



**MDO Due Diligence – questions & answers  
UCITS Management Company /AIFM**

April 2016

## Company General Information

### 1. Please provide a general introduction on MDO

**MDO Management Company S.A.** (MDO ManCo) is a *UCITS Management Company* pursuant to Chapter 15 of the Law dated 17 December 2010 relating to undertakings for collective investments and is also approved as an *Alternative Investment Fund Manager* (AIFM) pursuant to Chapter 2 of the Law dated 12 July 2013 relating to AIFMs.

#### Our core services are:

- ❖ Third party management company services
- ❖ AIFM and AIF services
- ❖ Provision of substance services (human, infrastructure and logistical) to investment funds and management companies
- ❖ A quality choice of independent board directors
- ❖ Risk management and investment compliance services
- ❖ KIID production

MDO Management Company S.A. is a privately held company. It is located 19 rue de Bitbourg, L-1273 Luxembourg.

MDO was launched in 2003 under the name of The Directors' Office. In 2008 it merged with Mercuria Services to form MDO.

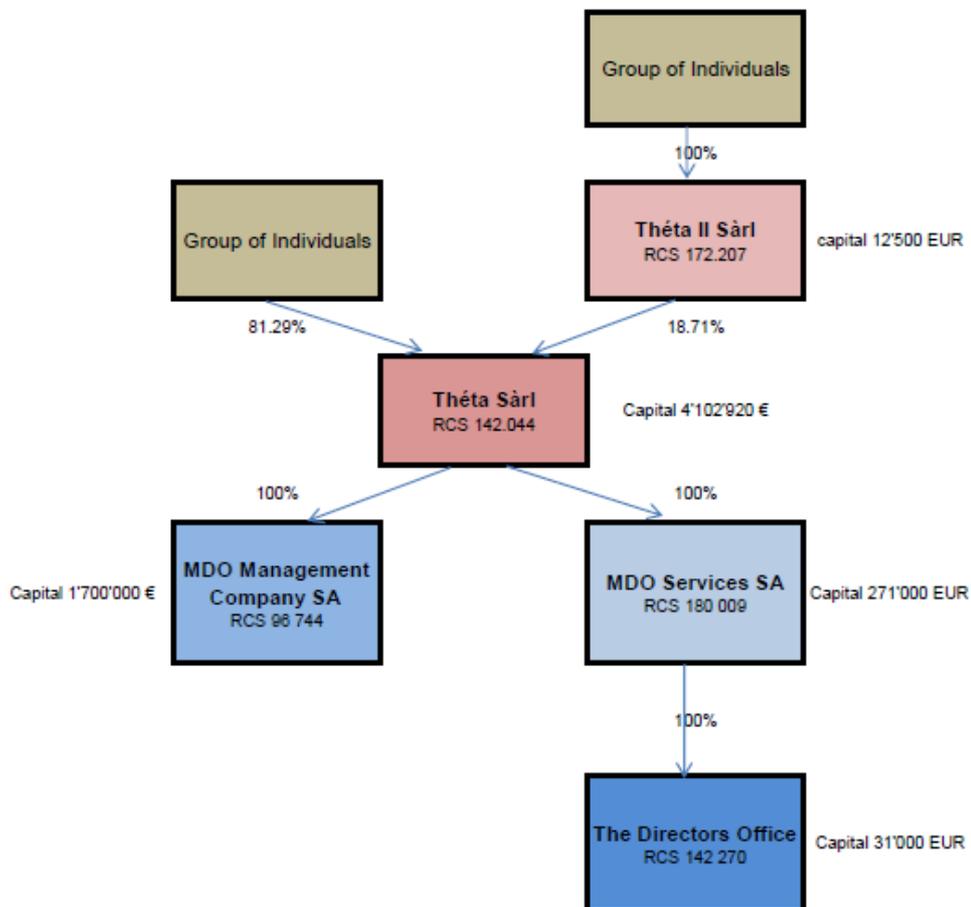
MDO is currently a group of three companies, MDO Management Company, MDO Services and The Directors' Office.



