilities they require. In addition, Citi brings an expansive transaction banking offering, consistent digital platforms, and blue-chip reputation.

Complementing Alpha's own e-money account solution that Alpha themselves are providing to their fund clients, Alpha has set up Citi accounts in each of the jurisdictions where its clients need to make or receive payments, allowing Alpha to pay and collect on behalf of its clients across Citi's extensive network.

Under Alpha's accounts with Citi, Alpha has opened virtual IBAN/virtual account numbers which it uniquely assigns to each of its clients. This virtual IBAN capability leverages Citi's Payer ID Accounts Solution which allows Alpha to assign a virtual 'account number' to each of its clients, with each Payer ID account number linking to the real Alpha Safeguarding account. This provides for a more streamlined and automated accounts receivable reconciliation process. Uniquely assigning each client to an Alpha Payer ID provides their clients with a local virtual account number – owned by Alpha – to facilitate collections locally in that market. Furthermore, by being able to notionally segregate transactions by Payer ID, the solution enables Alpha to reconcile in a fully Straight Through Processing (STP) manner which client it is collecting funds on behalf of. It also enables Alpha to manage and update its own e-money account solution, enabling Alpha to accurately reconcile incoming transactions and reflect available balances that their clients are holding in their e-money account with Alpha.

Key benefits

- Leveraging Citi's footprint and solutions alongside its own e-money account solution has enabled Alpha to become a leader in the alternative investment market, with an innovative offering that meets the highly sophisticated needs of the client base.
- Alpha now has accounts with Citi across all key global investment jurisdictions. Combined with Alpha's investments in its own proprietary technology, this solution is highly scalable, so it can readily be adapted and implemented in a consistent manner to suit Alpha's needs.

"Alpha has a solid reputation among fund and alternatives managers, backed up by a robust balance sheet, a dedicated team of over 180 people with deep domain knowledge and advanced purpose-built technology and processes. Partnering with Citi to leverage Payer ID and its global capabilities was the last piece in the puzzle and has been instrumental in our success." Adam Dowling, Group Managing Director, Global Account Solutions, Alpha.

"Citi's Payer ID technology perfectly aligns with the needs of Alpha's sophisticated but underserved users.

Without the ability to easily reconcile its clients' payments and collections, Alpha could not have developed such a compelling offering for its clients." Barry Clifford, EMEA Head of FinTech Sales, Treasury and Trade Solutions, Citi.