



Switzerland Hedge Fund Services 2015

**Structural shift
towards investing in
liquid alternatives**

**The six steps
towards Swiss
funds distribution**

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For Alternative Investment Funds

Contact Mont-Fort Funds AG:
Email: clientservice@montfortfunds.com
T. +41 22 508 15 47

The six steps to funds distribution in Switzerland

Interview with Roman Pelka

"This is not another AIFMD regulation. It is much simpler, much cheaper and fairly easy to implement," states Roman Pelka, founder of Montfort Funds, a specialist provider of Swiss fund representation services, when discussing the need to appoint a legal representative.

"The transition period provided to foreign funds to get compliant will end on the 1st of March. Thereafter there will be no way around it, except reverse solicitation but this is not really a viable option for most."

The role of the representative is first to review the fund to ensure it is fit for distribution to qualified investors and second to supervise the fund's distributor to ensure it complies with the new Swiss requirements. "This is critical" Pelka says. "We need to be confident that our clients have the appropriate procedures and controls in place to do things properly."

A fund marketed to qualified investors in Switzerland is not required to register with FINMA. There are no reporting requirements to FINMA and managers can continue to operate their own marketing teams just as they did previously, as long as they are authorised to carry out distribution activities in their home market.

The first stage of getting compliant is to understand the Swiss rules. "We are spending a lot of time educating the industry" emphasises Gabriel Kurland, Montfort's COO. In a second step, a formal service proposal is drawn up which outlines the service, the onboarding process and the terms. "Montfort proposes an all-inclusive package at a flat annual fee without hidden costs," stresses Kurland. Upon agreement, the third step – onboarding due diligence – begins, which Pelka says typically takes two to three days. "The quality of managers we



Roman Pelka, founder of Montfort Funds

represent is important to us so we take due diligence seriously," says Pelka.

"This is where we feel we have an edge as we do the work in-house. We don't send a due diligence questionnaire to clients, we simply request them to send their fund documentation and carry our own review, following a proprietary template specifically designed for that purpose. Each fund gets a score, based on our rating process. "We want to build a winning stable of managers rather than an industrial scale operation," adds Pelka.

"The next step is to execute the legal agreements. This is typically the critical path item in the onboarding process. Some managers receive the agreements and sign them within a week. Others might take a several weeks for an initial review. "We have seen the big international law firms in London and New York moving up the learning curve very quickly – good advisors help speed up the process.

"We also organise the appointment of a paying agent for our clients. "We largely handle the setup of the paying agent relationship for our clients and have a range of paying agent partners who will rely on our due diligence," says Pelka.

The last step is the review of the fund documentation to ensure the appropriate references and Swiss disclaimers are included.

"We are specialists in this field and are fortunate to count some of the world's largest alternative asset managers as our clients. Fund Representation is a simple job but it needs to be done well. Our aim is to guide clients through the process in a minimal amount of time whilst ensuring high standards of compliance," concludes Pelka. ■