

Ten things you need to know about:

**Depository Services for Real Estate
and Private Equity Funds**

DEPOSITARY

10

*“The rigorous oversight
of fund operations is
crucial to the successful
running of a fund.”*

1

Why is a depositary needed?

The European Commission's Directive regulating fund managers (known as "AIFMD") requires the appointment of a depositary in certain circumstances to ensure that Alternative Investment Funds ("AIFs") are better regulated following a number of investor losses in recent years under the previous regulatory framework for this type of fund.

2

What does the depositary do?

The depositary has three core responsibilities but is permitted to provide a range of non-core services to the fund in parallel with them. The core responsibilities are:

- Monitoring of the fund's cash
- Holding in custody, or otherwise verifying the ownership of, the fund's other assets
- Ensuring that certain of the fund manager's actions are in accordance with the laws and constitution of the fund

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Who can act as depositary?

A firm specifically authorised to act as a depositary by the FCA who has sufficient capital as well as relevant and adequate competencies and procedures to carry out the role in a proper and prudent manner.

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What value does the depositary bring to the fund?

The depositary is, after the fund manager, a second independent regulated party that monitors and works with the fund manager to protect the interest of the investors providing a specific layer of investor protection for cash, safeguarding of assets, and also monitoring the running of the fund in accordance with the fund investment objectives and constitution.

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Why are you offering this service?

Thompson Taraz has grown out of a Chartered Accountancy practice and has since built up more than ten years' experience of regulated fund management, operation and administration. We are therefore very well placed to bring each of these disciplines to bear as key requirements of the depositary role and to work in collaboration with the fund manager in the best interests of investors.

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What does cash monitoring involve?

This will involve regularly monitoring movements on fund bank accounts with processes to identify significant and inconsistent movements, ensuring segregation of the fund monies and regular reconciliation and investigation and rectification of any exceptions arising. As an extension of this service we can fulfil the transaction handling administration role providing a cost effective means of ensuring security of cash holdings.

7

How will you safeguard fund assets?

Our role includes verification of the ownership of the fund's assets, recording of all evidence of ownership and liaising with lawyers acting for the AIF in this respect, and maintaining accurate and up to date records of assets and reconciliations. Our role also includes undertaking due diligence reviews of the systems and controls, and ensuring that transactions are carried out in accordance with applicable laws and regulations.

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What is oversight of the AIFM?

Based on a full documentation of the fund manager's systems and controls we perform an independent risk assessment and work with the fund manager to ensure the implementation of effective controls. On an ongoing basis, this understanding would then be used to implement reporting and review systems to confirm compliance with relevant rules, regulations and

investment restrictions. 'High risk' areas which will attract closer scrutiny include:

- subscriptions and redemptions
- valuation of units
- settlement of transactions
- income distributions

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Who needs a depositary and by when?

Any fund manager of AIFs subject to AIFMD with aggregate gross assets in excess of €500m (where there is no leverage and investors have no redemption rights for 5 years), or €100m where there is leverage, must appoint a depositary to each of the AIFs they manage.

Whilst AIFMD was implemented on 22 July 2013, existing fund managers have one year from that date to obtain permission under AIFMD. As soon as they are given permission they must appoint a depositary to act for each of the AIFs to which they are fund managers.

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What makes Thompson Taraz a good selection for depositary?

Thompson Taraz has a deep understanding of the required governance of real estate and private equity funds. We are also an experienced provider of a wide range of administrative and other non core services to funds that allow us to offer a tailored service to fund managers.

An experienced partner

When looking for a depositary service, choosing the right professional team is one of the most important decisions you can make. The consequences of this decision will impact on the entire life of the investment and directly impact on the management of the fund and investors' perceptions of the service they receive from you. Furthermore, choosing and correctly structuring the right team will help avoid the potential for 'service duplication' where aspects of the fund's management could be unnecessarily repeated by the depositary.

In this highly specialised field, Thompson Taraz is a leading adviser and an effective manager of alternative investments. It's a business we know a great deal about and one in which we have built up a wealth of knowledge and experience which we can convert into value.

Our expertise has already helped some of the UK's well established alternative investment fund promoters to bring their projects to fruition, confident in the knowledge that financial, taxation, and legislative matters, as well as investor communications are being handled by a specialist. Our Chartered Accountancy practice together with our bespoke IT platform underpin our depositary offering and allow us to securely deliver an efficient, flexible, scalable and cost effective service to the sector.

For more information on Depositary or any of our fund management services, please contact:

Martin Heffernan or Afshin Taraz on 020 7907 8777.



Martin Heffernan
BSc, FCA



Afshin Taraz
BA, MSc, FCA

47 Park Lane
London
W1K 1PR

T: 020 7907 8777
F: 020 7907 8770

info@thompsontaraz.co.uk
www.thompsontaraz.co.uk



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