MDO Management Company has three Conducting Persons:

- ❖ Kim Kirsch – Head of Legal & Compliance
- ❖ Riccardo del Tufo – Chief Operating Officer
- ❖ Eduard Van Wijck – Partner of TDO

**2. Please provide your current shareholding structure.**

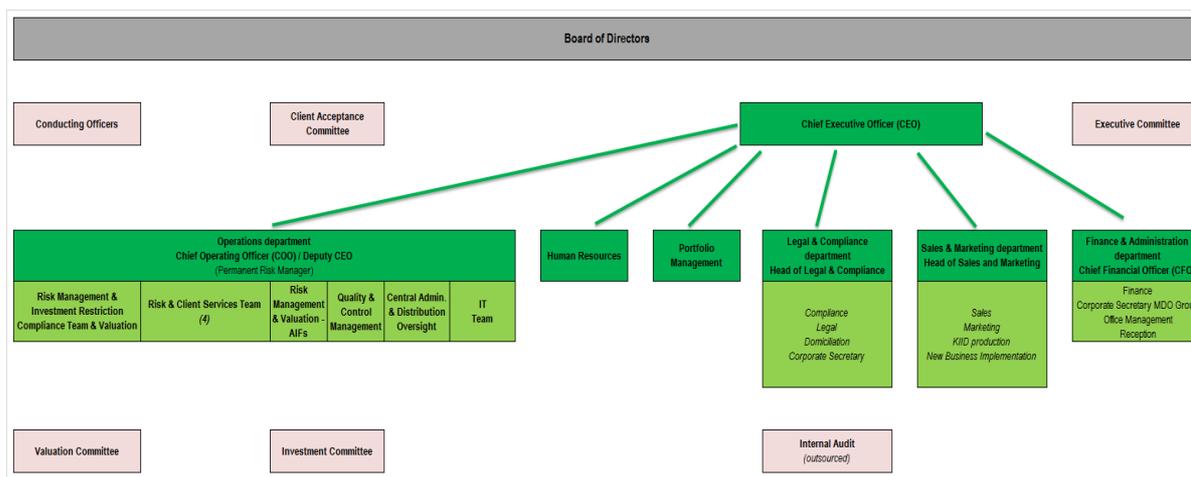


**3. Please provide the financial statements of your firm for the last 3 years.**

Our financial statements can be provided upon request at [info@mdo-manco.com](mailto:info@mdo-manco.com).

## Organisation Structure

1. Please provide your latest organisation chart showing your organisation and reporting structure. Please also indicate the total staff.



To date MDO employs 52 staff and is still in the process of recruiting. The Directors' Office has 15 Associates (<http://www.thedirectorsoffice.com/our-services/our-team>) who act as Board Directors and/or Conducting Officers of Luxembourg domiciled funds.

## Service Offering

1. Please provide details of all the services provided by your firm.

MDO offers a comprehensive range of solutions for substance in Luxembourg and aims to be the third-party management company/AIFM of choice for foreign asset managers establishing funds in Luxembourg.

MDO provides infrastructure, support and substance solutions to self-managed investment funds and clients that have launched their own management companies. MDO is regarded as the market leader in this area.

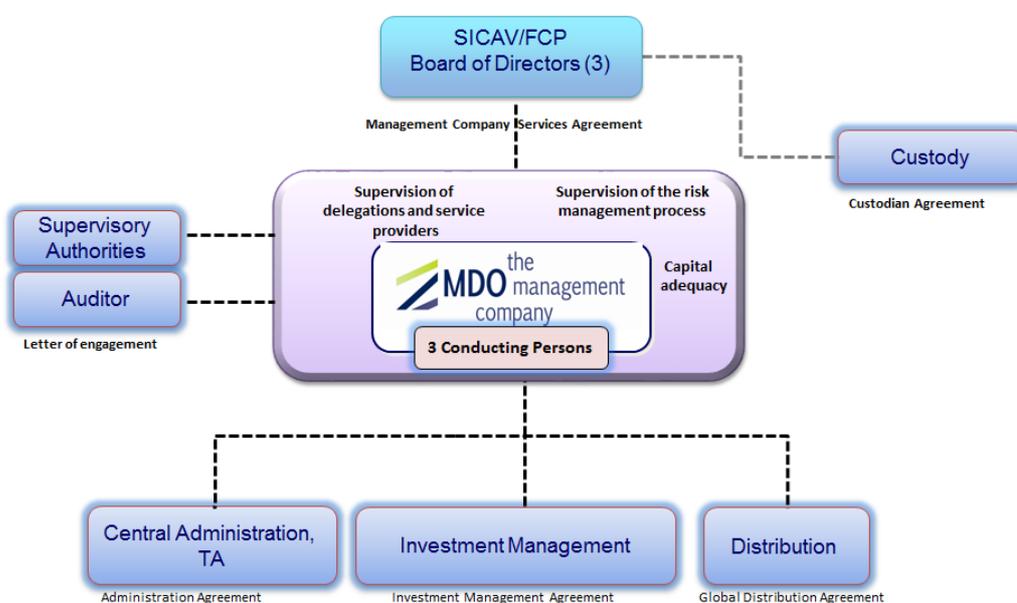
- ❖ **MDO Management Company** has provided management company services for UCITS since 2007, AIFM services for AIFs (Hedge Fund, Fund of Funds, Private Equity, Infrastructure, Other – Equity Fund and Fixed Income Fund, Real Estate Funds) since the implementation of the AIFMD in 2014. Furthermore, MDO Management Company has been granted the license to provide portfolio management services to Real Estate funds and Fund of Funds.

