



Independent Irish Non-Executive Directors Forum

Confidence. Collaboration. Impact.



June 23rd & 24th

Running Order

Time	Activity	Presenter	Location
08:00 – 08:45	Welcome & Ice-breaker videos and toys	Darren Griffin	Foyer and Round Room
08:45 – 09:00	Monterey Funds Data and Observations from an industry perspective	Cormac Dinan	Main Room
09:00 – 10:00	AML / Corporate Governance	Sean Smith and Laura Wadding	Main Room
10:00 – 10:45	Workshop on: 1. ICAV 2. FATCA 3. PAYE	Deirdre Power	Main room
10:45 – 11:00	DNAV	Darren Griffin	Main Room

Meeting with you today



Sean Smith

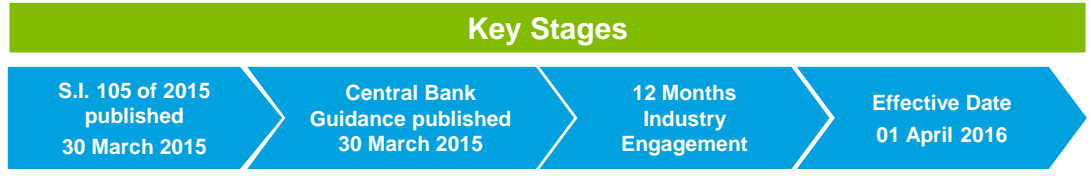
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Laura Wadding

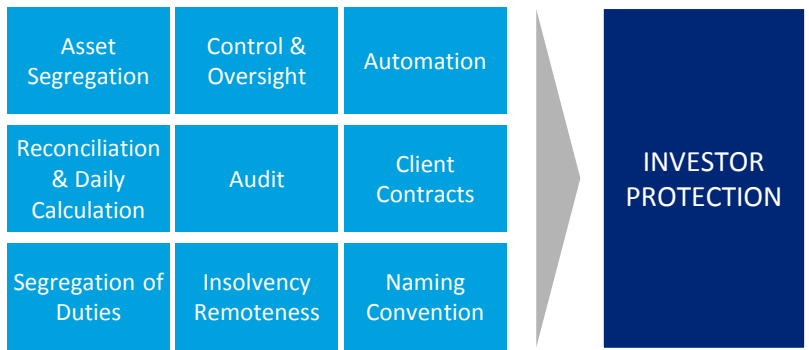
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Investor Money Regulations – Timeline

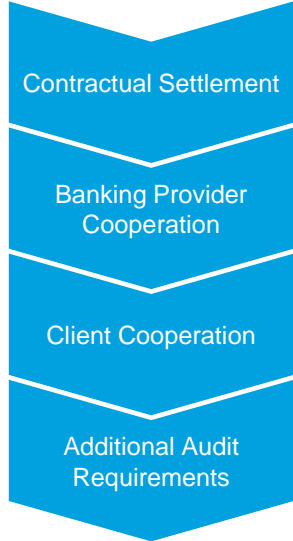


If the collection account is an asset of the Investment Fund, the Regulations do not apply. ”

Investor Money or Fund Assets Common themes



Challenges



...Building a Solution



Money received prior to the cash transfer cut off time on the dealing date is considered investor money. ”

