

Many entrepreneurial families have diverse business interests and productive assets spread over one or more emerging markets countries. Those assets generally are difficult to leverage or finance and even more challenging to liquidize. This may result in liquidity crunches for the business or the family and tensions or issues at a time of transition in control and ownership from one generation to the next, potentially frustrating optimal succession planning.

ADVANTAGES OF A FAMILY FUND

Create a Family Fund that holds all relevant business and productive assets of the family/patriarch under one consolidated Fund structure. This is done by transferring legal ownership of all operating entities as well as relevant partnerships, real estate and other wealth into the Fund.

- ➔ Consolidation of individual valuations of underlying productive assets
- ➔ Control of related family assets under one management, even when allowing for succession planning and equity/debt financing
- ➔ Building a track record of the development of the value, demonstrating fluctuations in value as well as liquidity
- ➔ Possibility to attach an ISIN number, a first step towards visibility, securitization, and a future potential listing
- ➔ Audited consolidated value forms the basis for negotiations with banks and private equity of debt and equity financing
- ➔ An ISIN number allows for adding of the Fund as a security to a private banking portfolio

SUCCESSION PLANNING

The shares in a Family Fund can most easily be held directly in the name of its Ultimate Beneficial Owners. Alternatively, the Fund can be securitized (listed) and the shares can be owned indirectly via the listing agent, or the shares can be held in a Trust or a Private Foundation for the benefit of future beneficiaries. Such a structure allows for control over the Fund to be kept centrally, while the economic rights can accrue over time and be traded between a defined circle of eligible investors (heirs, ultimate beneficial owners, trusted employees, business partners, etc.). The settlor or the Founder can maintain certain rights for himself as retained Founders' rights or as a Protector.

Additionally, the workings of the commercial side of family relationships can be governed by a tailor-made Family Charter, which can be developed over time and describe in detail the rights and obligations of those who are involved in the family business and those who are not. This, in turn, can be a first step towards a (shared) Family Office.

COMPLIANCE & REPORTING

To establish a Fund, regular KYC documentation needs to be submitted on each of the participants, and the origin of wealth and source of funds needs to be demonstrated. Each participation needs to be well defined, accurately accounted for, and properly evaluated.

Family Funds are to be established in jurisdictions with strong regulatory regimes to safeguard the business, participations and other family assets in a sustainable Fund structure. This can be in tax neutral regime to avoid additional cost at fund level. Certain funds can benefit of tax treaties in order to facilitate cross-border investments without triggering double taxation.

Family Funds can be tailored to the needs of each family and other investors. They are fully compliant to the recent global transparency developments of FATCA and Common Reporting Standard (CRS) and compliant to the latest BEPS developments of the OECD as rolled out in local tax regimes and implemented in international tax treaties. As a result, the various types of Family Funds may well be accepted by the various investors and by authorities in which the various family members and other investors reside.

FEES

The establishment of a Family Fund in a tax-exempt jurisdiction or a sub-fund in a VCC:

Set up costs

Up to USD 10 M in assets: USD 30,000

Over USD 10 M in assets: USD 30,000 plus 5 BPS over the asset base exceeding USD 10 M.

Set up services cover:

INCLUDES:	EXCLUDES:
Fund setup and allocation of shares to all parties	External legal fees
Contribution of assets into the Fund	

Annual Asset Management Costs

Based on limited amounts of trades, half-yearly or annual NAV calculations and infrequent investment transactions

Up to USD 10 M in assets: USD 30,000

USD 10 M to USD 25 M in assets: USD 30,000 plus 15 BPS over the surplus

USD 25 M to USD 100 M in assets: USD 52,500 plus 10 BPS over the surplus

Over USD 100 M in assets: USD 100,000 plus 'negotiable'

Asset Management services cover:

INCLUDES:	EXCLUDES:
Licensed Asset Management Company as investment manager	Active management of underlying active companies
Periodical reviews of performance of underlying assets	Special Purpose Vehicle setups and administration

Annual Fund Administration Costs

Based on limited amounts of trades and subscriptions and redemptions

Up to USD 10 M in assets: USD 20,000

From USD 10 M to USD 25 M in assets: USD 20,000 plus 15 BPS over the surplus

From USD 25 M to USD 100 M in assets: USD 42,500 plus 8 BPS over the surplus

Over USD 100 M in assets: USD 100,000 plus 'negotiable'

Services cover:

INCLUDES:	EXCLUDES:
Administration of the Fund	External audit and valuation services
Subscriptions and redemptions	
Registration on Euroclear and ISIN / CUSIP	

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and global experience by a team of 700+ knowledgeable experts*



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