

Asset Management

Starting a fund in the Netherlands* Holland as a gateway to Europe



PricewaterhouseCoopers provides sector-specific services in the fields of Assurance, Tax & HRS and Advisory. Our objective is to help our clients improve their operational agility – not only as a service provider but also as a business partner. We give practical advice, identify opportunities and suggest innovative solutions: with a result-driven focus and often from a surprising perspective. We do this with some 4,800 colleagues in the Netherlands and more than 155,000 people in 153 countries around the world on the basis of our Connected Thinking philosophy. We serve large national and international companies as well as governments, not-for-profit organisations and private companies.

Dear Investment Manager,

The European Commission has submitted its Directive on Alternative Investment Fund Managers, which places far-reaching demands on EU-based managers and restricts the activities of managers and funds domiciled offshore. At the same time, the UCITS IV Directive, which regulates collective investment funds, is nearing the final stages of implementation.

These developments drastically change the legal landscape for the asset management industry and raise many new questions. Are previously profitable legal structures still attractive? Do the tax advantages of offshoring weigh up to the costs of the increased regulatory burden? What about the more practical aspects of the country of domicile, such as infrastructure?

As you consider these issues, we would like to draw your attention to the Netherlands - a country at the heart of financial Europe with an attractive tax regime, outstanding infrastructure and an appealing legal landscape.

In this leaflet PricewaterhouseCoopers (PwC) provides a short overview of the regulatory and tax environment in the Netherlands and compares this to jurisdictions such as Luxembourg, Ireland, Switzerland, the Cayman Islands and the United Kingdom.

If you wish to explore further the potential of the Netherlands as a domicile of choice, please do not hesitate to contact one of us at the following number +31 (0)88 792 4084.

Yours sincerely,

Fred Gertsen
Partner Asset Management

Marco Corver
Director Asset Management

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1 Why the Netherlands?

Onshoring developments

Changes are expected in the regulatory landscape for investment managers and there are uncertainties regarding the future regulatory environment in offshore locations. A trend is emerging of offshore funds (e.g. Cayman Islands hedge funds) moving onshore. For example, a number of large hedge fund managers have already started to set up and/or restructure funds under a UCITS regime in anticipation of the upcoming non-UCITS AIFM directive requirements.

Business in the Netherlands – a strategic location

As this onshoring trend continues, the regulatory environment, good business sense and sound tax advantages are pointing to the Netherlands as an attractive destination for international business in general and for the fund industry in particular.

The central geographic location of the Netherlands, its excellent connectivity and the highly developed infrastructure are some of the reasons why numerous European, American and Asian companies have established their offices here. The Netherlands has a long tradition as an international business centre, from the world's first multinational (the Dutch East India Company) to the headquarters of some of the world's largest multinational companies (such as Shell and Unilever). The Netherlands has one of the largest pension fund industries in the world (ABP and PGGM are located in the Netherlands). The solid regulatory framework, the well developed supervisory environment and, on the tax side, the participation exemption for equities, the extensive tax treaty network and the variety of tax-efficient investment vehicles all make the Netherlands an attractive international business location. The country's pro-business environment creates a gateway to Europe that helps international companies succeed across the continent. An international outlook and an openness to foreign investment are firmly engrained in Dutch culture, and this has yielded a wealth of world-class business partners who know how to deal with the global business challenges in today's economy. The significance of foreign direct investments as a proportion of GDP earned the Netherlands a top 5 ranking for commercial access in the 2009 WEF Financial Development Report.

Superior logistics and technology infrastructure

The Port of Rotterdam is the world's third largest seaport, while Schiphol Airport is recognised as one of the major business hubs in Europe claiming over 100 international awards over the last couple of decades. The Netherlands is also classified as one of the most wired countries in the world, a dynamic force in electronic commerce, communications and outsourcing. More than a decade of investment in high-speed Internet, cable and digital communication systems, as well as the rapid adoption of state-of-the-art computer and mobile phone technology, have combined to create an ideal base for companies seeking to take advantage of modern technology. This highly developed infrastructure also contributed to the top 5 ranking in the 2009 WEF Financial Development Index.

Highly educated, multilingual and flexible workforce

The Netherlands features one of the most highly educated, enterprising and motivated workforces in Europe. Dutch professionals are also among the most multilingual in the world, enabling them to operate successfully in companies in any industry serving customers throughout the continent.

Quality of life

The Netherlands has a high standard of living, while maintaining an affordable lifestyle for its residents. The costs of living, housing, education and cultural activities are lower than in most Western European countries, and Dutch culture is open, informal and friendly.

Expats

The Netherlands has a large expat community, with nationalities from all over the world working and living in the Netherlands. International schools are available in all major cities including the Amsterdam area.

Legal & regulatory aspects

The Dutch legal and regulatory environment has contributed significantly to one of the most open trade and investment climates in the world. The Netherlands has an extensive network of bilateral trade and investment agreements with a large number of countries around the globe, and it maintains an extensive network of tax, trade, investment, harmonisation and mutual recognition treaties.

According to the 2009 WEF Financial Development Report, the Netherlands offers one of the best institutional environments for financial development (another top 5 ranking!). In this respect the Netherlands has one of the most liberalised financial sectors, coupled with strong corporate governance provisions and a strong legal and regulatory environment.

Competitive trade and investment regulations and facilitating company law

Dutch law has very flexible regulations as regards incorporation of a business, access to capital markets, cross border trading and foreign investment in general. Business laws and regulations conform to international practices and standards and are administered on a non-discriminatory basis. Good examples are the regulations on mergers and acquisitions, takeovers and reinvestment. Furthermore, there are no restrictions on the conversion or repatriation of capital and earnings, including branch profits, dividends, interest, royalties and management and technical service fees.

Protection of property

Dutch property law offers strong protection for all types of property (particularly intellectual property) and property usage rights. Recently, the World Intellectual Property Organization (WIPO) declared the Netherlands to have the third fastest growth in WIPO's top 15 international patent applications. Furthermore, through its participation in and ratification of The Hague Trust Convention, the Netherlands recognises the existence and validity of trusts, making its property laws more flexible and suited to the demands of international investors.

Corporate litigation

Corporate disputes (e.g. securities litigation and director liability claims) are settled not only before the regular Dutch courts, but increasingly also before the Dutch Enterprise Chamber (*Ondernemingskamer*), an institution which is unique within the EU. Since its establishment, the Enterprise Chamber has resolved numerous corporate disputes while also actively contributing to Dutch corporate governance practices in general. The Enterprise Chamber is well appreciated by institutional investors and businesses around the world, because it acts in a swift and decisive manner. Disputes usually involve corporate control cases and disputes between shareholders.

