Susan Livingston made her reputation in the securities services industry in the great settlement crisis of 1985-87. As it happens, her successful efforts to resolve that crisis for clients also made the reputation for excellence in the industry of Brown Brothers Harriman (BBH).

“It was November 1985, and things had blown up in Italy—no trades were settling,” Livingston recalls. “The partners said, ‘We will send Susan.’ When asked why, they said, ‘Because she speaks Italian.’” In fact, Susan Livingston did not speak Italian—she spoke French and German—but the partners of BBH sent her to Milan anyway. What she accomplished there has since passed into custody folklore.

Livingston arrived to find that Banca Commerciale Italiana (BCI), which then dominated Italian sub-custody, had done little but establish a “foreigners room” for all the anxious global custodians congregating at its offices. She quickly worked out that she would achieve nothing if she stayed in it. “I got to know the settlement people,” Livingston explains. “Over time, I wore them down, and they let me into the back office. I was the only global custodian who got into the back office. For months, we worked side by side. I would call the brokers and get the trades settled.” While other global custodians were reduced to shouting impotently at Italian settlement clerks—the collective memory has it that BCI staff placed a garbage can directly beneath the telex machine to swallow the incoming complaints and had the security guards forcibly remove one angry global custodian from the premises—BBH clients enjoyed a perfect settlement record in Italy, month after month.

On a due diligence trip to Italy with Fidelity and fellow custody legend Colin Grimsey of Chase, Livingston had the mixed pleasure of hearing a client disclose her secret to a competitor while also offering the perfect testimonial. “We were at dinner and Colin said, ‘It is so frustrating. We have been to the government in Rome, and they will not help us. These Italians are terrible. They will not let us into the back office,’” Livingston says. “The fellow from Fidelity said, ‘Susan has been in the back office. She took us there today.’”

Nothing illustrates better the combination of charm, enthusiasm and intelligence Susan Livingston brings to any undertaking. These natural attributes are allied to fluency in European languages—she is famous among Francophone custodians for being the only American willing to talk to them in their own language—and sensitivity to non-American cultures. It is a combination that made her the logical choice as the BBHer with ultimate responsibility for network management for the next 20 years. The sensitivity of the network management role is easy to underestimate—most of the suppliers double as clients on the banking and global custody sides of the business—but Livingston handled it with aplomb.
“That initial experience in Italy led to the establishment of a whole network management team since, as the network expanded, I could not go to all the markets any more by myself,” Livingston explains. It has worked well for BBH. Indeed, the Italian success alone prompted a string of major fund managers, such as AllianceBernstein, Merrill Lynch, Putnam, Schwab and Vanguard, to switch their business to the bank, and Livingston reckons its reputation for using its relatively small size to stay nimble is what has kept securing mandates ever since.

Nothing measures that better than the growth of the investor services division. When she joined BBH in 1985, the Boston arm of the bank employed only 125 people in total, of which just six worked in the custody department. The sub-custody network covered only the four markets in which the mutual fund clients of the bank—which had since the early 1960s included the Fidelity Magellan fund managed initially by the legendary Ned Johnson himself and later by the equally legendary Peter Lynch—were invested. By the time she stepped down as the partner responsible for network management in 2008, the sub-custody network covered 100 markets, and the network management group employed 30 people.

What sparked this astonishing transformation of the scale of the sub-custody network at BBH was the passage of SEC Rule 17(f)(5), which for the first time allowed US registered mutual funds to hold assets overseas with local rather than American banks. It became effective in September of the year that Livingston joined the bank. And it was why clients of the bank had unsettled trades stuck somewhere inside BCI in Milan. “I was really lucky,” is how Livingston recalls the Italian assignment. “I was in the right place at the right time, and I had a passport. Nobody else at BBH really traveled. Digger used to say he had never been west of Worcester or south of Nantucket.”

