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INSIDE THIS ISSUE…

04 AMSTERDAM MATURING AS A FINANCIAL JURISDICTION
By A. Paris

06 BEING SELECTIVE ON THE PATH TO GROWTH
Interview with Delphine Amzallag, ABN AMRO Clearing

08 SUPPORTING ASSET MANAGERS TO MEET THEIR ESG REPORTING OBLIGATIONS
Interview with Birgitte van den Broek & Bart van Dijk, CSC Netherlands

11 DIRECTORY



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Amsterdam maturing as a financial jurisdiction

By A. Paris

The outlook for growth in the Amsterdam financial services industry is optimistic, driven by the Brexit fallout, an increased need for political stability and access to a diversified support eco-system which can help alternative asset managers thrive.

Players in Amsterdam have demonstrated their resilience as they look to seize opportunities for growth and expansion in an uncertain environment driven by the Covid-19 pandemic and other macro-economic factors.

During the early days of the pandemic, in a webinar organised by the Dutch Fund and Asset Management Association (Dufas) and PwC, Patrick Heisen, partner PwC Netherlands said: "Now we've reached a point to navigate the landscape of risks and opportunities. In order to do so, we need to have more insights in where the crisis will hit the sector."

Although the industry has held up well over the course of the pandemic, in its Trend Monitor 2021, the Dutch Authority for Financial Markets (AFM) notes: "The Dutch asset management sector has come through the turbulence in good shape, partly due to the implementation of extraordinary liquidity instruments." The authority also warns: "Renewed market turbulence could also lead to higher margin requirements for outstanding derivatives, causing 'fire sales' in illiquid markets. It remains important that fund managers prepare for this and implement the right liquidity instruments in good times."

With this prudence in mind, new fund launches have continued. Birgitte van den Broek, Managing Director CSC Netherlands, comments: "Investors are looking for yield and other ways to invest. This is one of the

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reasons we have seen many new managers launching funds in asset classes like technology, venture capital and loans. Even in the pandemic we are seeing growth, with funds attracting investors at a rapid pace."

Compliance maturity

As regulators globally raise the scrutiny of financial jurisdictions, the Netherlands is also boosting its supervision in this regard. In view of this, the AFM published practical guidance for investment firms and fund managers to assess and improve their compliance function.

Lawyers Roderik Boogaard, Martijn Schoonewille and Susanne Langenberg, from Loyens & Loeff, write: "The report describes in detail 5 levels of maturity of the compliance function in order to enable an investment firm or manager of an investment fund to self-assess its level.

"In the report, there is a clear call-for-action for all investment firms and managers of investment funds to assess the maturity level of their compliance function and determine where improvements can be made."

Throughout the pandemic, the AFM kept a tight grip on compliance with the Anti-Money Laundering and Anti-Terrorist Financing Act *(Wet ter voorkoming van witwassen en financieren van terrorisme, Wwft)*, and the Sanctions Act, although it temporarily suspended numerous investigations and requests for information.

In its Trend Monitor for 2021, the AFM declares it, "has intensified its monitoring of the abuse of the financial sector for criminal purposes," and vows it, "will continue to devote attention in its Wwft supervision to how companies carry out their customer due diligence, monitor transactions and report unusual transactions."

"This also illustrates regulators' and supervisory authorities' unwavering focus on compliance with integrity rules," notes Dutch law firm Finnius, in its outlook for 2021.

The strength of oversight in the jurisdiction can provide managers an added layer of integrity which in turn is beneficial when looking to raise assets.

"We can expect regulation to become more stringent and therefore onerous. If a manager wishes to set up in the Netherlands, their business model needs to be relevant and adaptable to future requirements. They also need to ensure they partner with the right providers to ensure their trading and operational structures are robust and resilient," outlines Delphine Amzallag, Global Director Prime at ABN AMRO Clearing Bank.

Curb greenwashing

Another area of known value in the Dutch market is the focus on sustainability and environmental, social and governance (ESG) investing. As this approach becomes ever more mainstream, Dutch players find themselves on the front foot. In fact, several new sustainable investment funds were launched in 2020, including Robeco's two low carbon fixed income strategies and Actiam's enhancement of their passive ESG range.

However, as the March deadline for initial compliance with the EU's Sustainable Finance Disclosure Regulation (SFDR) looms, the focus on these matters is sharpened. Finnius outlines: "The SFDR will impact the business of fund managers in various ways and, in principle, is relevant for all investment funds, regardless of whether they are presented as sustainable."

