

AIWM Regulatory & Compliance Update Workshop

Navigating challenges of using new service providers

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Learning Objectives (30 minutes)



Considerations when migrating or onboarding fund and trust service providers for **your client's investment portfolio, funds, and other institutional schemes**

1.

Provides participants with an overview of the **challenges** facing wealth and asset managers when onboarding (or migrating to/from) **new** fund and trust **administrators**

2.

Provides participants with **key considerations** and **checklist....**

3.

.....to **mitigate** these challenges, reduce operational **risks**, and fulfil regulatory and investors **reporting requirements**

Is it always that stressful when using new administrators?



Better, efficient processes

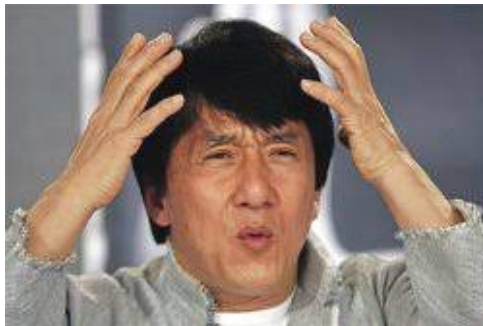
Familiarity with current processes

Longer term cost savings

Why fix it?

No \$ budget

Its broken



Long project timeline

One-off pain

Inexperience to handle

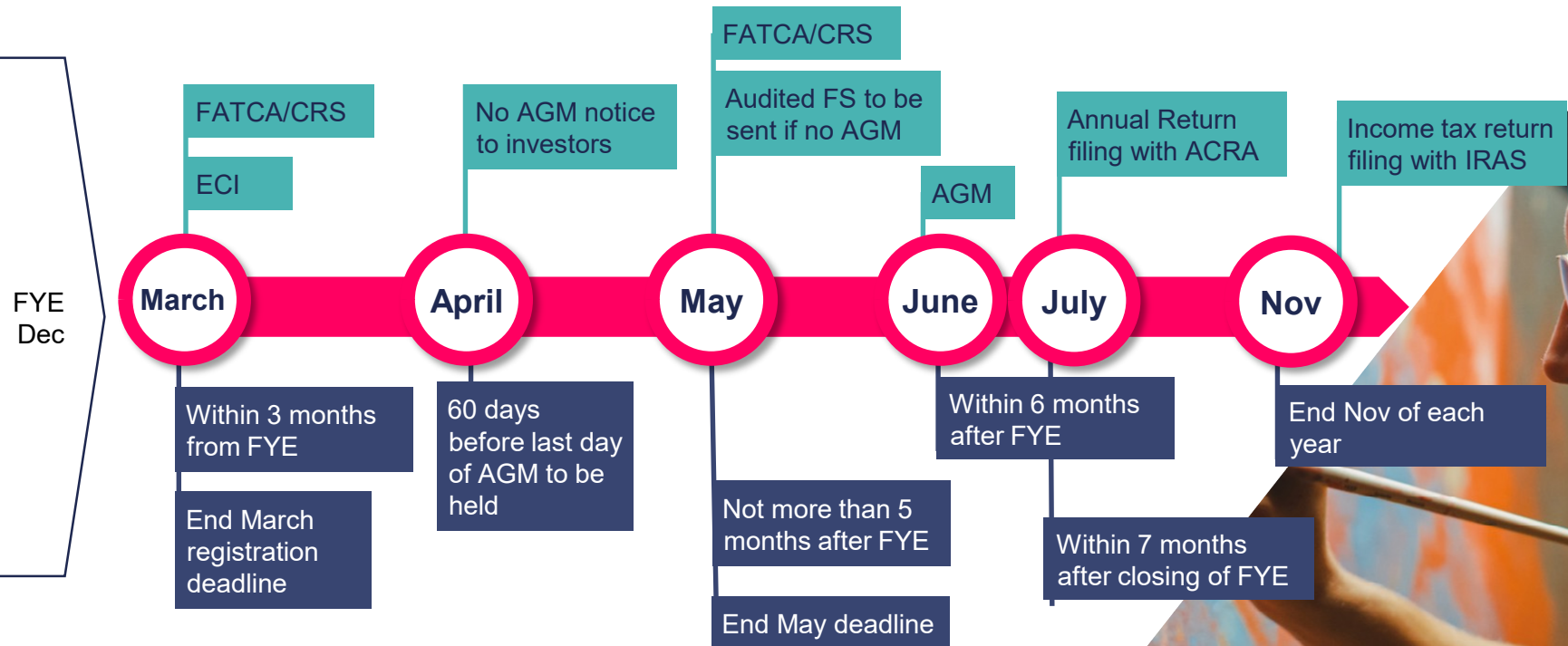
Preparation will help

Need to hire temp project staff



Quick timeline of filing and reporting obligations

For illustration only - please discuss with your tax agent, corporate secretary, auditor on reporting/filing obligations



Common pain points and challenges when using new fund and trust administrators



Common pain points and challenges when using new fund and trust administrators



Long dated open matters – fees accrued and unpaid for years? letter of wishes not finalised? unreconciled items?

Temporary workaround & off record treatments – why is it necessary and how to resolve going forward

Complexity of existing structure – review need of current structure; what is initial purpose of trust; number of bank accounts (long time to change mandate!)

Outstanding payments – obligations of retiring trustee vs new trustee; accrual vs write-off

Legal negotiations – critical terms to consider e.g. indemnity, liability, compensation

Data to trace back – historical data not captured properly

Systematic errors - errors resulting from initial set up?

So what can we do?



Key considerations and checklist



Separately Managed Accounts

Wrong trade/booking by the SMA's private bank?
Unreconciled items or is reconciliation done at all?



Shadow NAV period

Consider doing parallel run between outgoing and incoming fund administrator, compare results, reconcile discrepancies to investigate significant differences, before "go live"



Regulatory reporting obligations

Were all past years' reporting completed on time? Any outstanding reports or penalties (for late filing) in the past especially for trustee?? What about other offshore locations?



Big ticket items

Example, Performance Fee calculation; material change in expenses



Accounting/Costing methodology

- Example, FIFO vs Weighted Average. Some method of accounting requires historical data, some method can be migrated using "as at" cost.
- What is the financial accounting reporting standard e.g. IFRS?



Pricing/Valuation methodology adopted

Example, for alternatives asset classes such as private equities investments; cryptocurrencies, properties



Other institutional structure

Example, ESOP or private pension trust – are individual allocation properly accounted? Is there long dated employees accounts/asset unaccounted?



Other blind spots

- Unresolved items by outgoing administrator – agree on timeline to close
- Issues will resurface as incoming administrator manages daily operations – agree on a timeline that outgoing administrator will continue to provide support
- Change of ASL from outgoing to incoming administrator can take a long time. Meantime, agree on the servicing support by outgoing administrator
- Any side letter with investors? opt-out? restrictions?
- Any significant issues raised e.g. investors complaints, regulatory matters, AML/KYC issues

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