Advantages of the Netherlands for the asset management industry

A summary of the attractive regulatory and tax advantages of establishing your business in the Netherlands is as follows:

- Open and flexible legal environment
- Comprehensive tax treaty network and tax rulings
- Participation exemption, with all income arising from a qualifying shareholding (> 5%), including dividends and capital gains, being exempt from Dutch corporate income tax
- Tax-exempt investment vehicles
- Credit for foreign withholding tax
- 30% tax ruling for expatriates

It is clear that when you are (re)considering your business structure within the current trend of investment fund onshoring, the Netherlands should be seen as an attractive destination for your investment managers and investment vehicles.

The following chapters set out a detailed overview of Dutch legal and tax structures available to investment funds and investment managers. This includes comparisons to Cayman, Luxembourg and Irish structures. This comparison will demonstrate to you that Dutch structures are at least equal to, and sometimes even more efficient than, comparative structures in other EU jurisdictions (for instance Luxembourg or Ireland).

2 Regulatory compliance in the Netherlands

Trends

Asset managers have an increasingly important role to play in protecting and enhancing corporate value and reputation in the face of stakeholder demands for greater integrity, accountability and financial stability. Our recent international study found that while many organisations do evaluate their regulatory risks, few have yet clearly figured out the best role for the compliance function. Implementing compliance controls and functions may lead to extra cost initially, but it also creates sustainable value to investors and other stakeholders and improves client service - thereby also enhancing trust and reputation. Being a European standard with world-wide implications, the AIFM's directive (along with others, such as UCITS) will act as a catalyst for these developments.

Netherlands Authority for the Financial Markets

Financial institutions fall under the supervision of the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten, AFM*) and the Dutch Central Bank (*De Nederlandsche Bank N.V., DNB*). AFM supervision focuses on orderly and transparent financial market processes, integrity of relations between market players and due care in the provision of services to clients. DNB supervision focuses on prudential requirements. The supervision of financial institutions is governed by the Financial Supervision Act (*Wet op het financieel toezicht, Wft*). This act became effective on 1 January 2007 and consists of six parts: General, Market Access for Financial Institutions, Prudential Supervision of Financial Enterprises, Supervision of the Conduct of Financial Institutions, Supervision of Financial Markets and Supervision of Clearing and Settlement Systems.

The Wft brings together practically all of the rules and regulations that apply to the financial markets and their supervision. The impetus behind the Wft is that legislation for the financial markets should be targeted, market-oriented and clear. The DNB's prudential supervision and the AFM's conduct of business supervision are to be coordinated in such a way that there is no overlap.

In general, investment funds need to obtain a licence from the AFM if securities are to be offered to the general public in individual participation rights with a nominal value of less than EUR 50,000. If individual participation rights exceed a nominal value of EUR 50,000 an exemption may be applicable. Consequently (foreign) funds that offer individual participation rights exceeding a nominal value of EUR 50,000 will not fall under the supervision of the Dutch regulatory authorities.

If certain requirements are met, it is possible to obtain a licence voluntarily from the AFM. Minimum capital requirements are applicable when requesting such a licence. Depending on the type of licence, this minimum capital requirement varies from EUR 125,000 to EUR 225,000.

Prospectus

The Prospectus Directive (2003/71/EC) was adopted into national legislation on 1 July 2005 and is incorporated in the Wft. The texts of the Prospectus Directive, the Regulation and the documents published by CESR can be downloaded from the AFM's website (www.afm.nl).

Voluntary supervision

For collective investment scheme management companies that offer units exclusively to qualified investors, the Dutch government has plans to offer an option for voluntary AFM supervision. Legislation has been drafted but not yet passed into law. It is expected that as of 1 July 2010 management companies will be able to avail themselves of this facility by applying for a statement of supervision by the AFM.

High-level implications of such voluntary supervision (as opposed to activities for which a licence is required) include:

- No obligation to publish annual accounts
- No requirements regarding the content of the (semi)annual accounts
- A lighter regime regarding the organisation of the custodian and management companies.

Management companies which wish to apply for the voluntary regime will need to submit timely application to the AFM. Documentation to be submitted includes an auditor's statement regarding own capital requirements, as well as a description of the business' structure and operations. Furthermore, persons determining day-to-day policy will need to be vetted and approved by the AFM as regards their trustworthiness and expertise.

Listing on stock exchange

Certain collective investment schemes may wish to obtain a listing on a stock exchange in the Netherlands, as management companies find that a listing demonstrates transparency and helps attract investors. Parties looking to offer to the public units in a collective investment scheme or parties that have such units admitted to trading on a regulated market in the Netherlands (such as Euronext) are required to have a prospectus approved by either the AFM or the supervisory authority of another EER Member State.

The Netherlands also offers the possibility of obtaining a listing on multi-trading facilities (MTF) such as Alternext. These MTFs offer management companies and investors alternative venues to trading on formal exchanges. Since MTFs attract fewer restrictions regarding the admission of financial instruments for trading, there may be scope to list more exotic assets. Combined with the transparency of a listing, this may also offer attractive opportunities for offering units to the public.

Depending on the individual listing facilities, specific rules may apply for the admission to listing. Parties looking to be admitted to trade on Euronext must comply with Euronext regulations and procedures.

3 Setting up a fund

3.1 Legal structures: Dutch funds

Fund for joint account (*besloten fonds voor gemene rekening, FGR*)

The FGR is a vehicle well used by both private individuals and corporations. This type of fund is often used in situations when admission of new investors and redemptions of participations take place on a regular basis and where other Dutch vehicles may therefore be less useful. If properly structured, such a fund can be transparent for tax purposes in the Netherlands, which means that no corporate income tax is levied at fund level and tax will only be levied at the level of the investors. The FGR is often the best option when looking for a tax transparent fund entity that is not located in a blacklisted jurisdiction and is able to handle investments by multiple unrelated investors. In addition, treaty benefits can be obtained for the underlying investors if required.

The FGR is not a legal entity, but a partnership. Usually the assets of the fund are held by a custodian, with fund management being the responsibility of a separate manager. Where the fund is not structured as a tax-transparent entity, it may benefit from the preferential tax treatment available to the fiscal investment company FBI (as described in paragraph 3.2).

Other entities

In addition to the FGR, the Netherlands has corporate legal structures in place such as the NV, BV and contractual structures with and without legal substance, e.g. partnerships with legal substance. The tax structures as defined below can be applied to one of these legal corporate entities.

Investment company with variable capital (ICVC)

A public limited company is an ICVC if it meets the following conditions:

- The company has the sole objective of investing capital in such a way that the risks are spread for the benefit of the shareholders.
- The articles of incorporation authorise the board of directors to issue and acquire shares.
- The ICVC's management company is licensed under the Dutch Financial Supervision Act to issue the ICVC's shares.
- The articles of incorporation state that the company is an ICVC.

The ICVC is subject to relatively modest capital requirements. The issued capital of the ICVC, reduced by any shares held by the ICVC itself, must be at least to 10 percent of the authorised capital. Furthermore, the board of directors has a higher level of authority than the shareholders. Consequently, the ICVC can be an attractive vehicle for a management company to use.

