Global connections: Alter Domus has its eyes set on expanding in the US, but business is booming in Luxembourg for funds seeking to domicile in Europe

Brexit calling

Luxembourg and Ireland are preferred jurisdictions for private equity firms seeking to do business, but managers need to take action soon ahead of Brexit or risk missing out on doing business in the EU, Laurent Vanderweyen, chief executive of fund administrator Alter Domus, tells *pfm*

Q The UK is likely to secede from the EU in a matter of months. In which European countries will UK fund managers place their funds?

LV: The home for many managers for many years has been the UK. They have had a presence there, and they thought that the UK would be the best for them to reach out to European investors. Now Brexit is about to happen, and no one at this stage knows exactly how it will happen. There is a lot of uncertainty surrounding Brexit and managers don't like uncertainty. They have been looking at alternatives, because a year from now it may not be essential to have a local presence in the UK. Those alternatives are pretty straightforward: Luxembourg and Ireland.

Q Why are those two destinations at the top of your list?

LV: Luxembourg and Ireland have been very large markets for many years, mainly around UCITS and have become over the last few years significant alternative investment funds' hubs. Managers have been looking at those two markets from a structural point of view, from a regulatory point of view, from the tax point of view and from a framework point of view.

What we are seeing is a lot of growth in those two jurisdictions. We've seen many large managers wanting to make sure that they will continue to comply with the Alternative Investment Fund Managers Directive and are electing to have their presence or increased substance in Luxembourg or Ireland. There are some managers which are still in a wait-and-see mode but their number has significantly decreased over the last few months.

We still see business coming into the UK office, but it is mainly UK business only. For pan-European investment and investor base, Luxembourg has been the place.

Q What would be the usual timeframe for this?

LV: By nature it's a pretty lengthy process because regulators need to look at your application, to make sure that you have everything from a regulatory point of view and the right infrastructure and substance to comply with the terms of AIFMD and the local jurisdiction. There have been many applications in the last few months and the Luxembourg regulator (CSSF) is extremely busy. On July 25 the CSSF issued a press release to remind potential applicants to keep in mind the time required for the processing of license applications,

Vanderweyen: there is rapid evolution in outsourcing in the US

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>
> **Laurent Vanderweyen**

especially considering the increased number of applications in the context of Brexit. So the CSSF needs to have sufficient time to be able to process all of those applications. If managers wait until the last minute and then go to Luxembourg's office of the regulator, they might find themselves in a very tricky situation.

Q How have you been dealing with this influx of applications? Have you been outsourcing or hiring?

LV: Of course, we do provide a lot of support to firms in transition. But we do not provide tax advice and we're not a law firm.

We liaise with managers to help them understand what exactly they need in order to be ready to move to Luxembourg or to Ireland. Thanks to our scalable model and our brand (or our ability to attract the best talent in the industry,) we are ready to support them in their fund administration and corporate services requirements so that it doesn't take long for them to start operating.

Q What's the average length of time to process a firm's domicile into a country like Luxembourg?

LV: For regulated funds, one should expect a timeframe of two to four months even if we have seen some approval processes taking more than six months. For non-regulated structures, typically RAIFs, which do not need to obtain authorization from the regulator (CSSF) and allows for a quicker time to market, it usually takes three weeks.

Q Moving away from Brexit, what's your take on the outsourcing trend in the US?

LV: For many years, we have been providing corporate services to US managers across their pan-European range of special purpose vehicles. When the AIFMD came into force, many of our US clients decided to set up a parallel fund in Europe, and they turned to us. We currently provide fund administration out of the main European fund domiciles, with presence in the Channel Islands, London, Paris, Dublin and Luxembourg.

The outsourcing market in Europe is a bit more mature than the US – if you look at statistics you will see that more than 50 percent of all work for alternative assets managers has been outsourced versus around 30 percent in the US.

But we know there is a rapid evolution in the US from an outsourcing point of view. Based on recent studies, the proportion of outsourced solutions could grow up to 50 or 60 percent within the next five years.

A challenge we might see in the US is many large managers looking to outsource at the same time in a market with a limited number of specialized providers. There's going to be capacity issues at some point.

Clients want to ensure their provider understands their specific asset class at all levels. They want a virtually integrated model where a single provider has the expertise, knowledge and specialisms to provide a service throughout the value chain, and across multiple locations.

We've been in the US for many years, and we have ramped up our New York office. We have made two acquisitions in the US in the last 18 months and we now have more than 500 professionals. ■

Laurent Vanderweyen *is chief executive of the Alter Domus group. Before joining Alter Domus in January 2012, Vanderweyen was managing director and country executive at JPMorgan Bank, Luxembourg. He also worked for RBC Dexia Investor Services Luxembourg and was a member of the group executive committee from 2006 until 2009. Laurent also held senior executive roles for Dexia Fund Services and Dexia Bil from 1993 until 2006.*

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