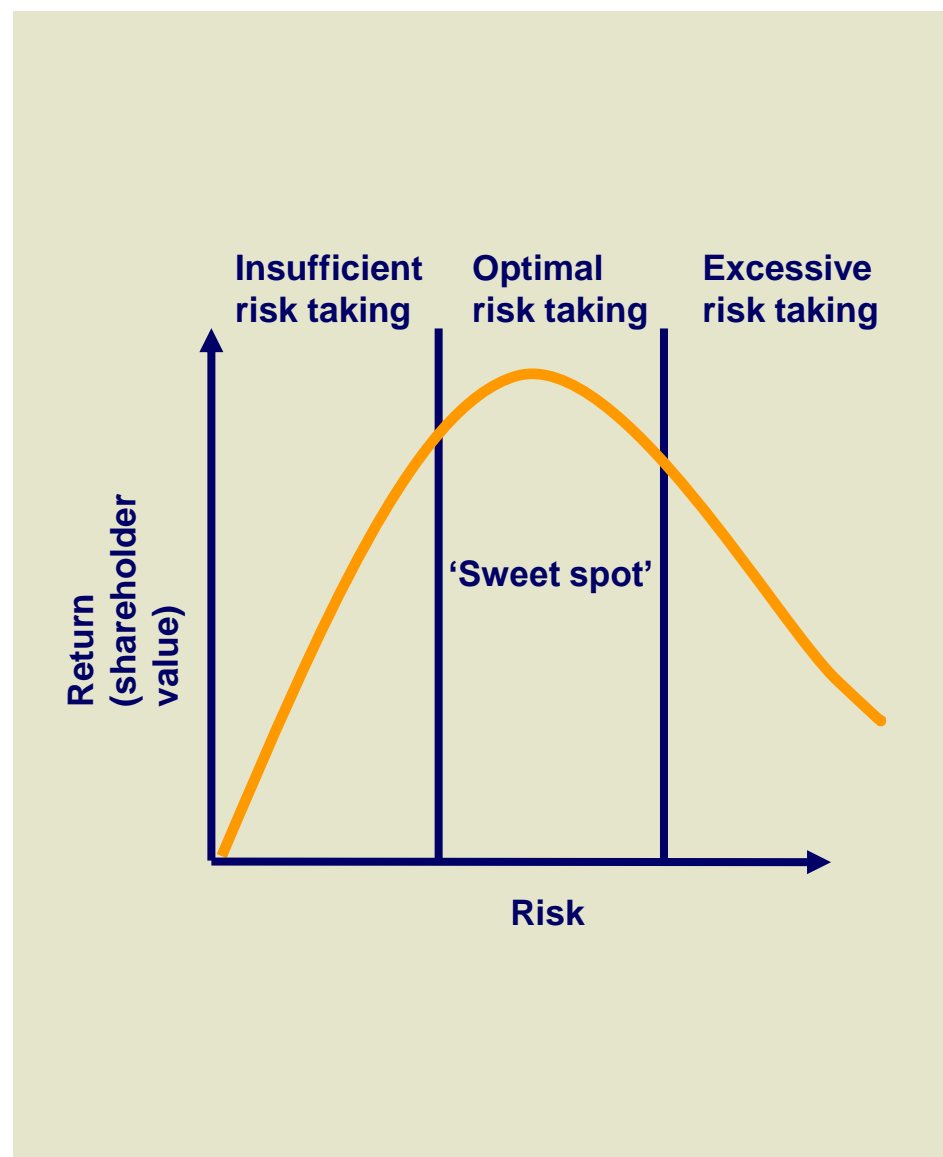
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Risk Appetite



Why is risk relevant

- Companies are in business to create value by earning a return on investment for shareholders
- To earn a return, the business must take risks
- There is a range of 'optimal risk' taking which supports maximum return - the Sweet Spot
- Top quartile enterprises are focused on operating in the Sweet Spot