In addition, the ICVC's management company will be able to opt for voluntary supervision (see section 2) and thereby acquire a statement of supervision. As many institutional investors are allowed to invest only in supervised collective investment schemes, such voluntary supervision could be a pragmatic solution for servicing this type of client.

New structures

PPI

The Dutch government has recently drafted legislation to introduce a new pension vehicle: the Premium Pension Institution (PPI).

The PPI is based on the European IORP Directive (2003/41/EG) and can take various Dutch and European legal forms. The PPI resembles an investment company, but also has characteristics of an insurance company, an investment fund and a traditional Dutch pension fund. The PPI may offer substantial advantages in comparison to the traditional pension fund due to its simplicity, transparency and flexibility.

Key characteristics of the PPI include the following:

- There are no solvency requirements and only very limited capital requirements (EUR 225,000 for operational risks).
- The PPI may operate cross-border pension schemes which are recognised as pension schemes by the relevant social and labour law.
- The activities of the PPI are focused on the accrual phase of pension arrangements, i.e. the collection and investment of premiums.
- The PPI itself may not guarantee benefits or underwrite risks.
- The PPI can transfer the invested assets to an insurer at the moment of conversion into a benefit for life.
- The PPI may act as an intermediary for insurance products.

The introduction of the PPI offers market players the opportunity to respond flexibly to the international need for a vehicle for Defined Contribution arrangements.

It is the intention that the legislation introducing the PPI will become law in September 2010.

3.2 Tax structures: Dutch funds

Fiscal investment company (*fiscale beleggingsinstelling, FBI*)

Portfolio investment income received by an entity (BV, NV, non-tax transparent FGR or a comparable foreign entity) that has obtained the status of FBI can qualify for a 0% corporate income tax rate. In order to qualify for this regime certain conditions must be met with regard to the shareholders, the activities, the funding, the distribution of profits and other matters. Another benefit of the FBI is that, because it is subject to tax (albeit at 0%), the FBI qualifies for the benefits provided by Dutch tax treaties (e.g. reduced withholding tax rates).

Tax-exempt investment company (*vrijgestelde beleggingsinstelling, VBI*)

A special regime was introduced as from 1 August 2007 for portfolio investment companies. Under certain conditions an NV, FGR or comparable foreign entity whose main activity consists of managing portfolio investments on behalf of its shareholders may opt for full exemption from Dutch corporate income tax and dividend withholding tax. Such an entity is referred to as a VBI. A VBI must meet certain risk diversification criteria and may invest only in eligible investments such as shares and bonds, instruments commonly traded on the money markets, derivatives, forward contracts, swaps, options etc. The VBI regime does not permit direct investment in real estate, though it may be possible to invest in the shares of a company which owns real estate.

The VBI will generally not be considered to be tax resident in the Netherlands for double tax treaty purposes. Consequently, it will not be possible to reduce or reclaim foreign withholding tax on dividends or interest under double tax treaties.

Unlike the FBI regime, there are no shareholder requirements, financing limits or distribution obligations.

The Limited Partnership (CV) is a good alternative for private equity investors.

3.3 Overview of the four structures (FBI, VBI, tax transparent and corporate entities)

An overview of the key characteristics of the structures described is as follows:

	Legal form	Types of investor	Tax regime	Investment restrictions from tax perspective
FBI	NV, BV, FGR (not tax transparent) (NV can be listed)	<p>Flexible regime Single corporate investor < 45% of units issued. Single individual < 25% of units issued.</p> <p>Less flexible regime Units must be owned at least 75% by private individuals, tax-exempt entities and/or FBIs qualifying for the flexible regime. Private individuals < 5% of the units issued.</p>	<p>Corporate Income Tax (CIT) 0% with access to Dutch double tax treaty network. Capital gains may be added to a tax-free reinvestment reserve. No capital duty. FBI can offset Dutch and foreign withholding tax incurred against Dutch dividend withholding tax due on its distributions.</p> <p>Dividends must be distributed on an annual basis.</p>	No risk diversification rules. Only passive investment activities permitted (with restrictions on real estate development).
VBI	NV, FGR (not tax transparent) (NV can be listed)	<p>Minimum of two shareholders and (semi) open-end character.</p> <p>VBI structured in the form of an NV is generally accepted by foreign investors.</p>	Exempt. No other levy. The VBI is generally not eligible for tax treaty benefits.	VBI must apply risk diversification. The investments must consist of financial instruments.

	Legal form	Types of investor	Tax regime	Investment restrictions from tax perspective
Tax transparent	FGR (tax transparent), limited partnership (CV)	No restrictions	No tax on income, capital gains and distributions as it is tax transparent. Access to double tax treaties for underlying investors.	None
Regular (no special tax regime)	NV, BV, cooperative, 'open' FGR (not tax transparent), 'open' limited partnership (CV) (NV can be listed)	No restrictions	CIT 25.5%. A Dutch entity can benefit from the participation exemption if it holds at least 5% of the nominal paid-in capital of the company and certain conditions are met. Profit distributions are subject to 15% withholding tax. A cooperative is exempt from this tax. In some instances reduced rates or exemptions apply. 0% withholding tax applies for shareholders who are: <ul style="list-style-type: none"> - a taxable entity resident in an EU member state holding at least 5%; - an entity that is resident in a country with a tax treaty with the Netherlands that provides for a 0% tax rate; - a tax-exempt qualifying pension fund; - a non-profit organisation that is an EU resident; - a US qualifying pension fund or non-profit organisation. 	None

3.4 Legal structures: Luxembourg funds

Luxembourg investment funds

Luxembourg investment funds are created under either a contractual or a corporate form. The contractual form is the so-called *Fonds Commun de Placement* (FCP) and the corporate form is the so-called Investment Company with Variable Capital (SICAV).

The FCP is an undivided collection of assets, managed by a management company on behalf of joint owners (the unit holders). Legally speaking it is established by a contract between the management company and the custodian bank, which sets out management regulations. Investors, in the form of unit holders, buy units issued by the management company, which represent a portion of the FCP, and by doing so become a party to the contract. The units acquired represent their right in the undivided collection of assets. Their liability is limited to the amount contributed.

SICAVs are corporate vehicles the articles of incorporation of which provide that the amount of capital is at all times equal to the net asset value (NAV) of the vehicle. The capital increases and decreases automatically as a result of subscriptions and redemptions without any of the formalities generally imposed under Luxembourg company law regarding the issue and reduction of capital. SICAV investors are shareholders and, in addition to their economic rights, therefore have the right to vote at shareholders' meetings. SICAVs may take differing legal forms: a limited company (S.A.), in accordance with the Specialised Investment Funds (SIF) laws, a limited partnership (S.C.A.), or a private limited company (S.à r.l.).

Luxembourg private equity and venture capital funds

Luxembourg created the *Société d'investissement en capital à risqué (SICAR)* as of June 2004. SICARs are technically not investment funds, but resemble them closely. SICARs are reserved exclusively for well-informed investors and, along with SIFs, are the primary vehicles for investing into private equity and venture capital.

