

# DEPOSITARY TECHNICAL BRIEFING

Alter Domus now offers depositary services in Luxembourg, UK and Malta and has over 90 bn USD assets under depositary.

In the context of the implementation of the Alternative Investment Fund Managers Directive (AIFMD), structures falling under its scope must appoint a depositary in order to be compliant with the Directive.

In this document, we provide you with concrete and specific answers to technical concerns you may have regarding the scope of the Directive, the Depositary function and its liabilities, as well as our specific approach to efficiently carry out these functions and duties.

Over the past twelve months, we have been preparing and tailoring our processes so that, when authorised, we can provide best-in-class depositary services. We have also met with professionals, organised seminars and listened to your queries and concerns.

We are very pleased to provide answers to frequently asked questions in this document and we hope you will find them useful.

## WHICH REGIME WILL APPLY ? IN WHICH CASES SHOULD A DEPOSITARY BE APPOINTED ?

EU AIF	EU AIFM	EU Investor	Requirements applicable to AIFM and AIF	Depositary	Depositary location
✓	✓	✓	Full Directive	✓	Home member state of the AIF
✓	✓	NO	Full Directive	✓	Home member state of the AIF
✓	NO	✓	From 2013, provisions on transparency, major holdings and control (if applicable) become subject to specific national private placement regimes' rules. After 2015, full Directive; Member state of reference authorisation to manage EU AIFs or market AIFs in EU.	Depending on private placement rules	
✓	NO	NO	Full Directive Member State of reference authorisation to manage EU AIFs.	Depositary required from 2015	2015: Home member state of the AIF
NO	✓	✓	From 2013 full Directive, except provisions on depositary, but an entity needs to be appointed to execute depositary functions, subject to specific national private placement regimes rules. After 2015 full Directive.	One or more entities to be appointed to execute depositary functions	
NO	✓	NO	Full directive except provisions on depositary and annual report.	No depositary required	
NO	NO	✓	From 2013 provisions on transparency, and major holdings and control (if applicable), subject to specific national private placement regimes' rules. After 2015, full Directive; Member State of reference authorisation to market non-EU AIFs in EU.	Depending on private placement rules	
NO	NO	NO	None	Out of scope	

# WHO CAN BE A DEPOSITARY ?

A new category of depositaries has been introduced by the AIFMD. Member States may permit non-credit institutions and non-MiFID investment firms like Alter Domus to act as a depositary for Alternative Investment Funds (AIFs) that have no redemption rights during five years of the initial investment and that generally do not invest in financial instruments that must be held in custody, or invest in issuers or non-listed companies to potentially acquire control. In this case the entity must be able to provide sufficient financial and professional guarantees to perform the functions of a depositary and must be regulated by its local Financial Regulator.

**Alter Domus is a Professional Depositary regulated in Luxembourg, the United Kingdom and Malta.**

# WHAT IS THE ROLE OF A DEPOSITARY ?

## SAFEKEEPING OF ASSETS

- Record keeping
- Ownership verification
- Due diligence and monitoring of all third parties appointed by the AIF or the AIFM

## CASH MONITORING

- Overview of all movements of the AIF
- Identification of significant cash flows
- Monitoring of discrepancies and related corrective measures

## OVERSIGHT DUTIES

- Timely settlement of transactions
- Income distribution
- Subscriptions and redemptions
- Valuation of assets and shares/units
- Investment compliance

# CASH MONITORING HOW DOES IT WORK IN PRACTICE ?

**Cash monitoring** is performed post transaction at the fund level. In addition, the depositary monitors significant cash flows such as investments, divestments, drawdowns and distributions, right through the structure to the target asset. The Directive requires depositaries to understand all cash movements and follow up on any unusual, inconsistent and important transactions. The depositary should also ensure that any significant reconciling items have been followed up and resolved.

The depositary has “read only” access to the bank statements of the AIF. All the required supporting documentation explaining the key items on the bank statements are uploaded on Alter Domus Connect, our client portal. The depositary uses this information to ensure that the cash movements are in line with the AIF’s laws and the investment policy.

# SAFEKEEPING OF ASSETS HOW DOES IT WORK IN PRACTICE ?

The depositary has to verify and document the details of assets owned by the AIF.

In order to perform this task, the depositary has to **look through** the chain of ownership of each target asset which the investors have invested in.

