

DMS

GOVERNANCE. RISK. COMPLIANCE.

20

2000 - 2020
YEARS

FUND GOVERNANCE REVIEW

SEPTEMBER 2020

FUND GOVERNANCE REVIEW

No-one could have predicted the effect that Covid-19 would have on the financial markets, global economies and on the way that we work as individuals. 2020 has shown us just how adaptable and flexible we can be and at DMS we have seen fantastic examples of teams pulling together under these new circumstances, working remotely, to find solutions that allow us to continue to meet our clients' needs with the high-quality service they have come to expect from us.

The DMS teams across the globe have responded to this new challenge and have proved that DMS' success lies, first and foremost, with its people and their values. As we move into the Autumn months, we look forward to being able to welcome employees safely back to their office environments, in a controlled and phased approach and we are delighted that our Cayman Islands staff will be moving into new offices at the business hub of Camana Bay and we are looking forward to welcoming them into this new, exciting and inspiring environment.

The effect of the pandemic on global markets has meant that, at DMS, we have been extremely active and have had a very busy last quarter, working to service our clients and steering them through these unpredictable times. As the world continues to live through this uncertainty, we will continue to work hard to provide our clients with our usual expertise, sound advice and consistent, high-quality service.



THE DMS GROUP, MDO AND MONTLAKE CREATE LEADING GLOBAL GOVERNANCE FIRM

The DMS Group ("DMS"), together with MDO and MontLake announced an agreement¹ to create a leading, global governance and third-party management company. The resulting company will offer an extensive portfolio of services and operate from eight global locations, including four European offices, with over 260 employees, as it extends further into key markets.

[Derek Delaney](#), DMS Global CEO commented, "As our industry continues to evolve rapidly, we identified a demand from clients for a robust and comprehensive service provider and, following this deal, our clients will now be able to take full advantage of an expanded suite of services. This is an opportunity to combine the expertise and depth of experience of DMS, MDO and MontLake to create a third-party management company offering that is unparalleled in terms of talent and the extent of services provided."

Martin Vogel, CEO of MDO commented, "The combined companies will deliver substantial benefits for clients and employees, bringing together three highly successful and complementary organisations with proven track records and a shared, strategic commitment to achieve growth."

Cyril Delamare, CEO of MontLake added, "Partnering with DMS and MDO is a significant milestone for MontLake and further strengthens our product offering, together with increasing our global physical presence in new jurisdictions including Luxembourg, the U.S. and the Cayman Islands. We will continue to provide our high-quality client service in addition to our successful investment solutions, bringing quality fund products to pan European investors."

The transaction between DMS, MDO and MontLake creates a leading and unique service provider across multiple asset classes and jurisdictions. Clients from all three companies will benefit from a leading and global third-party management company, offering a wider range of services, with dedicated and highly qualified staff working from well-established operations in Luxembourg, Ireland, the UK, North America, the Cayman Islands and Asia.



THE DMS GROUP ACQUIRES OLIGO SWISS FUND SERVICES



The DMS Group ("DMS"), were pleased to announce during the last quarter, that it had acquired Oligo Swiss Fund Services (1), a Swiss FINMA-accredited fund services company.

Founded in 2014, Oligo is authorised and regulated to represent foreign funds distributed in Switzerland with a comprehensive service that includes fund representation, distribution services and arrangements with the paying agent bank. Oligo currently works with more than 500 funds managed globally from all domiciles. DMS has a successful track record as a European AIFM and UCITS Management Company and is supported by an experienced team of industry professionals, unique to any third-party management company offering.

DMS' European product offering has expanded significantly over the past year and by coming together with Oligo's skilled and experienced team, will now offer Swiss fund services and bespoke solutions to clients comprising

UCITS funds, Hedge funds, Alternative Investment funds, Private Equity funds and ETF certificates distribution to professional and private Swiss investors.

Paul Cahill, DMS COO commented, "We are pleased to welcome Oligo and its specialist team to DMS. This acquisition demonstrates our commitment to growth, both in terms of our geographical reach and the broadening of our existing European client services. Clients looking to access the Swiss market will now be able to take full advantage of our broadened services."

Luis Pedro, Oligo Chief Executive Officer added, "We are delighted to join DMS, and look forward to becoming part of their team, offering high-quality and expert services globally as they continue on their path of strategic growth. Bringing Oligo to the leading global governance firm expands DMS' activities to Switzerland adding capabilities to better support clients on their path to fund compliance and distribution in Switzerland."