What the Central Bank says

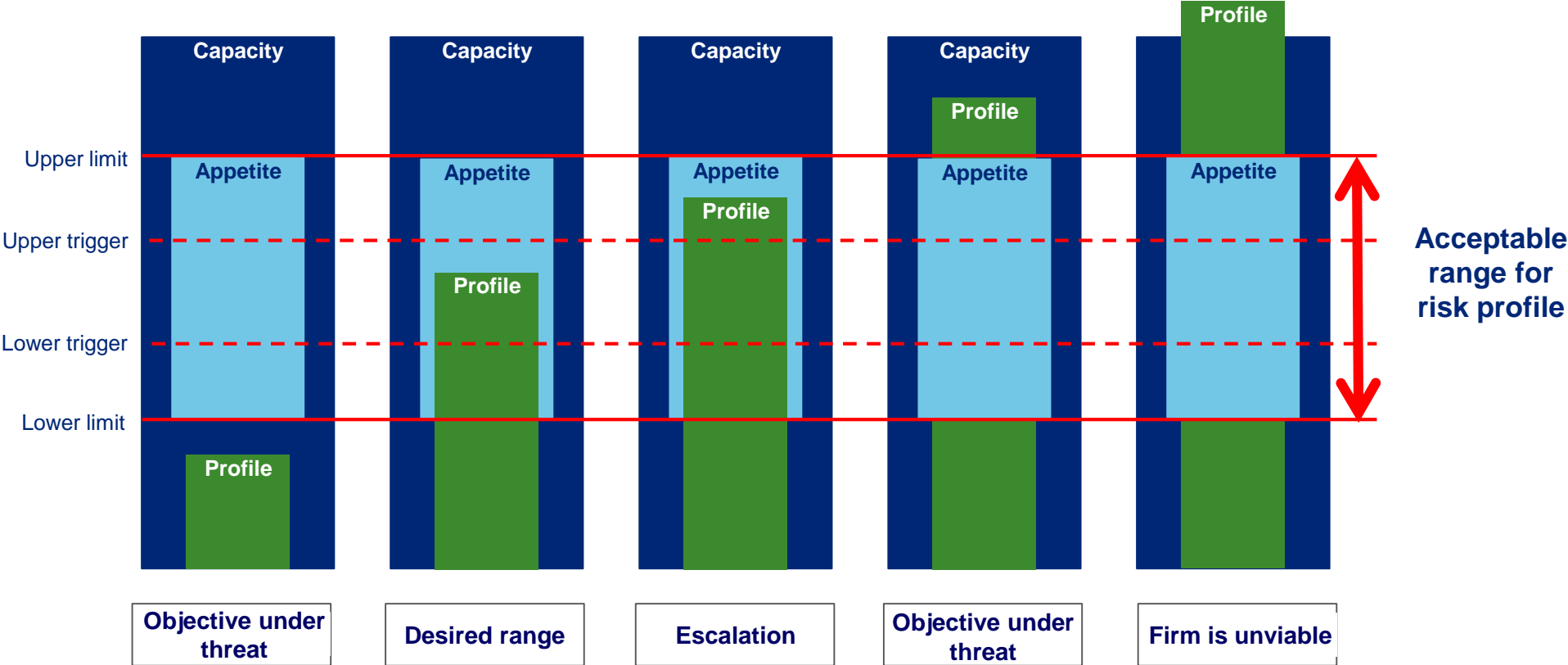
Risk Appetite – A Discussion Paper 2014

- **Generic**
- **Conceptual**
- **Compilation**
- **More expected in this space**

CP86

- **FMB must confirm the risk appetite**
- **RAS appropriate and proportionate**
- **Thresholds included / reporting to board**
- **IRAS set based on the investment objective and strategy and product design of the investment fund(s) under management; potential investors in the investment fund(s) and the liquidity of the assets in which the investment fund(s) invests and the potential for any asset/liability mismatch**
- **Regular reporting in respect of IRAS**

Interaction of key concepts



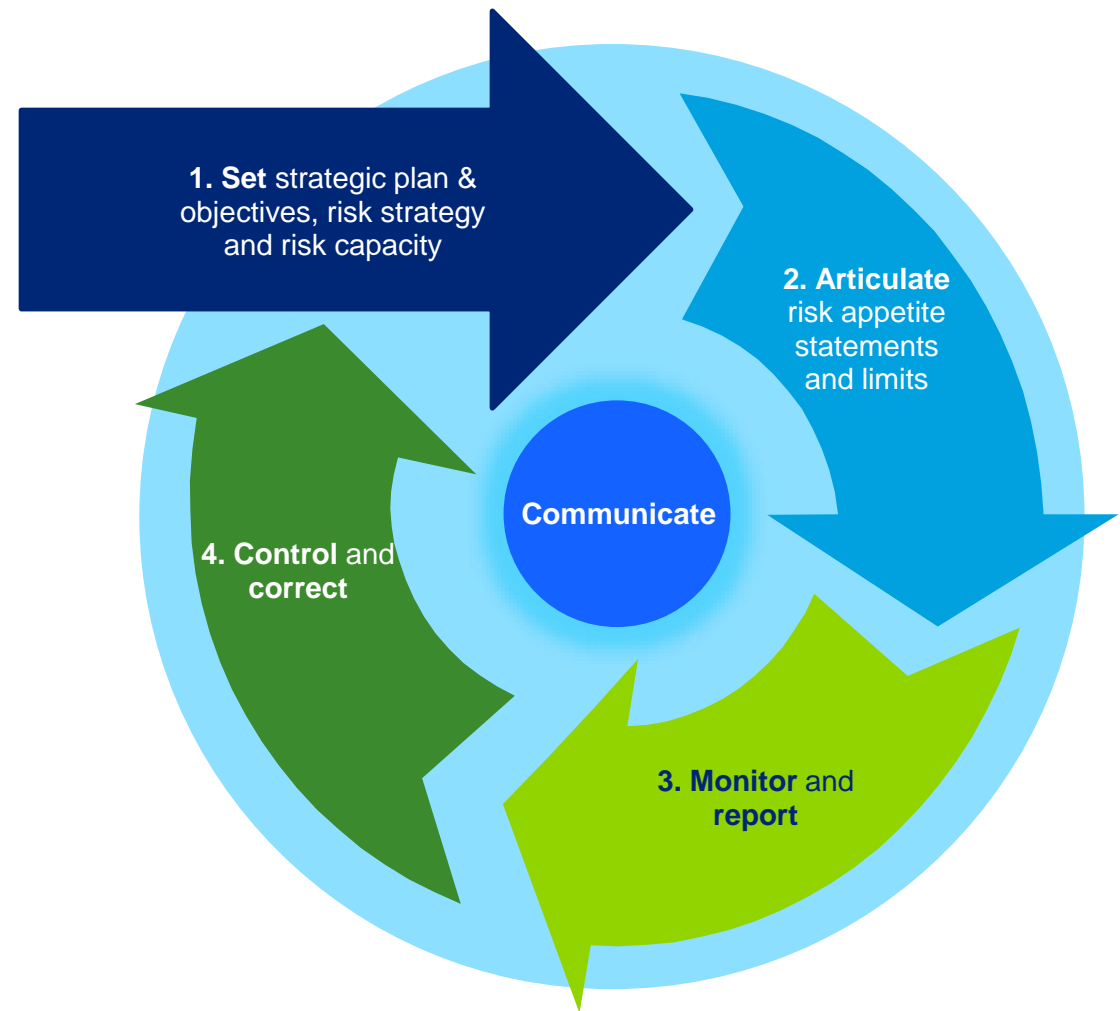
Risk Appetite – Broad Focus (examples)