Initially, the Italian dégringolade also turned Susan Livingston into the Red Adair of settlements backlogs. Before the 1980s were out, she had cleared Milan-style blockages in Madrid and Jakarta as well. “It became something of a specialty for us to handle internationally invested portfolios on behalf of the major mutual fund groups,” Livingston explains. “The other banks were just not able to match what we were doing. We knew how the markets worked, and so were able to create a whole stream of risk management products for firms investing overseas. We were particularly good at the difficult markets. We took all the single country and regional funds that no one else could really handle well. I would say to people, ‘Let us handle your really difficult stuff.’ We took the methodology we had worked out in Italy and applied it to other markets: befriending the back office, do not yell at the bank, be a partner. It is a very different approach from the usual vendor-bashing. As a partnership bank, it suits our culture well.”

That culture also suits Susan Livingston well. “Me into BBH was like a fish to water,” she says. “This is what I like: to be able to make quick decisions without a lot of bureaucracy, be with a team that is highly motivated and intelligent and looks forward to going to work. My husband used to say, ‘You act like are looking forward to getting to work!’ I felt guilty telling him that I really missed it at the weekend.”

There was certainly plenty to do when she got to the office on Monday. The volume of business from mutual funds distributed abroad by US fund managers obliged BBH to develop a multi-currency fund accounting system (called Omega) as early as 1986. This helped the bank add yet more business. By the end of the 1980s, assets in custody and administration were growing at a compound annual rate of nearly 50%. As domestic mutual fund management clients began to distribute funds in Europe, it became clear to BBH that the bank needed to open an operation in Luxembourg, which had by the late 1980s already become the main administrative center for UCITS funds distributed in Western Europe. BBH first opened in the Grand Duchy for the sole purpose of servicing Fidelity, which had asked BBH to establish a bank there to service its European business, or risk assets moving elsewhere.

Since Fidelity was an $800 million (AUC) client, the decision was not hard to make, and an operation was opened in Luxembourg in April 1989 under the managing directorship of Jake Gehret. Once Gehret was ready to move on, it was obvious to Livingston that she was his natural successor.
The partners initially disagreed. “I asked if I could run the Luxembourg office and they said, ‘No, we need you here,’” Livingston recalls. To the partners, the desire to move to Luxembourg was bizarre. It entailed swapping leadership of a 400-strong custody and fund administration group in Boston for a 20-man start-up in northern Europe, but Livingston felt strongly that she “could do something with that office.” The partners eventually relented, moving fellow legend Taylor Bodman up from New York when she left. She spent the next three years in Luxembourg building fund accounting, fund administration and transfer agency capabilities.

“It was a tough assignment at first because it was hard to get business, and I had to add some products because everybody wanted full service there,” Livingston recalls. “For a long time people called us ‘Fidelity’s bank.’” But by the time she returned to Boston in 1995 BBH had won business from AllianceBernstein, Dai-ichi Life, Merrill Lynch and Yamaichi—this last a $1 billion account snatched from the maw of Chase by Livingston and fellow BBH legend Stokley Towles.

1995 was also the year that BBH opened an operation in Dublin, where the tax advantages of the IFC had enabled the Irish capital to come from nowhere to challenge Luxembourg as the leading fund administration center in Europe—and indeed to overtake it in attracting business from the fast-growing hedge fund industry. It was this new choice that gave Livingston the opportunity to write her own job description when she got back to Boston: the establishment of a separate team to support and sell the offshore fund administration and distribution support services of BBH to domestic US clients.

Through a series of meetings and events and a client newsletter (called Offshore Observer) Livingston and her new group persuaded numerous American fund managers that Dublin or Luxembourg or both could play a large part in helping them distribute products not just in Europe but in Asia and Latin America too. “In the early days it was so entrepreneurial,” recalls Livingston. “There was so much opportunity that you had to figure it out on the fly. We had a young team, and there was lots of excitement, asking ourselves questions. Could we do that Spain fund? What would you do with that deadline? None of it had been done before. Some of the time we were going into meetings and thinking, ‘Oh my gosh, we might actually get this.’”