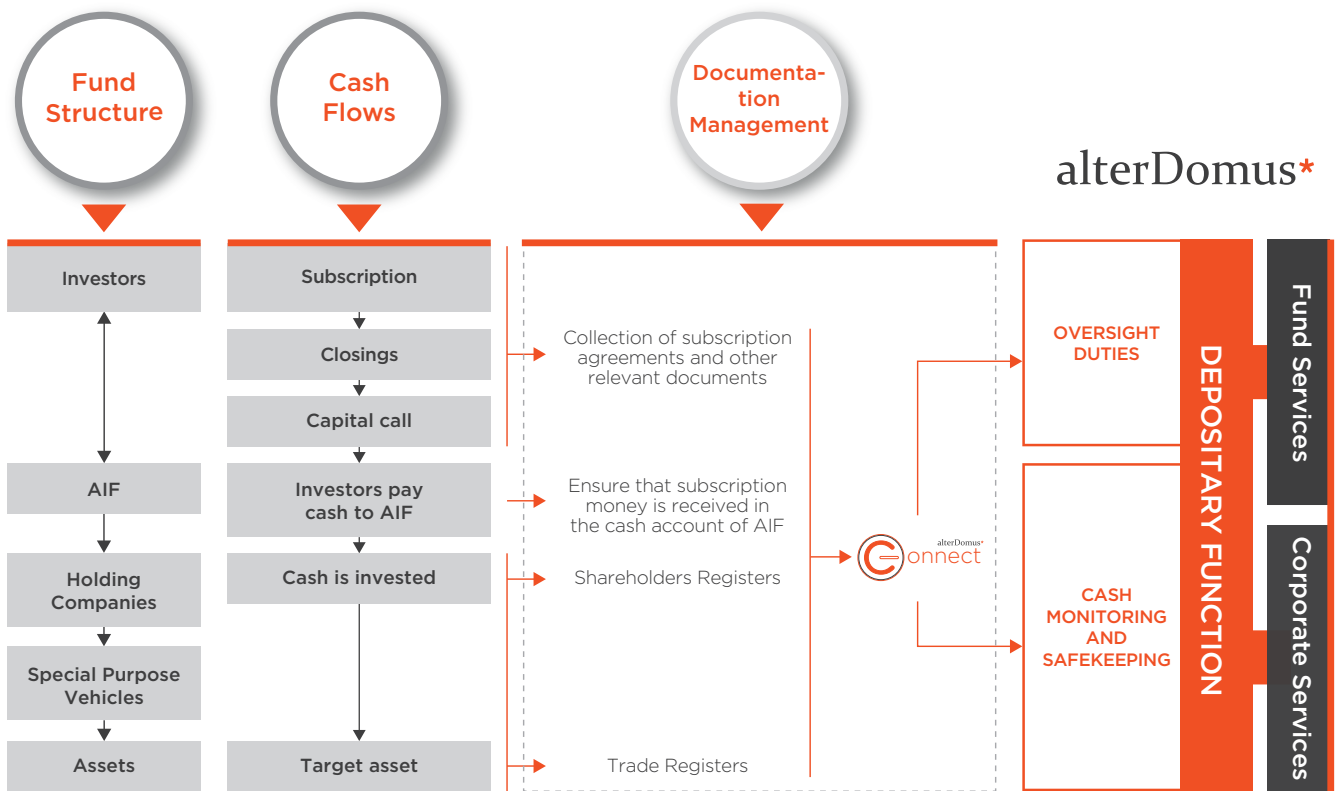
The identification of the target asset takes into account several factors, including:

- Type of fund (Private Equity & Infrastructure, Real Estate or Debt)
- Investment policy of the fund
- Corporate objective of the companies in the structure
- Level of control over entities lower down the chain

The depositary has processes in place to ensure it is provided with proof of ownership of each asset in a timely manner.

This includes a register of investors, shareholder’s agreements and other legal documents, as appropriate, evidencing the existence and ownership of the assets.

The Depositary uses a client portal, **Alter Domus Connect**, to ease the documentation flow between the various parties involved in asset transactions to ensure no interference takes place in the day to day operations of the AIF.



## WHAT IS THE DEPOSITARY LIABILITY ?

Depositaries are subject to an onerous liability regime under AIFMD.

In short :

The depositary is directly liable to the AIF or its investors for certain losses.

### **Fault based liability for all losses other than loss of financial instruments held in custody**

The depositary is liable to the AIF or AIF investors for all losses suffered by them as a result of its negligent or intentional failure to perform its obligations.

### **Strict liability**

The depositary is required to return the identical financial instrument or the corresponding financial amount to the AIF (or the AIFM) without undue delay, unless the depositary can prove that the loss has arisen as a result of an external event beyond its reasonable control.