	Investor Protection
	Market / Investment Risk
	Fraud
	Regulatory Reporting
	Operational
	Regulatory Compliance
	Reputation

What good looks like

A risk appetite framework is good to the extent that:

- Directors who set a firm's strategy knowingly accept the risks that correspond with that strategy;
- Delegates that take risks on its behalf know what strategic objective they are supporting in their risk-taking and keep within agreed limits;
- All of a fund's material risks are understood, along with the drivers of those risks; and
- Common Risk appetite language used by fund board and its delegates, supporting risk informed decision-making processes and the understanding of the funds performance.



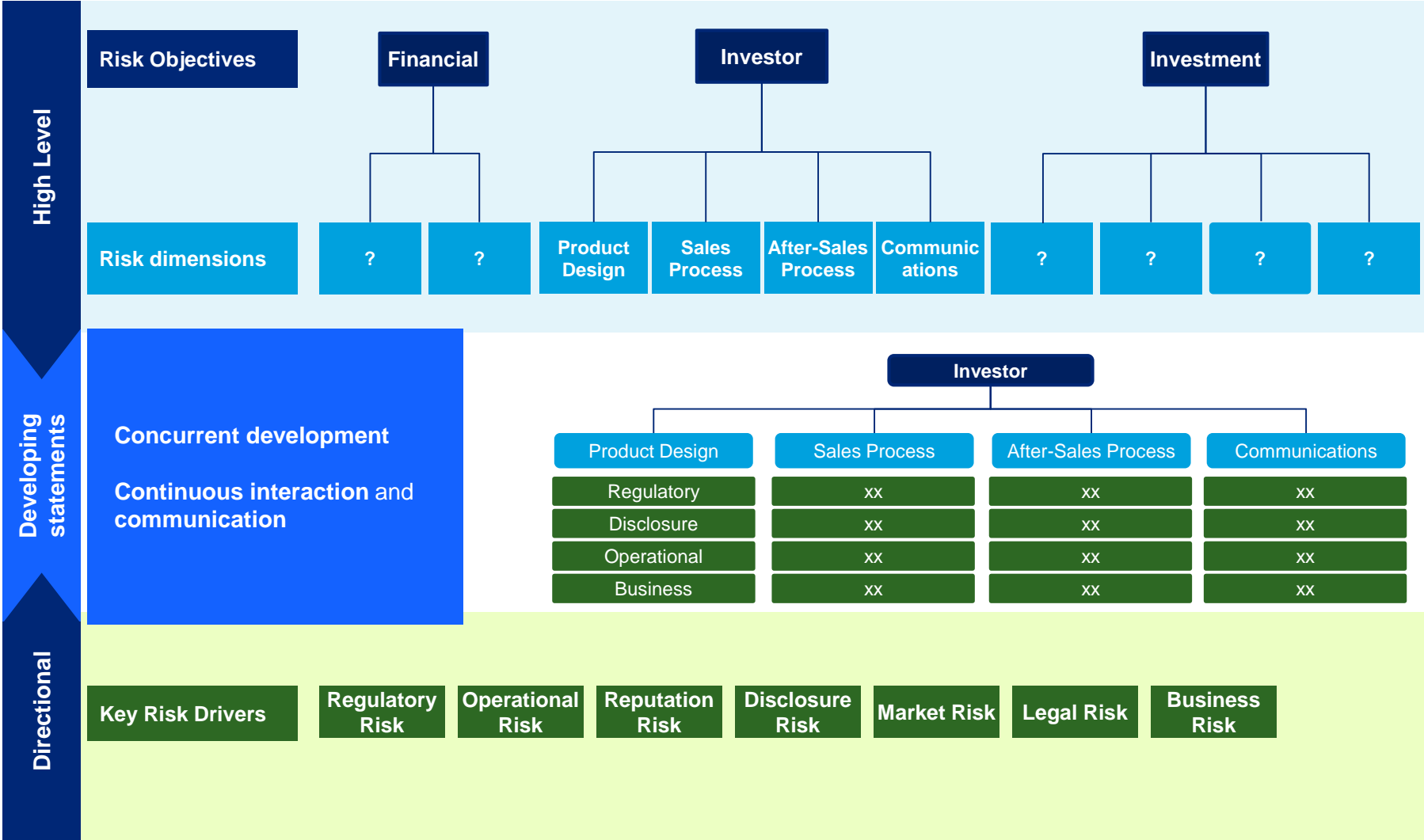
Framework objectives and design

- Our insights from working with clients inform what they should be looking for

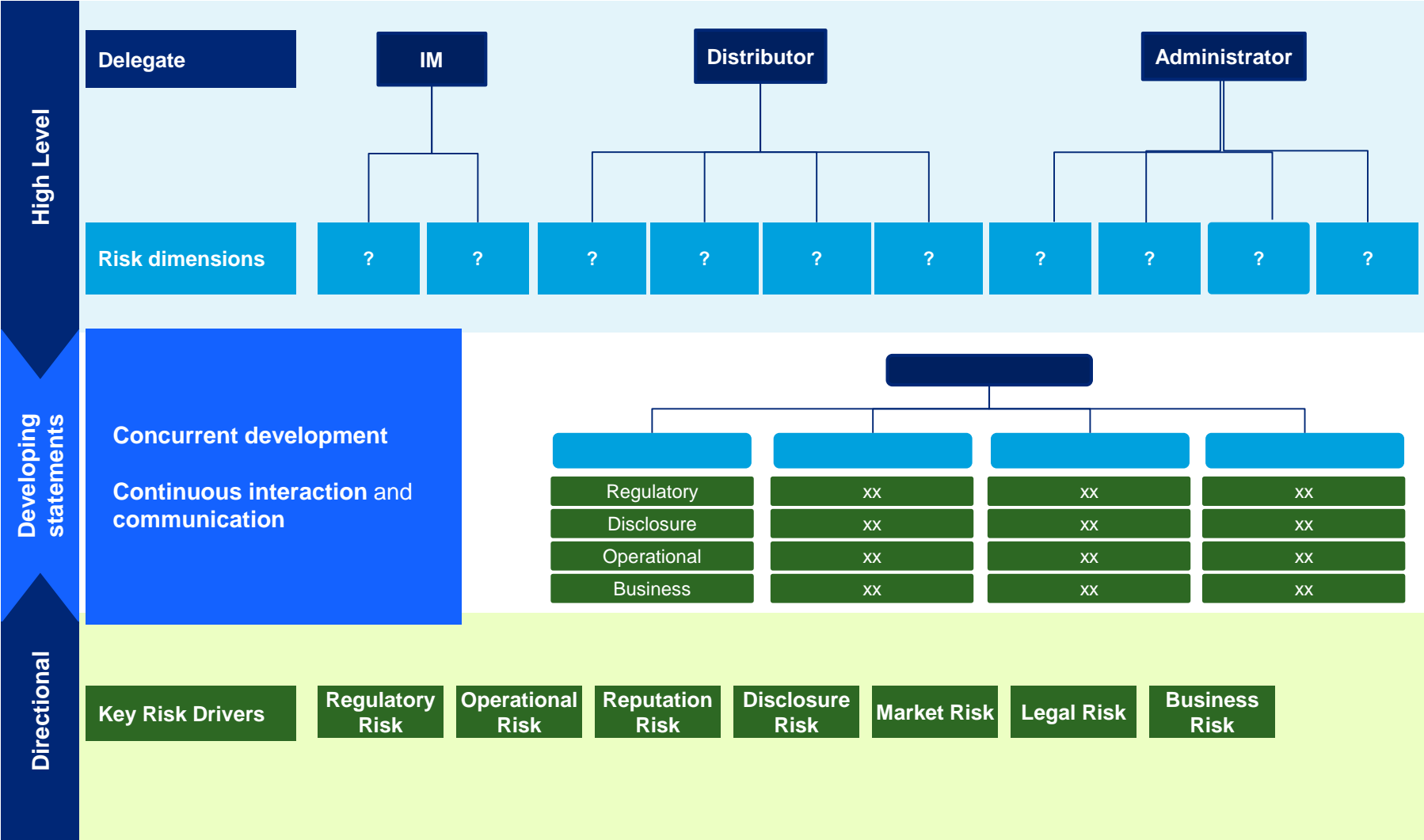
Criteria	Evidence	
	In mature risk appetite frameworks	In immature risk appetite frameworks
Breadth Does it cover all material risks? Or just the ones that are easy to measure?	The framework will cover financial and non-financial risks.	The framework will be weighted towards the risks that lend themselves to straightforward quantification but will remain silent on harder to measure risks.
Depth Does it integrate top-down direction with bottom-up insight?	Delegates deliver risk information which is consistent with risk appetite and enables the board to aggregate its risks across all service providers	Bland risk reporting which is transplanted directly from the delegates risk reporting without tailoring to fund RAS
Language and Culture Are common terms and language used when describing risk?	Consistent use of risk language between the fund board and delegates	Lack of understanding of risk concepts and lack of consistency between risk reporting from various delegates
Decision Making Can the Directors give an example of the last time that risk appetite informed a business decision?	The Board can give examples of decisions that have been influenced by risk appetite	The Board will struggle to give a coherent answer.