Even after becoming a partner in 1997 and assuming responsibility that year for the Asia-Pacific business of the bank—BBH had opened offices in both Hong Kong and Tokyo in the 1980s and added one in Beijing in 2009—Livingston continued to chair the Luxembourg and Dublin operations and to hold a directorship in London. She ran Asia-Pacific from Boston for 11 years, finally stepping down last year.

Such a long stint was scarcely what anybody would have predicted at the outset, when even some of her own colleagues were convinced that a woman was less than ideal as the leader of a business in the region. “I have always been the international person here,” Livingston says. “I was the only partner who had all the geographies, with clients in the US, Europe and Asia.”

It is because BBH has allowed Susan Livingston to be that international person that the bank has retained her interest and enthusiasm for so long. Having graduated from the Fletcher School of Law & Diplomacy at Tufts University in Boston in 1981, her original destination was the Foreign Service. Livingston had interned with the US Trade Representative’s Office and the US Department of Commerce, and she saw some combination of international trade and diplomacy as her ideal métier.

The news, as she graduated, that a cousin serving in the US embassy in Tehran had been taken hostage, coupled with the election of Ronald Reagan on a promise to cut State Department funding, caused her to think again. “I had done the government thing, but what I realized was that what I really wanted was just to be the ambassador to Paris,” she recalls. “I looked at Pamela Harriman, and thought that what you really needed to follow in her footsteps was
make some money, donate it and become ambassador later. So I left the public sector for the private sector.”

In 1980, Livingston joined Manufacturers Hanover in New York as a trainee in the 12-month international management training program at what was then the fourth largest bank in the United States. But she kept her options open, staying in touch with the Foreign Service, and even passing the Foreign Service examination. “Most of my friends said, ‘You in banking? Forget it!’” Livingston recalls. “But actually I found I enjoyed it, and reckoned I should stay on to do a line job.”

That line job was covering the Swiss banks, which gave her the chance to use her French and German, and it was fun enough to finally abandon the idea of a diplomatic career. Manny Hanny also taught Livingston a skill that proved extremely if unexpectedly useful in 1987, when the stock market crash provoked a rash of redemptions from funds run by mutual fund clients of BBH: loan syndication. “I was able to arrange a $1 billion credit for one large fund and to arrange loans against receipts from stock sales for some of the smaller funds,” Livingston recalls. “My experience at Manny Hanny might not look that relevant to custody and fund administration, but it was perfect for that particular crunch.”

After just four years with Manny Hanny in New York, Livingston took 12 months out and headed to India. “It was one of those times where my grandmother died, and I had inherited money, and thought, ‘Gee, later on I will be too old to do this,” Livingston explains. On her return to the US, Livingston was clear that any new banking job must have an international dimension. She also decided that she would rather work in Boston than New York, since the ocean was more accessible and good skiing was only two hours away. She was interviewed by the Bank of New England and State Street too, but it was the encounter at Brown Brothers Harriman that resonated. ‘I was interviewing with someone called Heaton Robertson. After he met with me he said, ‘Maybe you could meet with Digger.’ I thought, ‘Oh my gosh, the names at this place.’ So this guy walked into the office to interview me, and I said, ‘You must be Digger.’ I was trying to be outgoing, you see. And he said, ‘No, I am Stokley.’ And once he had finished talking to me, he said, ‘We would really like you to meet Noah.’ By the end I thought I had better change my name. A name like Susan was so boring, but perhaps if I said my nickname was Muffy or something they would hire me.”

Luckily, Heaton, Digger, Stokley and Noah hired Susan anyway, initially into a domestic banking role that matched her credit background, if not her hopes for something international. Had it not been for the great settlement crisis of 1985-87, she might never have stayed at BBH beyond year four or five. It was the Italian crisis that rescued her from cold-calling companies in Somerville, Mass., and propelled her into a business to which her temperament and knowledge were ideally suited.

That was a lucky break for BBH and its clients, if not for the State Department. But Susan Livingston has now seen the world anyway, and that spell in Luxembourg has even enabled her to at least partially fulfill her early diplomatic ambitions: She is now honorary consul general for Luxembourg.

“I would still like to be ambassador to Paris,” she says. “Maybe someday it will happen.”