MDO Management Company is currently acting as third-party management company of over 40 UCITS and as AIFM of over 10 AIFs with total asset under management exceeding €22 billion.

- ❖ **MDO Services S.A.** provides corporate secretarial, domiciliary and office rental services.
- ❖ The Partners of **The Directors' Office** provide a variety of services to their clients and have done so since 2003. They accept a range of duties including board directorships, conducting person mandates and advisor roles to investment and management companies and other vehicles. There are currently 15 Partners with over 250 mandates.

2. With respect to the role as UCITS Management Company/AIFM, please indicate against each responsibility whether your firm will be fulfilling the responsibility internally or outsourcing to third parties.

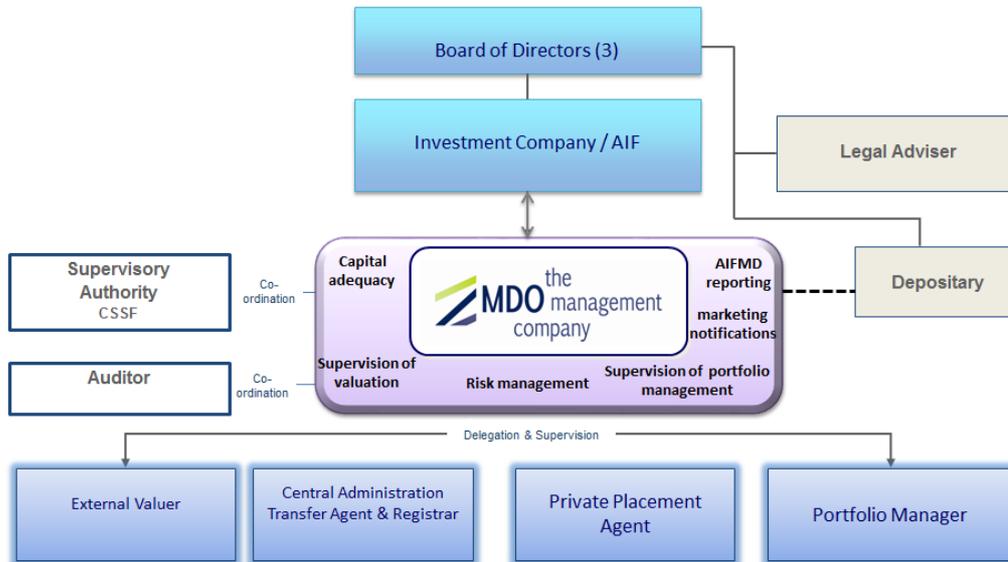
**UCITS Management Company**



As designated Management Company of a UCITS Fund, MDO Management Company will be responsible for the overall management of the Fund, but will delegate to third parties the investment management, distribution, and central administration. The production /content of the KIIDs would typically also be the responsibility of a management company, so would be risk management and investment compliance monitoring.

MDO will delegate the investment management to a regulated entity, the central administration/transfer agency function to a Luxembourg bank, and distribution to a duly licensed entity. The KIID production can be done internally by MDO, but in some cases it is the asset manager who produces the KIIDs or the asset manager has outsourced it to another service provider.

## AIFM



MDO will typically delegate portfolio management, external valuation, depository function and central administration to third parties, whilst retaining risk management. MDO can provide portfolio management services for real estate, private equity, infrastructure funds and fund of funds.

### **3. What do you see are the competitive advantages of your firm against your competitors with regard to the provision of services as a management company?**

MDO has a unique business model in that it consists of a group of three companies, one of which is a practice of Independent Directors, The Directors' Office.