Workshop

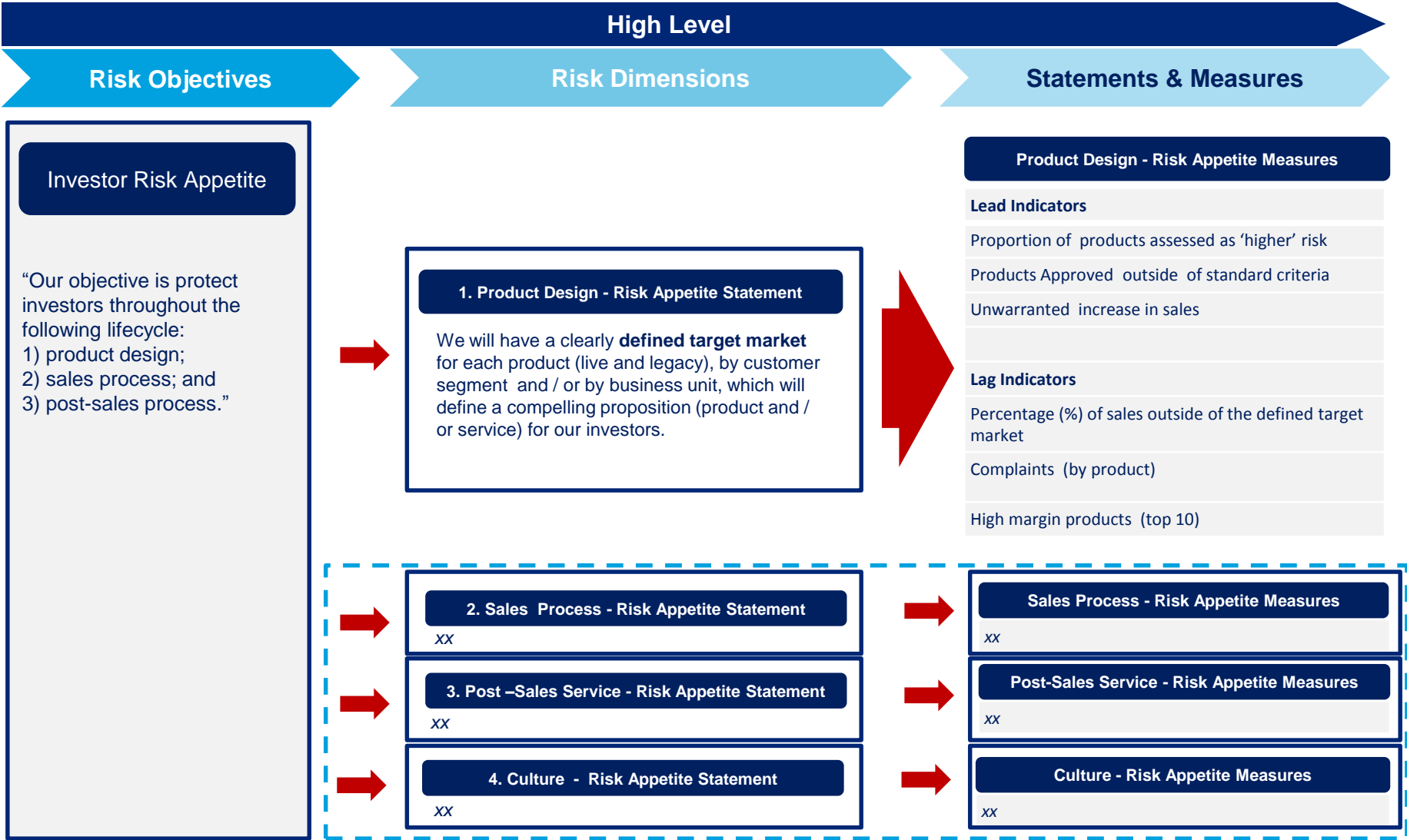
Risk Appetite – Risk Objectives / Aggregation



