

Fee Controlling for Custodian Banks

Low-maintenance monitoring of fees and reimbursements.



Effectively meet the challenges arising from BaFin's Custodian Bank Circular (Depotbankrundschriften) through business process outsourcing.

Circular 6/2010 (WA) dated 2 July 2010 (Custodian Bank Circular) from the Federal Financial Supervisory Authority (BaFin) has resulted in closer scrutiny of requirements on custodial banks under the Investment Act. According to the Circular, management fees and reimbursements charged to investment funds by asset managers are subject to auditing, the complexity of which can drive up costs.

IIDS GmbH – Analysis and Reporting Services (IDS) offers custodian banks a managed service for calculation and validation of the fees. The support ranges from assistance with daily monitoring of fee components in net asset value, to verification of complex outperformance fee calculations.

As an independent service provider, IDS is able to offer the service based on either Model 1 or Model 2 of the Custodian Bank Circular. Under Model 1, the asset management company and the custodian bank both utilize the IDS service. With Model 2, the custodian bank uses the IDS service as its own system for fee controlling.

Access to the long-standing expertise of IDS in fee calculation, along with utilization of the economies of scale offered by IDS – one of world's largest managed service providers – helps clients meet their regulatory obligations with minimum effort, and effectively curb human resource and material cost escalation.

Features

- Calculation of all volume-based fees, including out-performance fees
- Utilization of various performance-related calculation methods, such as the volume-based method, high-watermark method, high-to-high method
- Support for daily monitoring of fee calculation
- Individual calculation methods and frequencies
- Administration of fee models
- Comprehensive quality controls
- Extensive automation of data imports and calculations
- Creation and operation of special interfaces for fund accounting departments and custodian banks
- Transparency and auditability of calculations via comprehensive reporting of results
- Individual reports for calculation results and validation
- Complete support for client questions
- Calculation process verified by internal control system (ICoFR: Internal Control over Financial Reporting)

Benefits

- Outsourcing to an independent provider allows objective calculation and monitoring
- Easy implementation and minimal process risk
- Virtually startup cost free and lower operating costs compared to in-house solutions
- Elimination of resource-consuming, manual calculation
- Limitation of human resource and material cost escalation
- High project and process quality through IDS know-how and experience
- Access to expertise in application and interpretation of calculations eases business process burden on the relevant departments
- Optional use of market data (e.g. benchmark data) allows users to focus on their own core competencies
- Stable and auditable environment provides for secure workflows and high transparency

Functionalities

Support for regulatory controls

IDS calculates both volume-based and performance-based management fees in accordance with the calculation bases and methods defined in contractual guidelines and fee agreements. The results are verified against the figures delivered by the asset management company, and any discrepancies presented in a report.

Reliable and secure process


IDS delivers a reliable solution in an auditable and secure environment. Fee calculation is performed via a stable, powerful and highly accessible system.

Comprehensive reporting and analysis

Based on long-standing experience in calculating performance fees, IDS offers targeted reporting along with analysis and interpretation of results. The comprehensive reporting package includes both statistics and scenario simulations.

Consulting service

Our services encompass modeling of new methods for performance fee calculation, as well as consulting support for clients on all fee-related questions.



For more information about the product,
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For further information about IDS
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