The limited partnership (*société en commandite simple, SCS*) is the risk capital vehicle under the SICAR regime.

3.5 Legal structures: Irish funds

Irish structures

Ireland has four types of legal structure:

- A unit trust authorised under the Unit Trust Act 1990
- An investment company registered as a public limited company under Part XIII of the Companies Act 1990
- An investment limited partnership authorised under the Investment Limited Partnership Act 1994 and
- A Common Contractual Fund (CCF) authorised either under the UCITS Regulations 2003 or under the Investment Funds, Companies and Miscellaneous Act 2005 (for non-UCITS CCFs)

Unit trust

A unit trust operates as an investment fund established under a trust deed made between the management company and the trustee. The trustee acts as the legal owner of the fund's assets on behalf of the investors who are each entitled to an undivided beneficial interest in the fund. Similar to shareholders in an investment company, the unit holders are entitled to attend and vote at meetings on matters affecting the fund. The trust deed is the primary legal document which constitutes the trust and it sets out the various rights and obligations of the trustee, the management company and the unit holders. The trust deed will typically delegate the day-to-day management of the unit trust to the management company, which may outsource these functions to third-party service providers.

Variable capital company

These companies are registered under a series of acts called the Companies Acts 1963 to 1999. The shareholders of the company enjoy limited liability. The main objective of funds set up as investment companies is the collective investment of their funds and property with the aim of spreading investment risk. The company is managed for the benefit of its shareholders. Variable capital companies may repurchase their own shares and their issued share capital must at all times be equal to the net asset value of the underlying assets. Irish companies must have a minimum of two Irish directors.

Investment limited partnership

The investment limited partnership fund structure was introduced in Ireland in July 1994 under the Investment Limited Partnerships Act 1994. An investment limited partnership is a partnership of two or more persons, having as its principal business the investment of its funds in all forms of property and consisting of at least one general partner and at least one limited partner. The limited partner is equivalent to the shareholder in a company and the general partner would be the equivalent of the management company in a unit trust. The main advantage of a limited partnership is that the partnership does not have independent legal substance in the way that a company does. All of the assets and liabilities belong jointly to the individual partners in the proportions agreed in the partnership deed and the profits accrue to the partners in a similar fashion. This structure may have some tax benefits and, subject to the tax rules governing the allocation of the reliefs and allowances, each partner may use any tax reliefs and allowances to which the partnership is entitled as agreed between the partners,.

Common contractual fund (CCF)

The CCF is a contractual arrangement, established under a deed, which provides that investors participate as co-owners of the assets of the fund. The ownership interests of investors are represented by units, which are issued and redeemed in a manner similar to a unit trust.

The CCF is an unincorporated body, not a separate legal entity and is transparent for Irish legal and tax purposes. As a result, investors in a CCF are treated as if they were direct owners of a proportionate share of the underlying investments of the CCF rather than of shares or units in the entity which owns the underlying investments. A CCF can be established as a UCITS fund or a non-UCITS fund. Tax transparency is the main feature which differentiates the CCF from other types of Irish funds. The CCF is authorised and regulated by the Irish Financial Regulator.

Categories of regulated funds

The following are examples of some of the specialist fund structures (in addition to UCITS funds) which are allowed to be established in Ireland:

- Qualifying investor fund (QIF)
- Professional investor fund (PIF).

Qualified investor fund (QIF)

In the case of a QIF, all of the Financial Regulator's investment and borrowing restrictions are not applicable. The minimum subscription is EUR 250,000 and the investor must be either:

- A person with a minimum net worth in excess of EUR 1,250,000, excluding main residence and household goods; or
- An institution (a) which owns or invests on a discretionary basis in at least EUR 25 million or its equivalent in other currencies or (b) the beneficial owners of which are qualifying investors in their own right.

Professional investor fund (PIF)

PIFs are specialised funds aimed at professional investors and they have a minimum initial subscription requirement per investor of EUR 125,000. The PIFs allow for considerably more relaxed borrowing and investment restrictions than standard UCITS and non-UCITS vehicles and are therefore suitable for funds aimed at sophisticated investors. The qualifying investor is required to certify itself as such on the fund's investment application form.

3.6 Legal structures: Cayman Islands funds

The four vehicles commonly used for operating mutual funds are:

- The exempted company
- The segregated portfolio company
- The unit trust and
- The exempted limited partnership.

Exempted company

The exempted company may redeem or purchase its own shares and may, therefore, operate as an open-end corporate fund. Closed-end corporate funds can also be established using the exempted company and it is a relatively straightforward procedure to convert from one to the other.

Segregated portfolio company

An exempted company can also be established as a segregated portfolio company (SPC) with protected cells or portfolios. The SPC makes it possible to provide a means for different groups to protect their assets when carrying on business through a single legal entity.

Unit trust

The unit trust is usually established under a trust deed with the investors' interest held as trust units.

Exempted limited partnership

The exempted limited partnership provides a second unincorporated vehicle and it can be formed as easily as the exempted company or the unit trust.

3.7 Dutch structures compared to Luxembourg and Irish structures

An overview of Dutch structures compared to Luxembourg and Irish structures is as follows:

	Dutch FBI	Dutch VBI (tax structure)	Luxembourg SIF	Dutch transparent FGR	Luxembourg SICAR	Irish entities
Legal structure	NV, BV; FGR or comparable foreign entity	NV, FGR or comparable foreign entity	Corporate entities; FCP-SIF; SCS-SIF	Transparent	Corporate entities; SCS	Unit trust; investment company; investment LP; common contractual fund
Main requirements	Conditions to maximum interest of single shareholders	Functioning as a collective investment institution	Institutional/professional investors investing at least EUR 125,000		Institutional/professional investors investing at least EUR 125,000	Institutional/professional investors investing at least EUR 125,000 (non-UCITS)
Tax treatment	Corporate income tax rate 0% Profits must be distributed	Not liable for corporate income tax	Not subject to tax (except annual subscription tax of 0.01% net assets) FCP-SIF and SCS-SIF: tax transparent	No tax on income, capital gains and distributions as it is tax transparent. Access to double tax treaties for underlying investors.	Corporate: subject to corporate income tax; return from securities is exempt; SCS-SICAR: tax transparent	Exempt from corporate income and capital gains tax
Withholding tax	Withhold and remit 15% dividend tax (unless treaty) Rebate on remittance obligation for Dutch and (in part) foreign withholding tax incurred by the FBI	No withholding tax	No withholding tax		No withholding tax	No withholding tax (to non-Irish residents)
Risk diversification and other requirements	No risk diversification requirements Only passive investment activities permitted	Risk diversification to be applied Investments restricted to categories of securities listed in regulatory law	Principle of risk spreading applies Net assets not less than EUR 1,250,000	No risk diversification rules apply	No risk diversification rules apply Net assets not less than EUR 1,000,000	No risk diversification rules apply in case of QIF Non-UCITS subject to Irish Financial Regulator investment restrictions

Based on the above, it is clear that a Dutch fund structure is as competitive as, or even more so than, Luxembourg or Irish fund structures. And, if your fund has a significant dividend income stream from its underlying investments, the Dutch FGR structure is ‘best in class’, as it facilitates benefit from the Dutch tax treaties in respect of withholding taxes.