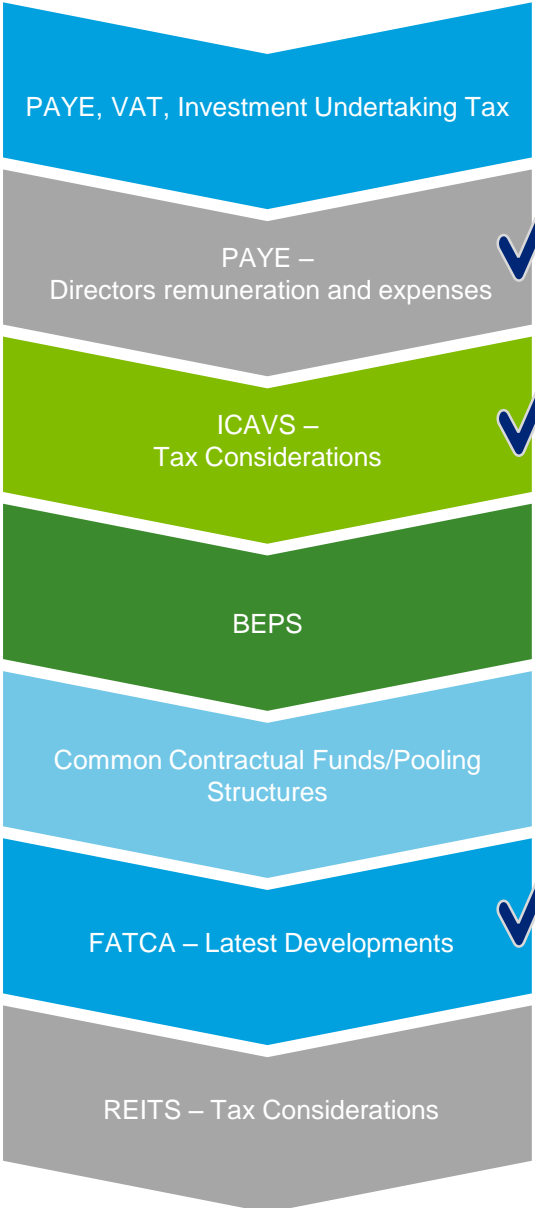
Risk Appetite – Delegates



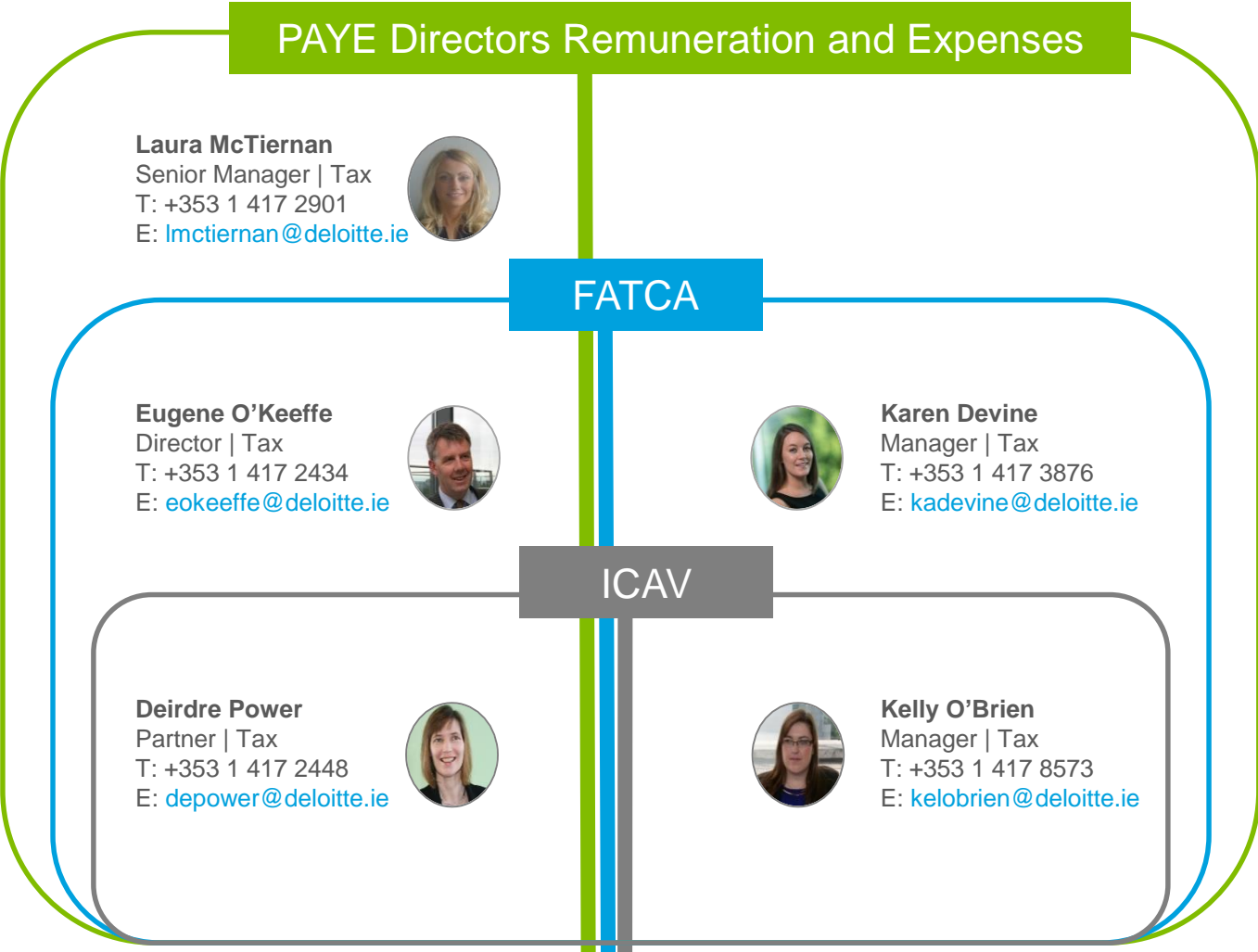
Example High Level Risk Appetite Statements