The Partners of The Directors' Office are all highly qualified and highly experienced individuals many of whom are acknowledged, published experts in their fields. MDO has full access to this unique and extensive pool of experience and can draw upon specific areas of expertise on behalf of clients.

Furthermore, the Partners have worked internationally and have an in depth expertise of all the major geographical areas of the world; Africa, Asia, Australia, Europe and the US. This gives MDO a unique cultural awareness and sensitivity when doing business.

Finally, MDO is 100% privately owned; it is independent from any financial institution or other service provider.

MDO's client base is geographically diverse with a wide range of different products.

## Risk Management

1. **Is risk management of the funds where you have been appointed as management company outsourced?**

### UCITS

Typically risk management is handled by MDO in-house through a risk engine it has licensed which is called the Portfolio Risk Management System (PMS). PMS is provided by the established German company Much-net AG, a leading provider of risk management software.

In some exceptional cases MDO has delegated the risk management back to the client, provided the latter has the expertise and an independent risk management team.

### AIFs

MDO systematically retains the risk management.

2. **What methodology and system do you use for the management of risks including but not limited to market risk, liquidity risk, counterparty risk?**

- a. **Methodology**

MDO has a documented Risk Management Process which describes the techniques, instruments and procedures used to measure and manage all the relevant risks the funds are exposed to. The process explicitly addresses market risk, liquidity risk, counterparty risk, operational risk, credit risk and investment compliance. Furthermore the Risk Management Process describes the structure in place that will allow the funds to address other risks that could arise.

MDO's risk management process contains processes and procedures to identify, assess and monitor all the relevant sources of risk for every fund it manages as follows:

- Procedure for determining the risk profile of each sub-fund
- Methodology employed for assessing Global Exposure, Liquidity Risk, Counterparty Risk, Operational Risk, Credit Risk, Valuation Risk and Legal Risk
- Risk Management Reporting
- Escalation Process

### Global Exposure / Market Risk

MDO calculates Global Exposure for all the funds under its management using either the commitment approach or Value at Risk.

### Liquidity Risk

Two methodologies are applied to Liquidity Risk Monitoring. The first is the MDO Simplified Liquidity Approach for funds investing in liquid assets, being relatively small in size as compared to their reference market and the second is the Much Net Liquidity Approach. Both methodologies include stress testing. Simplified MDO Liquidity Monitoring Approach results will be stress tested by assuming 10% redemption over 1 day, a 30% redemption over 1 week and a 50% redemption over 1 month. For the Much Net Liquidity Approach four stress tests are implemented. Further information about these can be provided on request.

### Counterparty Risk

A list of authorised counterparties is reviewed and assessed at least on an annual basis. Should a Portfolio Manager wish to use a new counterparty; this will need to be authorised.

Counterparty risk for OTC financial derivative positions will be calculated by taking the positive market value for each OTC contract and by taking into account the collateral to reduce counterparty exposure, if the collateral fulfils certain criteria.

The counterparty risk for each entity, respectively group, is then calculated by adding the sum of the risks of all contracts entered into. The risk exposure of a fund to a given counterparty in an OTC derivative transaction may not exceed 5% of assets. This limit is raised to 10% in the case of credit institutions headquarters in the EU or in another country with comparable supervision.

### Operational Risk

MDO will outsource some or all functions, therefore the operational risk can result from failed processes, errors committed by these service providers. Consequently, MDO has a comprehensive overview of all outsourcing relationships and is constantly looking to limit and neutralize any potential sources of operational risk.

Based on the Key Performance Indicators (KPI) reports received from the central administrators, the Risk Management Team of MDO monitors the operational risk for each fund it is in charge of and reports its analysis through the monthly Executive Summary Report.

In case of any exceptions (e.g. NAV timeliness, blocked accounts, AML / KYC missing documents), MDO's Risk Management Team will investigate on the reasons behind these exceptions and any steps to be followed to prevent the issue from happening in the future.

#### **b. Systems**

MDO has licensed the Portfolio Risk Management System (PMS) as a calculation, compliance and risk management engine. PMS is provided by the established German company much-net AG (<http://www.much-net.de>), a leading provider of risk management software across Europe.

### **3. How often is the risk management document reviewed?**

MDO's risk management process is reviewed on a regular basis and every time MDO is appointed as Management Company/AIFM of a new fund/sub-fund.

Furthermore, MDO's risk management team provides a monthly report to the Permanent Risk Management Function and the Conducting Persons of MDO.