The AFM has also added to the debate around ESG. Together with the French regulator, the Autorité des marchés financiers (AMF) and later joined by the European Fund and Asset Management Association (Efama), the AFM has proposed a European regulatory framework for providers of sustainability-related services. The Dutch regulator states: "It could become one of the key measures of the European Commission's renewed sustainable finance strategy.

"The proposed framework is aimed at preventing misallocation of investments, greenwashing, and ensuring investor protection. It includes requirements on transparency on methodologies, management of conflicts of interest, internal control processes, and enhanced dialogue with companies subject to sustainability ratings."

This call came after Dutch pension funds, which are some of the most sophisticated institutional investors in the industry, claimed asset managers engage in greenwashing. In a survey carried out by a Dutch pension publication, six in 10 pension funds agree some asset managers do this.

According to a survey by KPMG, which included 100 respondents from the Netherlands, 41 per cent of institutional investors report a significant amount of greenwashing in the hedge fund industry. ■



Being selective on the path to growth

Interview with Delphine Amzallag

There is growing familiarity with Dutch hedge fund structures among investors which has been driving the jurisdiction's fortunes as a continental alternative to Luxembourg and Ireland. Service providers in Amsterdam are welcoming this progress while also being discerning in their approach.

Allocations to hedge funds are set to increase in 2021, "2020 was largely driven by volatility and global macro-economic uncertainties. The defensive approach adopted by hedge funds, the ability to demonstrate uncorrelated performance as well as navigate these choppy waters successfully has positioned managers to draw in more institutional capital and also encourage more fund start-ups" comments Delphine Amzallag. Global Director Prime at ABN AMRO Clearing Bank.

This bodes well for the Netherlands which has become an attractive domicile for managers. "Those who want to set up in Amsterdam must have a robust and relevant business model. As regulation becomes more stringent, managers need to ensure they partner with the right provider.

The increasing costs and operational burden of regulation will always form significant barriers to entry. Having strong partners will allow managers to build a safeguard and ensure their trading and operational structures are scalable," notes Amzallag

She explains how ABN AMRO Clearing Bank aims to be selective in choosing the managers it works with: "Strategy is the first and foremost consideration. We look to take on funds which fit within our organisation's infrastructure. We focus on offering those prime brokerage services that we are good at, therefore being discerning with the managers we work with is critical. We will always look at our clients as partners and taking on the wrong client just always ultimately leads to disappointment on both sides."

ABN AMRO Clearing's DNA, history and success revolves around the market making community of the Netherlands. This means equity derivatives, quant strategies, CTA, relative value, and long short equity, fit well within the firm's framework. The prime brokerage team also seeks to support early-stage managers, in order to help them grow.

Amzallag outlines the benefits of ABN AMRO Clearing, with a special attention for smaller managers: "We operate as one entity and hold all our clients' assets within the same system. This makes information exchange easier and more accessible, ensuring smooth operations. We can also deliver capital efficiencies to managers, which is a key consideration when service provider costs can be a drag on performance and undermine cash flow utilisation. For us, being in control of the full value chain is an advantage."

The firm clears and finances over 18 million trades per day and covers more than 90 of the world's leading exchanges across Europe, the Americas and Asia Pacific. Its international network provides comprehensive market access to exchange-listed instruments such as stocks, futures and options. It also facilitates non-exchange listed investment instruments and alternative products including bonds, OTC derivatives, warrants, forex, forwards, synthetics, energy and commodities derivatives. ABN AMRO Clearing consistently ranks among the top three clearers in every time zone, based on market share of transactions cleared.

A good year

Although 2020 was a tumultuous year in many ways, ABN AMRO Clearing had its busiest year ever, clearing a record 5.3 billion trades, launching new products, providing enhanced solutions and growing in client numbers.

"We are among the largest prime brokers in terms of cleared volumes and market share. We have huge operational efficiencies and capacity on the trading side, which is paramount for the types of managers we look to attract. We also have an open architecture model which we believe helps ensure each manager has their specific needs met.

"ABN AMRO is a well-recognised prime broker in the Netherlands and also in Europe now. We are growing, adding to our suite of products and offerings to ensure we can best cover our clients," comments Amzallag.

The challenges last year has led to an increasing need for cost efficiency and a more tailored approach. Amzallag details: "We see a growing need for bespoke solutions. In a nuanced regulatory landscape, the "one-size fits all" approach is becoming increasingly difficult for service providers. Prime Brokers are becoming specialised in hedge funds strategies where they can demonstrate expertise in risk management, financing and deliver cost efficient services to allow funds to deliver performance.