3.8 Depository system in the Netherlands

A separate depository and a separate management company are required for an investment fund (*beleggingsfonds*) and for a UCITS fund (as a unit trust). A separate management company and depository are not mandatory for investment companies with legal substance (*beleggingsmaatschappij*) (see the table below). A depository acquires and administers assets for the benefit of the unit holders and can access the assets with the cooperation of the management company. The management company and the depository need to conclude written management and custody agreements, and these must meet certain minimum requirements. The registered office of the depository does not need to be in the Netherlands and there are no requirements regarding the legal form of the depository, though the foundation (*stichting*) is by far the most popular form for the custodian.

Type of fund	Is a separate management company required?	Is a separate depository required?
Investment fund (<i>beleggingsfonds</i>)	Yes	Yes
Dutch UCITS (as fund)	Yes	Yes
Investment company (<i>beleggingsmaatschappij</i>)	No	No
Dutch UCITS (as investment company)	Yes, if certain requirements are met	Yes, if certain requirements are met

4 Tax

4.1 Trends

The infrastructure which the Netherlands offers to the global asset management industry includes: an advanced tax ruling practice, full participation exemption for qualifying equity investments, broad VAT exemption for fund management services, tax-neutral fund regimes and an extensive and favourable double tax treaty network. These elements, together with the solid business environment and the absence of capital tax and capital gains tax, make the Netherlands an attractive European jurisdiction for the asset management industry.

For tax services the following key aspects need to be addressed:

- Fund: Legal form and qualification (transparent or non-transparent from both Dutch and international tax perspectives)
- Investors: Existing and prospective, as these may have differing characteristics and needs, e.g. tax exempt/taxable (and location)
- Investments: Differing types, e.g. equity vs (distressed) debt, derivatives, other instruments and differing strategies
- Manager: Fee and expense structure - from corporate income tax, individual income tax and VAT perspectives.

International tax aspects, Dutch corporate income tax aspects and VAT aspects play a key role in setting up a fund or concluding a deal.

Conclusion

The Netherlands has a very attractive tax regime that compares favourably with regimes of other jurisdictions. Particularly for income taxes, the Netherlands is a very attractive location due to its 30% ruling.

4.2 Taxes for private persons in the Netherlands

Three types of income: the Box system

For income tax purposes, income falls into one of three so-called boxes, as follows:

- Box 1: Income from employment and home ownership
- Box 2: Income from substantial interests (qualifying shareholdings of 5% or more)
- Box 3: Income from savings and investments.

The following overview sets out the income, deductible expenditure and tax rates pertaining to each box as at 31 December 2009.

Box 1: income from employment and home ownership	Box 2: income from substantial interests	Box 3: income from savings and investments
<ul style="list-style-type: none"> Wages, pension payments, social benefits Income from other activities Company car Profits from business activities Owner-occupied property Negative expenditure on income insurance Negative personal allowance Periodic benefits 	<ul style="list-style-type: none"> Income from shares and profit-sharing certificates that are part of a substantial interest Gains on disposal of such shares and profit-sharing certificates 	Notional yield (4%) on qualifying net assets (net of liabilities)
Deductible expenditure Box 1	Deductible expenditure Box 2	Deductible expenditure Box 3
<ul style="list-style-type: none"> Employee's allowance Mortgage interest and other deductible expenditures Social security premiums: annuities and other premiums Losses from employment and home ownership qualifying for offset 	<ul style="list-style-type: none"> Deductible expenses Losses from a substantial interest qualifying for offset 	None
Deductible items not related to any of the boxes		
Personal allowance		
Tax rate Box 1	Tax rate Box 2	Tax rate Box 3
<ul style="list-style-type: none"> Progressive, with a maximum rate of 52% Qualifying expatriates can opt for the 30% tax ruling 	25%	30%

30% tax ruling for expatriates

Under the 30% ruling, qualifying expatriate employees may claim a tax deduction amounting to 30% of Box 1 taxable income and the employer may reimburse the employee's extra-territorial costs on a tax free basis. If there is a net salary agreement, then the employer will benefit from the deduction. The expatriate employee must have been either hired in another country or transferred from another country to an employer within the same group at management level and with specific expertise that is in short supply or not available in the Dutch job market. The 30% ruling effectively reduces the maximum tax rate from 52% to 36.4%. Furthermore, employees to whom the ruling is granted can be exempt from Dutch tax on most investment income. In order to benefit from the 30% ruling as from the starting date of employment in the Netherlands, a request must be filed within 4 months of arrival in the Netherlands.

Consequently, it is important to decide whether the founding partners of the investment manager are paid a salary (as employees) or a dividend (if they are also shareholders).

The combined tax burden (social security and income tax) for individuals in the Netherlands in 2009 is as follows:

Taxable income		Total percentage	Total per bracket	Cumulative
of more than	but less than			
EUR	EUR	%	EUR	EUR
-	17,878	33.50	5,989	5,989
17,878	32,127	42.00	5,984	11,973
32,127	54,776	42.00	9,512	21,485
54,776	-	52.00	-	-

Income from substantial shareholdings (Box 2) is taxed at 25% and income from savings and investments (Box 3) is set at 4% and taxed at 30% (i.e. 1.2% of qualifying assets net of liabilities). The latter is important for Dutch residents investing in funds. There are no personal taxes on capital gains in the Netherlands.

Mortgage interest and other deductible expenditure on owner-occupied property

Interest and charges on mortgages or other loans to finance the purchase, maintenance or improvement of an owner-occupied property are deductible in Box 1. These may be claimed for a maximum of 30 years, which is the most common term of a mortgage. For loans taken out before 1 January 2001, the 30-year period commences on 1 January 2001. Periodic payments for ground lease or building and planting rights are also deductible.

Interest and costs arising on loans for the purchase, maintenance or improvement of a home abroad are deductible only if the tax payer opts for tax treatment as a Dutch resident (resident taxpayer). In this case, most of the same rules will apply as those applicable to Dutch residents.

Residency in the Netherlands and the Expatcenter Amsterdam Area

The cities of Amsterdam and Amstelveen, together with the Immigration and Naturalisation Services (IND), have joined forces to improve the efficiency of their services for highly skilled migrants in the Amsterdam area. The Expatcenter Amsterdam Area is situated in the World Trade Center in Amsterdam Zuid and provides a one-stop-shop service for highly skilled migrants and expats arriving in Amsterdam or Amstelveen.