Menu of tax options



Meeting with you today to discuss your choices



ICAV v VCC

	ICAV	Variable Capital Company
Eligible for US 'check the box'	✓	✗
Umbrella sub-funds	✓	✓
Financial statements on a sub-fund basis	✓	✗
Irish tax transparency	✗	✗
Requirement for AGM	Can be dispensed with	Always required
Amending constitutional documents	Requires depository certification	Requires investor approval
AIF/UCITS	✓	✓
Open-ended	✓	✓
Closed-ended	✓	✓
Risk spreading	Not required	Required (must hold 2 or more assets)
Irish gross roll up tax rules	✓	✓
Oversight (CBI / CRO)	CBI only	CRO & CBI
Subject to current / future Companies Acts	✗ (body corporate established under ICAV legislation)	✓ (subject to Company Law)

Considerations on setting up an ICAV

US tax advice	Other jurisdictions	Tax Registration	Other obligations
<ul style="list-style-type: none"> Are sub-funds eligible for 'check the box'? Any adverse US tax implications of checking the box? Availability of service provider to perform required reporting for US investors if check the box is utilised? 	<ul style="list-style-type: none"> Any considerations on investment or investor jurisdictions WHT / CGT considerations Treaty access for ICAV Foreign tax WHT reclaims Foreign tax reporting e.g. German, UK, Swiss 'Check-the-box does not make the ICAV transparent in other jurisdictions 	<ul style="list-style-type: none"> IUT VAT Payroll FATCA 	<ul style="list-style-type: none"> Non-residency declarations Other reporting, e.g. <ul style="list-style-type: none"> ✓ EUSD ✓ FATCA ✓ S891C ✓ CRS

Additional Considerations on converting to an ICAV

US tax advice	Other jurisdictions	Tax Registration	Other obligations
<ul style="list-style-type: none"> Implications on existing US investors who currently treat the fund as opaque 	<ul style="list-style-type: none"> Any considerations on investment or investor jurisdictions Potential disposal and reacquisition for investors in other jurisdictions? Jurisdiction by jurisdiction analysis / opinion recommended – Although Ireland do not consider it a disposal and re-acquisition, there is a risk that other jurisdictions may. Foreign tax reporting e.g. German, UK, Swiss – any notification requirements, change in details, etc. required to be submitted to the tax authorities? 	<ul style="list-style-type: none"> Confirmation that all tax ID numbers are still applicable 	<ul style="list-style-type: none"> Non-residency declarations – are old ones sufficient or are new ones needed given that they were in the name of the VCC? Conversion – only an existing Irish corporate fund can convert. Merger – an existing unit trust, CCF and ILP can merge with a newly created ICAV in accordance with the regulations of the CBI Migration - one step re-domiciliation and migration process available



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