And we are really well placed because ABN AMRO Clearing is nimble in its approach. Funds and managers have looked to gain a competitive edge by accessing new markets, new trading opportunities and launching new products. Given our huge global infrastructure, we were able to move quickly and support those new developments."

Supporting sustainability

The Dutch industry is also on the forefront of the ever-growing environmental, social and governance (ESG) trend. Investors in this market have been leading the way in this regard and according to Amzallag, this way of investing fits in well with the culture of the ABN AMRO bank: "More and more, investors are looking for funds which have an ESG component or at least want their managers to acknowledge and understand the drive towards more ESG. In an industry rife with greenwashing, ABN AMRO Clearing is developing a reputation as the prime brokerage partner of choice for ESG managers."

The firm has declared its focus on sustainability and has outlined its overarching goal to accelerate the sustainability shift: "We offer our clients specific expertise in sustainability and are embedding these values in our products and services. To help combat climate change and promote the energy transition, we support our clients with various initiatives and share expertise to further expand our social impact activities."

These efforts have been observed by third parties. A report on sustainability in the derivatives industry, published by the FIA, applauded ABN AMRO Clearing for its efforts in this regard. The report details: "ABN AMRO has a proven track record on sustainability issues in many areas, but one particular element that stands out in our markets is how the firm conducts its derivatives clearing operations.

"Clearing members assume responsibility for the derivatives transactions of their clients and implement regular screening to ensure they are not servicing a client that poses a large financial risk or engages in conduct that conflicts with the clearing member's business ethics."

Having a well-developed financial eco-system in place is a clear advantage for Amsterdam to become a prominent location for fund business in Europe; together with the relevant industry partners, ABN AMRO Clearing is well positioned to service this growing market. ■



Delphine Amzallag
Global Head of Prime, ABN AMRO Clearing

Delphine Amzallag is the Global Head of Prime at ABN AMRO Clearing, based in London. She joined the firm in June 2015, a leading provider of equity and derivatives clearing services. Her team is responsible for maintaining and developing client business relationships for prime services covering institutional investors and alternative investment managers, with a specific focus on arbitrage strategies, relative value, equity L/S & CTA.

Prior to joining ABN AMRO Clearing, Delphine spent 10 years at Barclays Capital as a Director in Prime Services responsible for the relationship management and client service teams for alternative investment fund managers. Previously she worked at the London based Hedge fund GSA Capital and Paris based financial institutions Lyxor and Societe Generale. Delphine holds a Bachelor degree (Hons) in Finance and Financial Services and she is an active member of 100 Women in Finance.



Supporting asset managers to meet their ESG reporting obligations

Interview with Birgitte van den Broek & Bart van Dijk

As sustainability regulation ramps up in Europe, the ESG reporting requirements for asset managers and their products are due to increase sharply. Although new regulations are due to come into force in March 2021, there is still significant uncertainty around what managers will be expected to do. In this changing environment, it is a time for service providers to offer new forms of support to the asset manager community.

"The practicalities of what managers are required to disclose are still not clear. Therefore, managers need a starting point; they need a business partner to discuss the way forward and be committed to finding solutions that will work for them," explains Birgitte van den Broek, managing director, CSC Netherlands.

One of the challenges lies in striking a balance between certain 'soft' factors which are often linked to ESG and impact funds with the prescriptive regulatory data reporting burden being placed on managers. "When outlining their ESG credentials, managers need to consider what sets them apart and what they do differently from their peers. We can help asset managers articulate this, given our experience with preparing regulatory reporting for impact funds," van den Broek notes.

New European regulations including the Sustainable Finance Disclosure Directive (SFDR) and the rules around the EU Taxonomy, will require all asset managers to have their own ESG policy. Van den Broek outlines: "For some players, writing an ESG policy can be very challenging. CSC Netherlands utilises our experience to support asset managers to produce ESG policies and procedures together with reporting templates."

Technology as a differentiator

Bart van Dijk, head of business development at CSC Netherlands notes that the drive to comply with these new regulations runs across the gamut of manager size: "There is some discussion as to what extent the new regulations, like the SFDR, will apply to smaller managers. We have spoken to a number of our asset managers and while some of the smaller or emerging fund managers may not be required to comply, they want to be in control of this – whether it's to satisfy their investor or internal demands."