ASIA-PACIFIC UPDATE

IQFII/RQFII Reforms for Foreign Investors: In order to further facilitate foreign access to China's capital markets, the CSRC (China Securities Regulatory Commission), PBOC (People's Bank of China), and SAFE (State Administration of Foreign Exchange) has announced that it will combine the QFII and RQFII programmes effective 1 November, 2020. The changes include consolidation of QFII and RQFII schemes, a more streamlined application and review process, expansion of investment scope, streamlined reporting requirements and reduced requirements for data submission. The new measures are available to view [here](#).

Hong Kong's fund vehicles: In order to promote the position of Hong Kong as a premier international asset and wealth management centre, the limited partnership fund ("LPF") regime has now commenced operation, with the aim to develop Hong Kong as a key global asset and wealth management hub. It aims to do this by facilitating the channelling of capital into corporates, including start-ups in the innovation and technology field in the Greater Bay Area. You can read more about this in the publication [here](#).

Access between Hong Kong and Mainland markets: The SFC continues to promote cross-border offerings of funds between the Hong Kong and Mainland markets via the mutual recognition of funds (MRF) regime. The new ETF cross-listing pilot scheme is also set to provide investors in the Hong Kong and Mainland markets with more investment opportunities and product choices.

Singapore VCC framework: Since the launch of the VCC framework on 15 January, 2020, more than 130 VCCs have been incorporated, as of early October. The VCC has attracted diverse interest from asset managers due to its flexibility that is designed for both traditional and alternative investment objectives. You can read more detail on the framework [here](#).

Single Family Offices in Singapore: The number of single-family offices (SFOs) in Singapore has grown in recent years to a current amount of approximately 200. This demonstrates Singapore's attractiveness to high-net-worth individuals from a fiscal perspective, due to its low tax rate, zero capital gains tax and the efficient structures available to manage single-family offices.



CAYMAN ISLANDS' EVOLVING STANDARDS IMPACT FUND MANAGEMENT OPERATIONS

In late June of this year, the regulations empowering the Cayman Islands Monetary Authority ("CIMA") to impose administrative fines of up to approximately USD1.25 million were [amended](#). The amendments included various fines specific to non-compliance with provisions in the Mutual Funds Law under which hedge funds are registered with CIMA as well as closed end funds registered under the Private Funds Law ("PFL").

General non-compliance with the PFL is a statutory offence, but one with a relatively small fine of USD25,000, but is considered a "very serious" breach under the administrative fines' regulations, subject to the maximum fine noted above.

Key areas for PFL compliance are valuation, safekeeping of fund assets and cash monitoring.

In addition to fines which enforce compliance with regulatory requirements, rules are being more frequently

issued for funds registered with CIMA that make the requirements more prescriptive, rather than a principles-based approach that we have seen in the past.

This is part of a global process affecting key fund domiciles as they are evaluated by the FATF, OECD and EU for the effectiveness of their regulatory regimes, with respect to combating financial crime, safeguarding investor interests and minimizing systemic risk.

In addition to Rules on [Segregation of Assets](#), CIMA has issued rules on the calculation of [Net Asset Values for hedge funds](#) and [closed end funds](#).



NEW RULES IMPACT REGULATED FUNDS IN THE CAYMAN ISLANDS

A key trend in recent years for financial services law and regulation is convergence. Keen readers of the [Private Funds Law, 2020](#) (the "PFL") will have noted requirements with respect to valuation, safekeeping of fund assets and cash monitoring that are conceptually similar to investor protection mechanisms found in other jurisdictions.

New investor protection Rules have recently been released by The Cayman Islands Monetary Authority ("CIMA") regarding hedge funds regulated under the Mutual Funds Law (2020 Revision) ("Regulated Mutual Funds") and private (closed end) funds that are registered under the PFL ("Registered Private Funds").

The Rules dealing with segregation of fund assets have been issued for both Regulated Mutual Funds and private funds, which further align the open and closed end regulatory regimes with each other and those in other key jurisdictions.

SEGREGATION OF ASSETS REQUIREMENTS

CIMA has published Rules on the segregation of assets for both **Regulated Mutual Funds** and **Registered Private Funds** (the "**Segregation Rules**"). In both cases, the overriding requirements of the Segregation Rules, is that a fund regulated by CIMA must ensure that none of its service providers use any of the financial assets and liabilities of the fund (including investor funds and investments) to finance their own or any other operations in any way.