## WHAT TECHNOLOGY DOES ALTER DOMUS USE FOR DEPOSITARY SERVICES ?

Our specialised **eFront software**, which covers fund administration and depositary services, is fully integrated with **Alter Domus Connect**, our client portal, reducing manual intervention and ensuring efficiency. Many of our competitors are still heavily reliant on spreadsheets to keep records, monitor transactions and produce reports. In contrast, Alter Domus has developed systems that talk to one another ensuring uninterrupted data flow.

Alter Domus Connect, used for sharing documents, is a highly secure tool available 24/7 that allows full access to electronic versions of corporate documents. The portal has a user friendly interface and is available on iPads and tablets.

## IS ALTER DOMUS EXTERNALLY CERTIFIED ?

Alter Domus has obtained the ISAE 3402 Level 2 certification, which covers depositary functions. The existing procedures are currently being reviewed by one of the Big 4 firms.

# WHO WITHIN ALTER DOMUS MANAGES CLIENTS' QUESTIONS AND TRANSACTIONS ?

A Relationship Manager is appointed for each client. This Relationship Manager will be your **central point of contact** and will assess your satisfaction on a regular basis in order to follow up on any issues or questions you might raise. We will regularly meet with you to seek your feedback.

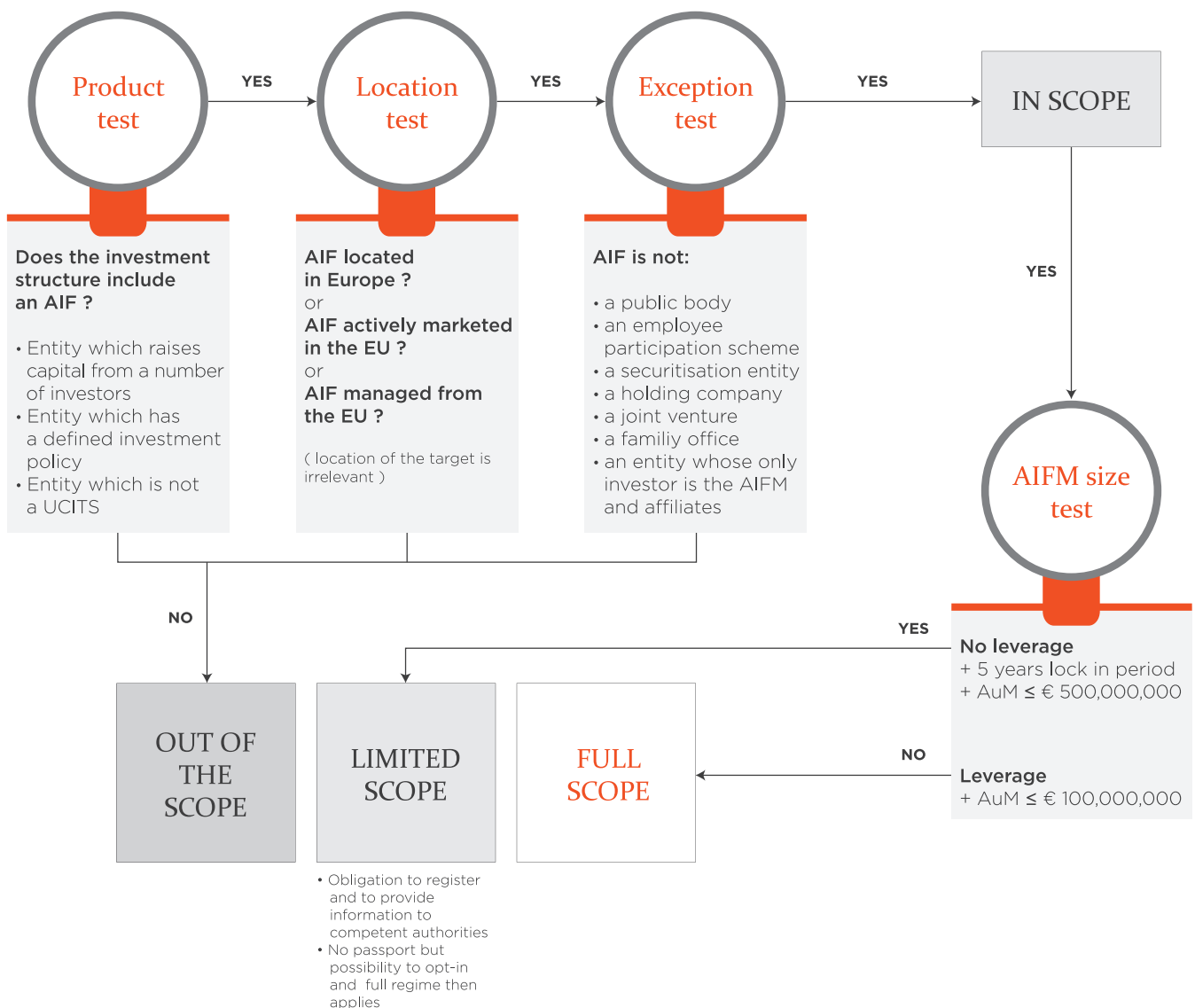
In addition, each client is assigned to an Engagement Leader, acting as project manager for the entire assignment.