He observes how many of these smaller, emerging managers are considering the addition of ESG information on their website or in their investment memorandum, whether or not the regulation will require them to comply.

Technology will play a critical role in assisting managers with meeting their ESG compliance and reporting requirements. CSC Netherlands has developed proprietary technology which is flexible and scalable and is well positioned for these changing regulatory obligations.

"Our platform, which is accessible 24 hours a day, seven days a week, provides investors with a visual, graphic overview of their investments, which can be tailored to their specific needs," van Dijk specifies.

Some of the firm's competitors in the Dutch market are less nimble and slower to adapt, often because they are using off the shelf technology. CSC Netherlands proprietary technology provides a significant competitive edge as they are designed to be adaptable to the meet the requirements of an ever-changing regulatory environment.

According to Van den Broek, the adaptability of the software is crucial: "As requirements change, you need to have the ability to add new features to your software, something we are able to do, given we have built the systems ourselves. For example, when managers are obliged to include ESG in their annual reports – which is part of the upcoming regulation – our software is ready to service that need."

The Dutch context

Considered within the context of Amsterdam as a growing financial hub, the outlook for growth and development, in the ESG space and beyond, is significant.

Amsterdam has been ranked one of the world's top jurisdictions for green finance. The Global Green Finance Index, rated the Dutch capital in first place for the depth of its market and second for quality, only behind Zurich.

Given its efforts on the sustainability front, Amsterdam is demonstrating its ability to embrace change. "Certain things that may have worked in the past, or that are working now, may not be fit for purpose going forward. So its important to foster a sense of openness and willingness to understand how the whole financial ecosystem can best benefit from change," van Dijk comments.

In van den Broek's view, investors are showing a growing appetite to put their money to work through the Netherlands. CSC Netherlands was born through the acquisition by CSC of the Dutch firm TCS-Groep in March 2020: "Being part of the CSC group means we are now in close contact with international investors. We now see that investors from all over the world would like to invest in Dutch funds with the potential for the Netherlands as a financial hub growing considerably. Additionally, as a provider of fund administration, depositary, corporate, SPV and agency services across the UK, Ireland and Luxembourg we have access to an established and growing network in Europe with the ability to service clients across jurisdictions with a consistent focus on service quality."

When the merger was announced, van den Broek said: "Our partnership reinforces the same commitment to service excellence that our clients have come to expect but will now offer global diversity that will prove beneficial during these uncertain times. Our clients will continue to receive our personalised services from their existing client service teams, and both our clients and employees will benefit from the extended knowledge base now accessible via CSC."

CSC as a firm also brings with it a sense of stability and long-term focus. The firm is over 120 years old and is privately held. "We are completely client focused and provide stability and longevity in all relationships we develop. We do not exit clients for not meeting certain thresholds. This, I believe, gives a different feel to what we do, and clients experience this when working with us," stresses van Dijk. ■



Birgitte van den Broek
Managing Director | The Netherlands | CSC

Birgitte van den Broek is the managing director of fund services for CSC Global Financial Markets (GFM). She is responsible for managing The Netherlands regional office, offering Fund, Depository, and Capital Markets services, as well as liaising with regional teams in the U.S. and Europe locations.

Before joining CSC, Birgitte spent the majority of her career at TCS-Group, where she was managing director for the last 12 years. Under her leadership, the fund and depository businesses experienced impressive growth and revenue metrics. Birgitte has over 25 years in the funds industry, bringing a wealth of accounting and technical knowledge to private equity, private debt, real estate, and other alternative managers.

Birgitte is treasurer of a foundation that supports a large health organisation for disabled adults. Birgitte studied economics at the University of Amsterdam.



Bart van Dijk
Head of Business Development | The Netherlands | CSC

Bart van Dijk is head of business development for CSC® Global Financial Markets (GFM). He is responsible for building commercial strategy, business development, and marketing in the Netherlands and Europe, as well as liaising with regional teams across the United States, Europe and Asia-Pacific.

Bart has an impressive record with more than 15 years of professional experience in global financial services, fund services and corporate services at Intertrust and Vistra where he held various client relationship management, business development and leadership/management roles. Most recently, Bart was divisional director for private equity and alternative investments at Vistra in the Netherlands and, prior to that, commercial director in New York. Bart started his career in international tax consultancy at EY and PwC. Bart holds a master's degree in tax law and a master's degree in corporate and financial law, both from Erasmus University in Rotterdam, the Netherlands. He also holds a postgraduate certificate in US tax law from the International Tax Center at Leiden University, the Netherlands.

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