HAVE YOU APPOINTED YOUR U.S. PARTNERSHIP REPRESENTATIVE? WHAT YOU NEED TO KNOW

The extended IRS Form 1065 filing deadline for the 2019 tax year will be 15 September 2020. Funds that have launched in 2019 or are otherwise considering the appointment of a U.S. Partnership Representative should ensure that they meet this deadline.

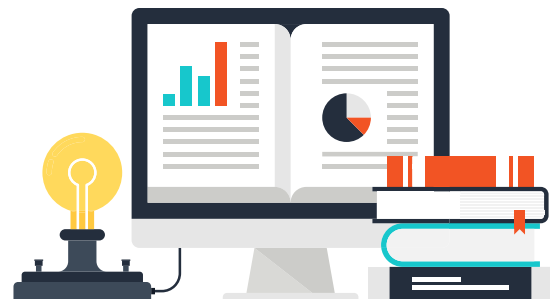
The new partnership audit rules that came into effect for tax years beginning 1 January 2018, require partnerships (or entities treated as partnerships for tax purposes) to appoint a Partnership Representative for each tax year.

The Partnership Representative must be named on the partnership tax return Form 1065. The Partnership Representative must also have a substantial presence in the United States. A substantial presence requires the Partnership Representative to have:

- a U.S. taxpayer identification number
- a U.S. telephone number and a U.S. street address
- be available to meet in person with the IRS at a reasonable time and place and
- if the Partnership Representative is an entity, the partnership must appoint an individual who meets the substantial presence requirements to act as the “designated individual” of the entity serving as Partnership Representative

If a partnership does not appoint its own partnership representative (“PR”), the IRS can select any person to serve as PR with the power to bind the partnership and all its partners.

Although there is no strict technical requirement in the Regulations that a PR be a U.S. citizen, as a practical matter this is reality because it can be challenging for a non-U.S. citizen to obtain a TIN number.

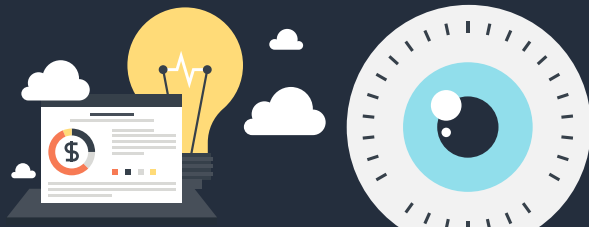


PROMOTIONS AT DMS

In recent months, we have been delighted to announce a number of global C-Suite promotions for DMS employees who have demonstrated their commitment to the firm and who we believe will be instrumental in the future growth and success of DMS.

Each of these individuals has upheld DMS' core values together with displaying strong leadership skills and a shared vision for success and we are pleased to recognize their efforts.

PIONEERING



INTEGRITY



COMMUNICATION



COMMUNITY



KEY GLOBAL C SUITE PROMOTIONS

**DEREK
DELANEY**
GLOBAL CHIEF
EXECUTIVE OFFICER



**JASON
POONOOSAMY**
DEPUTY CHIEF
EXECUTIVE OFFICER



**CONOR
MACGUINNESS**
GLOBAL HEAD OF
RELATIONSHIP MANAGEMENT



**PAUL
CAHILL**
CHIEF OPERATIONS
OFFICER



**SAMANTHA
FLETCHER-WATTS**
CHIEF COMPLIANCE
OFFICER



**DENISE
COUGHLAN**
CHIEF RISK
OFFICER



**GLEN
MAGEE**
CHIEF FINANCIAL
OFFICER



**DIARMUID
O'DONOVAN**
CHIEF TECHNOLOGY
OFFICER



KEY EUROPEAN C SUITE PROMOTIONS

**MARTIN
VOGEL**
CHIEF EXECUTIVE
OFFICER, EUROPE



**CAOIMHGHIN
O'DONNELL**
CHIEF OPERATIONS
OFFICER, EUROPE



KEY CAYMAN C SUITE PROMOTIONS

**ALAINA
DANLEY**
CHIEF REVENUE
OFFICER



**KEVIN A.
PHILLIP**
CHIEF OPERATIONS
OFFICER



**LORI
WEBB GRIFFITH**
CHIEF RISK
OFFICER



DMS PODCASTS

We launched the DMS podcasts in June and have seen a huge amount of interest and take-up since then. Their quick and snappy nature mean they are perfect for “on-the-go” or a time-out between video calls. If you haven’t downloaded one yet, you can reach our podcast platform via our website or by clicking [here](#). Topics range from spotlights on industry leaders to Quick Takes on the economy, interviews and DMS product specifics.