# IN HOUSE SERVICES VS. OUTSOURCING ?

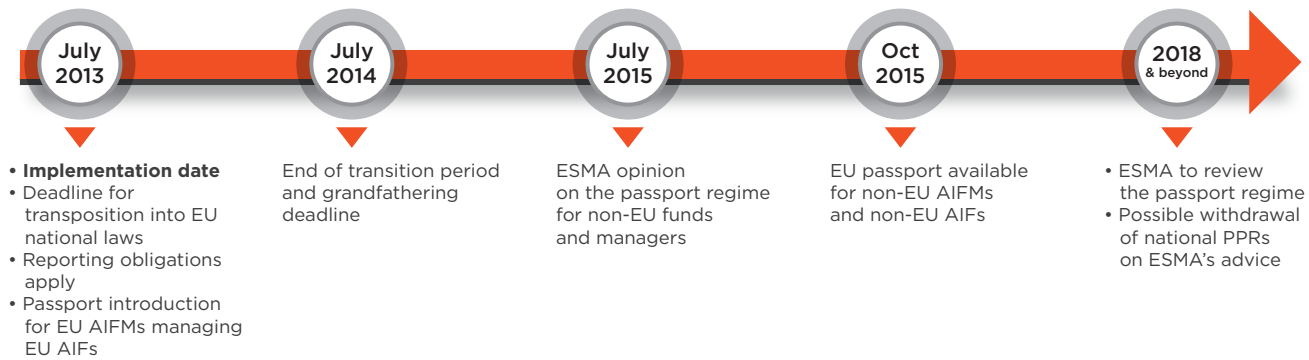
Alter Domus does not outsource or subcontract any of the services it provides to its clients. Moreover, Alter Domus in general has a culture of "doing" rather than "delegating". As such, we have a "best in class" IT department and we develop the majority of our infrastructure with our own IT capacity.

**All services will be provided by the Alter Domus group.**

# WHICH ENTITIES ARE WITHIN THE SCOPE OF THE AIFM DIRECTIVE ?



# WHEN DO OUR CLIENTS NEED TO BE COMPLIANT ?



## OUR KEY STRENGTHS

PRIVATE EQUITY & INFRASTRUCTURE,  
REAL ESTATE, DEBT SPECIALISTS

EXPERTISE

STRONG EXPERIENCE IN  
DEPOSITARY SERVICES

UNIQUE TECHNOLOGICAL SOLUTIONS

TAILORED APPROACH

IMPRESSIVE CLIENT BASE

UNIQUE INTEGRATED SOLUTIONS

## YOUR DEPOSITARY TEAM



**BENOIT DEWAR**  
Head of Depositary Services  
Benoit.Dewar@alterDomus.com



**PRZEMYSŁAW KOGER**  
Head of Depositary Services Malta  
Przemyslaw.Koger@alterDomus.com

Alter Domus is a fully integrated Fund and Corporate services provider, dedicated to international private equity & infrastructure houses, real estate firms, private debt managers, multinationals, capital markets issuers and private clients. Our vertically integrated approach offers tailor-made administration solutions across the entire value chain of investment structures, from fund level down to local Special Purpose Vehicles.

Founded in Luxembourg in 2003, Alter Domus has continually expanded its global service offer and today counts 40 offices and desks across five continents. This international network enables clients to benefit globally from the expertise of more than 2,000 experienced professionals active in fund administration, corporate secretarial, accounting, consolidation, tax and legal compliance, depositary services and debt administration services.

We are proud to serve 17 of the 20 largest private equity houses, 15 of the 20 largest real estate firms and 17 of the 20 largest private debt managers in the world.

[www.alterDomus.com](http://www.alterDomus.com)

\*YOU INVEST, WE SECURE.\*

alterDomus\*