



AIFMD LICENSE FINNIUS ASSISTANCE

Introduction



AIFMD stands for the Alternative Investment Fund Managers Directive. It provides for the European regulatory framework in respect of alternative investment fund managers (**AIFMs**). A license issued pursuant to the AIFMD allows AIFMs to manage and market alternative investment funds (**AIFs**), such as private equity funds, hedge funds, real estate funds and feeder or fund of funds, across the EU.

AIFMs that need a Dutch license under the AIFMD regime face a challenge. This applies to Dutch companies that need an AIFMD license, as well as to foreign companies that intend to apply for an AIFMD license in the Netherlands. Important questions in this respect are:

- What are the anticipated costs?
- What is the timing of a license application?
- What licensing requirements do I need to comply with?
- Are there specific requirements for directors and board composition?
- Notably for foreign applicants: are there Dutch substance requirements that we should take into account?
- What capital requirements do we need to comply with?
- Do we need a compliance officer?
- How do we select a depositary?
- How do we communicate with the regulator, the Authority for the Financial Markets (**AFM**) and the Dutch Central Bank (**DNB**)?
- After having been granted the license, what ongoing rules should we adhere to and what happens if we are non-compliant?

For a successful license application process, it is absolutely key that these questions are answered at an early stage, before actual preparations for the license application have been initiated.

Preparation phase

A successful license application process stands or falls with the quality of the preparation phase. Finnius is well-equipped to help you with this. In the preparation phase, we start with qualifying your business proposition under AIFMD, the type of AIFs you intend to manage and type of investors you intend to market to, in order to establish what type of license you need and what needs to be done to obtain such license.



After this analysis, we organize a working session in which we identify potential key issues for specifically you in terms of governance, substance (both human and technical resources), outsourcing, internal procedures or other compliance topics. Generally speaking, governance (including board composition) and substance are key items that the AFM will focus on.

Organisational Handbook

Core of your application package will be the **Organisational Handbook**. This document describes how your internal business operations and processes are organised. These operations and processes should be AIFMD-proof. The organisational handbook comprises of numerous policy documents, such as:



- Risk Management Policy;
- Liquidity Management Policy;
- Investment Selection and Due Diligence Policy
- Conflicts of Interest Policy;
- Remuneration Policy;
- Outsourcing Policy;
- Personal Transactions Policy;
- Best Execution Policy;
- NAV and Pricing Policy;
- Incidents Policy;
- Employee Screening Policy;



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- Regulatory Reporting Policy;
- Anti-Money Laundering Policy;
- Compliance Policy;
- Internal Audit Policy.

It has proven to be difficult for applicants to adequately prepare these policy documents in an AIFMD-proof way themselves, thereby taking into account the specific views of the AFM in respect of market entrants. Finnius has gained extensive experience in recent years with AIFMD-applications, and therefore with these policy documents. We are in a good position to help you with these policy documents, without losing out of sight that these policy documents are not of a general nature, but should actually reflect the fund manager's internal operations. We do not provide ready-to-file templates, but help you to build your own Organisational Handbook, but of course on the basis of specific formats that provide a good starting point. We believe that this method will help you to be in control and be compliant during your supervisory life.

Suitability and Integrity Screening



All management / executive board members and (to the extent applicable) supervisory / non-executive board members, must be screened on integrity and suitability by the regulator. For the integrity screening, the AFM assesses the antecedents of the person to be screened to confirm he or she is reliable to act on the Dutch financial markets. For the suitability screening, the AFM assesses whether the person has the required knowledge and expertise and devotes sufficient time to the specific board position he or she is about to take up. The AFM also assesses the collective board and confirms whether the board members are complementary to each other. These are important screenings in terms of substance and governance.

The AFM also performs an integrity screening with respect to each shareholder that is intended to have a 'qualifying holding' in the

licensed fund manager. A qualifying holding includes (i) a direct or indirect holding in the licensed investment firm which either represents 10% or more of the capital or the voting rights, or (ii) makes it possible to exercise a significant influence over the management of the licensed undertaking.

The AFM may conduct screening interviews. Finnius is very experienced in prepping and training envisaged directors for these interviews. These prep talks have proven to be very fruitful and valuable.

After filing

After having submitted the entire license application package, the waiting starts. Formally, the AFM has 6 months to handle a license application. This period is either a little or a lot longer. Typically, the applicant will receive 2 or 3 rounds of questions from the AFM. These questions require careful answering, and will lead to changes in the application documentation. The AFM expects blacklines versions, and elaborate and structured answers to their questions.

Also, in this phase it is possible that the AFM invites the envisaged management board and (to the extent applicable) supervisory board members to the AFM offices for an interview, to test their suitability for their function.

Contact

Let Finnius help you to smoothen your application process. Are you interested in applying for an AIFMD-license in the Netherlands, please contact us.



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