A new scheme has been developed whereby the employer can initiate the residence permit registration process prior to a new employee's arrival in the country. Once in the Netherlands, the employee then collects the national residence permit and completes the municipal registration process in a single visit to the Expatcenter. Shortly after this visit, the employee will receive a Citizen Service Number (BSN) by mail, which is essential for employment and opening a Dutch bank account (amongst other things). The Expatcenter Amsterdam Area can be reached at +31 (0)20 254 79 99.

More information on residency can be found at the IND's website: <http://www.ind.nl/EN/index.asp>.

Private BVs

Founding partners of the investment management company generally establish their own private BVs in order to route dividend streams from the investment management company into their own private BVs. These dividend streams are tax-exempt under the participation exemption. The minimum capital requirement for a Dutch BV is EUR 18,000. Dutch law does not provide particular rules for liquidation situations. If a Dutch BV is liquidated, the fair market value of its remaining assets and liabilities in excess of the amount of paid-in capital constitutes a taxable dividend upon distribution.

4.3 Dutch taxes compared to those in Luxembourg, Switzerland, Ireland, the Cayman Islands and the United Kingdom (from a private person's point of view)

The Dutch 30% tax ruling is very competitive aspect for the financial services market. Only Switzerland and the Cayman Islands have lower income taxes. In Switzerland higher marginal rates can kick in at lower income levels. The top federal rate of 11.5% kicks in at CHF 712,500 for individual taxpayers. This does not include cantonal and communal taxes which can vary significantly. The combined highest marginal rates range from approximately 20% to 43% (for example in Zurich).

Ireland has a top marginal tax rate of 41%, which kicks in at EUR 36,401 (2009). For married taxpayers with two incomes the marginal rate kicks in at EUR 72,800. For married taxpayers with single income the marginal tax rate kicks in at EUR 45,400.

Luxembourg has a top marginal tax rate which kicks in at EUR 39,885 (2009). For married taxpayers filing jointly, the marginal tax rate applies to taxable incomes of at least EUR 79,770. Additionally, a 10% withholding tax is levied on interest paid by paying agents located in Luxembourg to resident individuals, including interest on bank deposits. There is no special tax regime for expatriates in Luxembourg.

In the United Kingdom, the marginal rate of 40% kicks in at GBP 37,400. Capital gains tax is 18% with the first GBP 10,100 free of tax.

4.4 Taxes at investment manager level in the Netherlands

Tax structuring of the investment manager

Corporate income tax is assessed at 20.0% for the first EUR 200,000 of taxable profit and at 25.5% for the excess over this amount. Under the Dutch general guidelines for sound business practice, capital gains are generally not taxed until realised, while capital losses may be deducted on an accrual basis. Tax losses can be carried back to offset taxable profit of the previous year and then carried forward for a period of nine years.

Capital tax

Dutch capital tax was abolished as of 1 January 2006. Consequently, there is no capital tax levy on the contribution of capital to a company, nor on any later increase in share capital.

Interest and royalty withholding tax

In principle, no withholding tax is levied on interest or royalty payments made by Dutch resident companies. However, dividend withholding tax is levied on interest payments on certain profit-dependent or participatory loans, as such payments qualify as dividend distributions.

Withholding taxes

No withholding tax is levied on (genuine) outbound interest and royalty payments. Dividend distributions are in principle subject to 15% Dutch dividend tax at source. However, under applicable tax treaties, the rate for inter-company dividends is often reduced, in many cases down to zero. Within the European Union a 0% rate applies conditionally. The extensive treaty network provides for low withholding taxes on dividends, interest and royalties payable to a Dutch company as well as protection from foreign capital gains tax. Furthermore, an indirect tax credit may be available for Dutch withholding tax arising on re-distribution of foreign dividends.

Participation exemption

The participation exemption provides an exemption, at the level of a Dutch corporate entity, for all income arising from qualifying shareholdings. This includes cash dividends, dividends in kind, bonus shares, hidden profit distributions, interest on certain profit sharing loans and capital gains realised on disposal of the shareholdings. On the other hand, any capital losses arising on disposal of the shareholdings is similarly non-deductible (although a loss on liquidation of a subsidiary can be tax deductible). Exemption of capital gains under the participation exemption facilitates reorganisations of group structures and thereby increases group flexibility as a whole.

As dividend income is exempt from corporation tax, foreign withholding taxes on such dividend income may not be credited against Dutch corporation tax due by the parent. Consequently, any foreign withholding tax is a real cost to the company receiving the dividend. However, the foreign withholding tax may be reduced by the provisions of the relevant double taxation treaty.

No withholding tax is deducted from dividends paid by a qualifying company which is resident in the Netherlands, so any such dividends are received gross by the Dutch holding company.

Advance tax rulings

One of the most attractive features of Dutch tax law is the possibility of obtaining an advance tax ruling or advance pricing agreement - an agreement in advance between the tax authorities and the taxpayer that binds the former to view the latter's tax situation in a certain agreed manner with respect to various cross-border situations. The purpose of the ruling is, in essence, for the taxpayer to obtain clarity regarding the tax consequences of a particular transaction or set of transactions, a confirmation by the inspector that the method of calculating the taxable profit will be considered to be at arm's length and that no corrections will be made during the ruling period provided certain conditions are met. The aim of the Dutch government's advance tax ruling policy is to attract international investors to the Netherlands by providing them certainty regarding their future tax position.

In particular, advance tax rulings may deal with the way in which arm's length remuneration for cross-border activities is to be determined, taking into consideration the location of functions, intangibles, and risks. Advance tax rulings may also cover the apportionment of business assets, activities, and results between the head office and its permanent establishment.

As a result of discussions within the OECD regarding harmful tax competition, the Netherlands has changed its ruling policy such that the policy is now embedded partly in the Corporate Income Tax Act and partly in extensive regulations, particularly those covering the OECD's arm's length principle. As a result, the standard ruling models have been withdrawn, although it is still possible to obtain a ruling for structures that used to fall under the standard models.

From an investment manager's point of view

Luxembourg

The management company of an SICAV, commonly set up in the legal form of an S.A. or an S.à r.l., is a fully taxable company subject to municipal business tax and corporate tax (aggregating of 28.59% in Luxembourg City). In addition, there is an annual net wealth tax of 0.5%.

Ireland

There are two rates of corporation tax:

- 12.5% for trading income unless this is from an accepted trade, in which case the rate is 25%
- 25% for non-trading income (e.g. investment income, rental income).

Switzerland

As the right of taxation is not allocated exclusively to the federal government, there are two levels of taxation: the federal and the cantonal/communal levels. Cantonal tax laws were recently harmonised, though the cantons still have discretion in various areas, e.g. in setting the tax rates. Moreover, the communities have the right to define the rate of surcharge on the cantonal tax, with the result that the income tax rate varies from community to community.

The ordinary effective tax rates for companies vary between 12.7% and 26% depending on the canton and the community in which the company is resident.

