

AUGENTIUS

THE DEPOSITARY

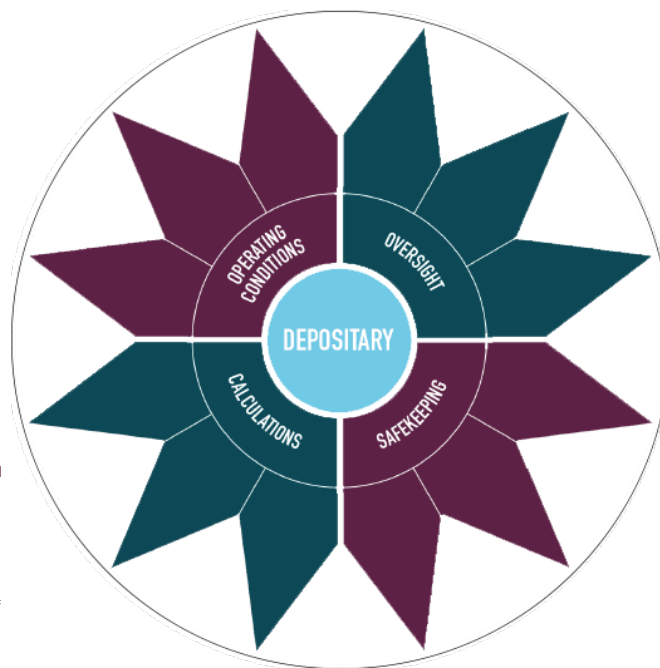
THE AIFMD

THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (“AIFMD”) IS A EUROPEAN UNION (“EU”) REGULATORY FRAMEWORK FOR SUPERVISING ALTERNATIVE INVESTMENT FUNDS. AIFMD AFFECTS EUROPEAN ALTERNATIVE INVESTMENT FUND MANAGERS (“EU AIFMS”) AND CERTAIN NON-EU FUND MANAGERS (“NON-EU AIFMS”) MARKETING ALTERNATIVE INVESTMENT FUNDS (“AIFS”) INTO THE EU. THIS INCLUDES HEDGE FUNDS, PRIVATE EQUITY FUNDS, FUNDS OF FUNDS, REAL ESTATE FUNDS AND VENTURE CAPITAL FUNDS. THE AIFMD CREATED THE FUNCTION OF DEPOSITARY AND UNDER THIS LEGISLATION CERTAIN FUNDS NEED TO APPOINT A DEPOSITARY.

SUMMARY OF AIFMD’S REQUIREMENTS OF THE DEPOSITARY

- Must be authorised and comply with capital requirements
- Act honestly, fairly and independently in the interests of the AIF and its investors
- Segregate assets so that they can be clearly identified as belonging to the AIF
- Check consideration for a transaction of AIFs assets is remitted within the usual time limits
- If Depositary sub-delegates, must ensure third party has appropriate structures and expertise. Must make periodic reviews and have ongoing monitoring of third party

- Must have access to and reconcile cash accounts. Must monitor significant cash flows
- Ensure the valuation of units/shares are carried out within regulations and articles of incorporation
- Check the receipt of subscriptions/called commitments
- Check redemptions are carried out in accordance with regulations and articles of incorporation
- Check net income is applied in accordance with rules governing AIF
- Check the completeness and accuracy of dividend payments/distributions
- Check carried interest and performance fee calculations



- Right to access books and records of AIFM and service providers of AIF
- AIFM to supply all information needed for Depositary to comply with its obligations
- Monitor AIFM regarding its compliance with regulations, laws and articles of incorporation
- Monitor procedures of AIFM regarding verifying ownership
- Monitor investment restrictions and leverage limits

- Financial instruments to be held in custody if can be physically delivered/registered in Depositary’s books
- Must verify ownership of other assets and maintain a record of verified assets
- Records must be kept up to date and accurate
- Must assess & monitor custody risk and minimise risk of loss of financial instruments
- Must perform due diligence and monitor any party to which the Depositary delegates

WHAT DOES THE DEPOSITARY DO?

The role of the depositary covers three main areas:

(i) Safekeeping of the investment portfolio – maintenance of investment records and assets register, ownership verification, regular due diligence, monitoring and reconciliations of investments

(ii) Cash flow monitoring – overview of cash flows, cash and capital reconciliations

(iii) Oversight - ensuring compliance by the AIFM and the AIF with the AIFMD through regular and ongoing oversight

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WHO NEEDS A DEPOSITARY?

EU AIFMs managing EU AIFs with aggregate AuM over €500m (£430m) in unleveraged funds, or €100 in leveraged funds, need to appoint a depositary.

EU AIFMs managing non-EU AIFs being marketed in the EU need to appoint a depositary-lite.

Non-EU AIFMs managing EU AIFs or non-EU AIFs being marketed in certain EU states under their national private placement regimes (including Denmark and Germany) also need to appoint a depositary-lite.

WHAT ARE THE DIFFERENCES BETWEEN DEPOSITARY AND DEPOSITARY-LITE?

Depositary-lite is subject to a lighter regulatory regime and fund managers may also appoint multiple providers for depositary services.

AUGENTIUS DEPOSITARY

Augentius is one of the largest independent specialist fund administrators in the world focusing on private equity, infrastructure, real estate, debt, funds of funds and hybrid funds. With over 480 staff servicing assets in excess of US\$90bn for over 150 fund managers and 10,000 investors, we have the depth of experience in your market to ensure you always receive the correct advice and service.

Augentius Depositary Company Limited in the UK is a completely standalone and independent business within the Augentius Group. Our Depositary services in Luxembourg and Guernsey are provided by our local entities, regulated by the Luxembourg CSSF and the Guernsey FSC respectively.

Our Depositary is acting on behalf of 94 Funds with total commitments in excess of US\$35bn.

HOW AUGENTIUS DEPOSITARY CAN ASSIST YOU

- **OUR DEPOSITARY SERVICES INTERFACE WITH YOUR EXISTING BANKING ARRANGEMENTS. NO NEED TO CHANGE VALUABLE RELATIONSHIPS**
- **WE ARE REQUIRED UNDER THE TERMS OF THE AIFMD TO CARRY OUT A RISK ASSESSMENT OF EACH MANAGER FOR WHOM WE ACT. THIS IS A PROGRAMMED STRAIGHT FORWARD PROCESS CARRIED OUT BY PEOPLE WHO KNOW YOUR BUSINESS**
- **OUR ASSET VERIFICATION PROCESSES ARE NON-INTRUSIVE. OUR CASH MONITORING PROCESSES ARE AUTOMATED**
- **THE ONGOING OVERSIGHT WORK IS CARRIED OUT BY STAFF WHO KNOW YOUR INVESTMENT SECTOR, ARE SPECIALISTS IN WHAT THEY DO, UNDERSTAND HOW PRIVATE EQUITY AND REAL ESTATE MANAGERS OPERATE AND HOW YOUR FUND STRUCTURES WORK**
- **WE RECOGNISE THAT EVERY MANAGER IS DIFFERENT, WITH DIVERSE PROCESSES AND PROCEDURES AND ADOPT OUR SERVICE ACCORDINGLY**
- **WE ENTER INTO A SERVICE LEVEL AGREEMENT WITH EACH CLIENT, ADAPTED TO OPTIMISE THE WORKING RELATIONSHIP BETWEEN AUGENTIUS DEPOSITARY AND OUR CLIENTS**
- **CHARGES ARE DETERMINED ON A CLIENT-BY-CLIENT BASIS, TAILORED TO THE WORK INVOLVED IN EACH INDIVIDUAL RELATIONSHIP**