Withholding taxes of 35% are imposed on dividends distributed by resident companies.

United Kingdom

Companies with taxable income of less than GBP 300,000 pay corporation tax at 21%. Companies with taxable income of between GBP 300,000 and GBP 1,500,000 pay a blended rate between 21% and 28%. Companies with taxable income exceeding GBP 1.5 million pay tax at 28% (based on information 2009).

Following the recent economic crisis, the United Kingdom increased the tax rate to 50% for taxable incomes exceeding GBP 150,000 per year. Consequently, the United Kingdom now has the highest level of income taxes of all jurisdictions discussed.

From a fund's point of view

In the Netherlands, funds structured as VBI or FGR are not taxed at all. In Luxembourg, a subscription tax (*taxe d'abonnement*) at 0.05% of net assets is payable on a quarterly basis. The rate is reduced to 0.01% for funds that have invested solely in money market instruments and bank deposits and for funds governed by SIF law.

5 Financial reporting in the Netherlands

5.1 Dutch company law

Dutch company law is included in the Netherlands Civil Code, and Book 2 of the Civil Code contains the provisions relating to all legal persons and entities, including cooperatives and associations as well as limited liability companies. The financial reporting regulatory framework is built around the relevant elements of the Civil Code supplemented by Dutch Accounting Standards, judicial precedent (*de Ondernemerskamer*) and, more recently, International Financial Reporting Standards and the requirements of the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten – AFM*).

5.2 Chamber of Commerce requirements

There are twelve Chambers of Commerce (*Kamers van Koophandel*) in the Netherlands, each covering its own geographic district. Each Chamber maintains a Trade Register, which is open to public inspection at a reasonable cost. The register, along with many related documents, may also be accessed through the Chamber of Commerce's website (www.kvk.nl), again at reasonable cost.

All companies must be registered with the Chamber of Commerce and provide information on a regular basis, including annual financial statements. The filing requirements for financial statements are addressed in section 5.6. Other information to be filed includes, inter alia, the name, residence, date and place of birth and nationality of all executive and supervisory directors.

The company must register and file information at the Chamber of Commerce in the district where it has its registered seat. The applicable Chamber of Commerce and the registration number must be included on all company letterhead and invoices. All Chambers of Commerce charge companies an annual fee.

The executive directors of a company have a statutory obligation to ensure that all the applicable filing requirements are met.

5.3 Incorporation of company

Upon satisfactory receipt of the required information, and provided that the Ministry of Justice is satisfied that the company will not be used for any unlawful activities, a Certificate of No Objection (*verklaring van geen bezwaar*) is issued by the ministry. The ministry has a turn-around target of 48 hours for requests made on-line. Only upon receipt of the Certificate of No Objection, can the Deed of Incorporation be formally executed by the notary.

5.4 Accounting principles generally accepted in the Netherlands

Book 2, Part 9 of the Netherlands Civil Code deals with the financial statements and annual report and provides instructions regarding the principles for the valuation of assets and liabilities and for the determination of results. In addition to these legal provisions, the Dutch Accounting Standards Board (*Raad voor de Jaarverslaggeving*), which comprises representatives from the Netherlands Institute of Registered Accountants (NIVRA) and from employers' and employees' organisations, issues Dutch accounting standards. The Dutch accounting standards (*Richtlijnen voor de jaarverslaggeving*) provide more detailed guidance as to the interpretation of the law and in areas not specifically covered by the Civil Code. In practice, the Dutch accounting standards form an important part of Dutch Generally Accepted Accounting Principles, and this has been confirmed in a number of legal cases.

Dutch law prescribes that listed companies apply IFRS, as endorsed by the European Union, for their annual reporting. All other companies are allowed, but not required, to adopt IFRS, as endorsed by the European Union, for their annual reporting.

5.5 Audit requirements

The requirements to prepare and file accounts and to have them audited are generally determined by a company's size. Companies are classified as small, medium or large on the basis of three criteria: total (gross) assets, net turnover and the average number of employees (articles 396 and 397).

The criteria for 2009 are summarised in the table below:

Criteria	Small	Medium	Large
	EUR'000	EUR'000	EUR'000
Net turnover	< 8,800	> 8,800 < 35,000	> 35,000
Total assets	< 4,400	> 4,400 < 17,500	> 17,500
Number of employees	< 50	> 50 < 250	> 250

A company is classified as small, medium or large where it:

- Meets at least two of the three criteria for that size; and
- Meets those criteria for two consecutive years.

An audit of the financial statements is required by law for all large and medium-sized companies. Small companies have no statutory audit requirement, unless the Articles of Association require it or the shareholders specifically request it.

AFM regulated companies are required to file audited financial statements within four months of the year end. The financial statements of AFM regulated companies also need to contain an in control statement from the investment manager.

Long-form audit reports, as customary in Luxembourg, are not required in the Netherlands.

5.6 Filing of financial statements

Publication of financial statements is achieved by filing these with the Chamber of Commerce. Filing of financial statements is mandatory for all entities with legal substance. In the case of small and medium-sized companies, the accounts which are filed at the Chamber of Commerce may differ in content from those which are presented to the shareholders of the company for adoption.

Criteria	Small	Medium	Large
	Exemption	Exemption	Exemption
Annual directors' report	Full	No	No
Balance sheet	Partial	Partial	No
Profit and loss account	Full	No	No
Cash flow statement	Full	No	No
Notes to the accounts	Partial	Partial	No
Other information	Full	Partial	No

6 Opportunities for new start-up funds in the Netherlands

6.1 IMQubator

IMQubator is the brainchild of the Dutch financial industry lobby group, Holland Financial Centre (HFC), the participants in which include the Ministries of Finance and Economic Affairs. It has received EUR 250 million in commitments from Dutch asset manager APG, which manages investments for the giant ABP pension scheme for civil servants. IMQubator would like to raise a further EUR 500 million from other Dutch pension funds and/or international investors. The fund is seeking out experienced investment managers who would like to start up their own business, based in the Netherlands, with seed capital.

The goal is to encourage top financial talent to return to, or remain in, the Netherlands, and in doing so to provide a boost to the pension sector through innovative strategies.

IMQubator aims to offer talented asset managers an attractive alternative to other locations such as London and New York. It focuses on innovative and absolute return oriented managers with asymmetric return profiles and strong risk disciplines. For new innovative asset managers, the Netherlands offers lower operating costs than other international financial centres.

IMQubator is a multi-manager fund in the legal form of an FGR (*fonds voor gemene rekening*, which is comparable to a fund for joint/shared account). The manager of IMQubator, IMQ Investment Management B.V., selects, monitors and guides emerging managers during the start-up period.

To be eligible for investment capital, the candidate must first pass a selection procedure of several stages.

In order to qualify for an introductory meeting with IMQ Investment Management B.V. the candidate team needs to submit a request in English, meeting the following criteria:

- Distinctive and focused investment proposition
- Clear link between the new activity and (institutional investor) experience in a previous activity
- Entrepreneurship by having a 'skin in the game' (providing own capital to the new activity)
- Willingness to establish the (centre of gravity of the) new activity in the Netherlands.

6.2 Finles/IEX Holland Hedge Fund Index

This index was launched on 1 January 2009 with 17 funds, and it currently has 27 constituents. The index is always equal weighted. The idea behind the index is:

- To support Dutch hedge fund initiatives
- To offer a comprehensive insight into the Dutch hedge fund market
- To provide an objective picture of the returns of hedge funds
- To further increase hedge fund transparency
- To support the media regarding hedge fund fact finding.

The index has been featured by: IEX Profs, FD, Volkskrant, Quote, Beleggers Belangen, Market Minds, Fondsnieuws.nl, The Hedge Fund Journal, HedgeWeek, TotalAlternatives, IEX magazine, De Telegraaf, Geld & Beleggen, and others.

To become a constituent of the index, a fund is required to:

- Be managed from the Netherlands or have a Dutch fund manager;
- Be a single manager hedge fund taking both long and short positions;
- Have an independent administrator and an independent accountant; and
- Accept subscriptions from both existing and new investors.

6.3 Middle office services in Holland Financial Centre

Middle office services are available in the newly established Holland Financial Centre, provided by Darwin Platform.

Darwin Platform was established particularly to support new fund management initiatives. With a team of industry professionals, Darwin Platform provides funds with advice and an institutionalised infrastructure. Normally it would take years to build such a platform internally, requiring significant expenditure to set it up and a significant ongoing budget to maintain it.

Darwin Platform can be regarded as in-sourced support to the COO function through which the fund manager is able to benefit from the infrastructure and expertise available. It also allows the fund manager to focus and concentrate on its core expertise, i.e. managing assets and generating investment returns. Due to the evolution in requirements and the stricter regulatory environment over recent years, independent fund managers are regularly faced with detailed due diligence by potential investors. The services of Darwin Platform aim to go beyond the middle and back office functionality and see to it that the fund is imbedded with reputable providers of audit, prime brokerage, fund administration and custodial services.

The independent risk and compliance monitoring services provided by Darwin Platform also provide reassurance to both the directors of the fund and its investors.

7 Dutch Fund and Asset Management Association (DUFAS)

7.1 Industry association

DUFAS is an industry association of professional asset managers working in the Netherlands. It was founded on 14 January 2003 by ABN AMRO, Delta Lloyd, Fortis, ING, Lombard Odier, Optimix, Robeco and Wereldhave, and is located in The Hague. It has been recognised by the Ministry of Finance, the DNB and the AFM as the representative organisation for the Dutch asset management sector. Members of DUFAS collectively represent over 90% of the asset management market in the Netherlands.

DUFAS represents the collective interests of asset managers operating in and from the Dutch market – both Dutch and foreign parties. Central to this is the promotion of an optimal business climate for asset managers in the Netherlands. The main starting points are (a) a level playing field for free supply of investment products and asset management services within the European Union and (b) a broadening of the market for investment products. At European level this is coordinated through the European Fund and Asset Management Association (EFAMA) in Brussels.

7.2 DUFAS' activities

As a result of DUFAS' activities, major change has been achieved in the tax regime for the FBI (*fiscale beleggingsinstelling*), and the VBI (*vrijgestelde beleggingsinstelling*) can now be used by Dutch fund managers to offer products on the European market (as from 2007). DUFAS has also achieved the abolition of capital tax and has opened the debate on reducing dividend tax to 15% - to be followed by a plea for the abolition of dividend tax altogether. In the area of asset pooling DUFAS has maintained a strong lobby for the creation of clear fiscal transparency facilities for the Dutch FGR (*Fonds voor Gemene Rekening*) and for government efforts to achieve international recognition. DUFAS has also undertaken to promote the asset pooling potential of the Dutch FGR internationally.

7.3 Principles of fund governance

In 2008 DUFAS developed a set of fund governance principles, which allow a number of potential governance models. Implementation of the principles is based on periodic review by and reporting to management, which are customary procedures within fund management organisations. Topics for which fund managers need to develop transparent policies include: management of conflicts of interest; segregation between investment decisions, settlement, administration and control; soft-dollar agreements; and securities lending. A compliant fund manager member of DUFAS is required to publish its policies on its website.

Oversight of compliance with these self-binding rules needs to be performed independently by supervisory directors, non-executive board members or an external auditor. In terms of application to its day-to-day operations, the fund manager has the discretion and flexibility to select the model and oversight entity most appropriate to the organisation.

DUFAS' fund governance principles have been approved by the Dutch Ministry of Finance.

8 Service providers and useful links

Service providers

The Netherlands houses a large number of high-quality service providers (e.g. administrators and lawyers) with whom we have good business relationships. We are happy to put you in contact with these service providers if you wish.

Useful links

Netherlands Authority for the Financial Markets (AFM): www.afm.nl

Dutch Central Bank (De Nederlandsche Bank N.V.): www.dnb.nl

Chamber of Commerce (Kamer van Koophandel): www.kvk.nl

Dutch tax authorities: www.belastingdienst.nl

Dutch Fund and Asset Management Association (DUFAS): www.dufas.nl

Holland Financial Centre: www.hollandfinancialcentre.com

Expatcenter Amsterdam: www.iamsterdam.com

Residency information www.ind.nl

9 Who to contact

Partner Asset Management: Sonja Barendregt-Roojers

+31 (0)88 792 4088 email: sonja.barendregt-roojers@nl.pwc.com

Partner Asset Management: Fred Gertsen (AM Leader Netherlands)

+31 (0)88 792 4084 email: fred.gertsen@nl.pwc.com

Partner Asset Management: Frank van Groenestein

+31 (0)88 792 4065 email: frank.van.groenestein@nl.pwc.com

Director Asset Management: Marco Corver

+31 (0)88 792 4058 email: marco.corver@nl.pwc.com

Director Asset Management: Martijn Jansen

+31 (0)88 792 5175 email: martijn.jansen@nl.pwc.com

Senior Manager Asset Management: Arno van der Spek

+31 (0)88 792 4095 email: arno.van.der.spek@nl.pwc.com

Tax Partner: Martin Vink

+31 (0)88 792 6369 email: martin.vink@nl.pwc.com

Tax Partner: Clark Noordhuis

+31 (0)88 792 7244 email: clark.noordhuis@nl.pwc.com

Regulatory and Compliance Partner: Martin Eleveld

+31 (0)88 792 4997 email: martin.eleveld@nl.pwc.com

Regulatory and Compliance Senior Manager: Jasper van der Poel

+31 (0)88 792 4996 email: jasper.van.der.poel@nl.pwc.com

Director IT/SAS70 Reporting: Stefan Verweij

+31 (0)88 792 5446 email: stefan.verweij@nl.pwc.com

www.pwc.com/nl

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