On a quarterly basis, a report is prepared by the risk management function (an integral part of the Conducting Persons report) and presented to MDO's Board including all material matters to be escalated or highlighted to the Board from a risk management perspective. On an annual basis, the permanent risk management function provides an updated risk management process to the CSSF.

## **Fund Administration**

### **1. Please describe your ongoing interactions with the fund administrators. Please include details on:**

In order to perform its duties as Management Company/AIFM, MDO receives the following reports from the Fund Administrator:

#### Daily

NAV, portfolio, transaction and trial balance via FTP. The files are transmitted at the end of each business day.

#### Monthly

KPI on fund accounting and transfer agency, usually by email.

#### Ad hoc

FTP files feed into our internal systems and the exceptions (missing or incorrect data) are reported.

### **2. Do you perform on-site due diligence on the fund administrators you work with? If so, what is the frequency? What is the due diligence process and what areas do you focus on?**

MDO performs an initial due diligence on Central Administrators followed by annual reviews once the relationship has been established.

The main areas the due diligence focuses on are:

- ❖ anti-money laundering policies and procedures, ensuring that all the necessary trainings, records and checks are properly implemented with clear reporting procedures,

- ❖ policies of the central administration and with regards to trade bookings, market timing, conflict of interest
- ❖ reporting and KPIs,
- ❖ ISAE 3402 on the business areas in scope.

## **Investment Management**

### **1. Do you perform a due diligence on the Investment Manager?**

As an AIFM and Management Company, MDO is obliged to perform a due diligence on all delegates.

We would therefore perform an initial due diligence on the investment manager during the onboarding phase; and subsequently a review is performed on a yearly basis.

Our due diligence will consist in the completion of a questionnaire by the entity acting as investment manager and may be reinforced by an on-site visit.

### **2. Please describe the process which you adopt to ensure that the fund's investment guidelines are complied with.**

For UCITS, Investment Compliance is carried out on a post trade, post NAV basis.

MDO will monitor a Fund's portfolio to ensure compliance with the investment restrictions defined by law, and the fund-specific investment restrictions and objectives as stated in the prospectus. The timely and accurate monitoring of these restrictions and reporting to the Fund Manager is facilitated through our compliance monitoring system, PMS Investment Compliance. Reporting from PMS Investment Compliance will highlight areas of potential investment breach, which is then transmitted to the Fund Manager for follow-up. If an investment breach is identified, MDO will analyse the factors that contributed to the situation, and liaise with the Fund Manager to correct the position. Non-compliance trends are closely monitored and shared with the Conducting Persons of MDO for further action.

For AIFs, investment compliance monitoring is typically included in the tailored risk matrix we put together for each AIF based on the specificities of the portfolio(s) and the restrictions foreseen in the prospectus/PPM.

### **3. Are the checks automated or performed manually?**

For UCITS, checks are automated and will be performed through our PMS Investment Compliance system.

### **4. How often are these checks being monitored (for both automated and manual checks)?**

Reports and checks are monitored at the same frequency with which NAVs are calculated, i.e. daily for daily funds and weekly for weekly funds.

**5. How soon do you inform your clients after a breach in the guidelines is being detected?**

MDO sends reports at T+3, so you would be informed at NAV date +3 days.

## **Product Development**

**1. What is your process for new client relationship? Does the management company need to approve the new fund?**

MDO Management Company has a Client Acceptance Process. Before accepting to become the Management Company/AIFM of a new fund, MDO needs to perform a due diligence on all delegates and carry out a risk assessment on the new fund. The outcome of this review is presented to our Client Acceptance Committee which has the power to accept or reject a new business relationship; or push the decision back for additional information or further discussion at a later stage. In any case, the filing with the Regulator for a new fund where MDO acts as Management Company/AIFM cannot be done without the approval of the Client Acceptance Committee.

For each new Fund, MDO assigns a dedicated project manager who will be responsible to lead the overall fund onboarding phase. The project manager will liaise with all the parties involved in the launch a new fund. This means internally, with the support of our Operations team (e.g. concerning the risk assessment of the fund, the elaboration of the Risk Management Process, the IT and reporting set up etc.) and of our Legal team (e.g. concerning the review of all constitutional documents to be filed with the Regulator); as well as externally with the other service providers.

The project manager will maintain a project plan which will be shared with the various parties involved and discussed during regular conference calls with a view to ensuring that all deliverables are met on time towards the launch of the fund.

**2. What is the management company's process to ensure that any new fund launches comply with Luxembourg rules? Do you require a model portfolio?**

Yes, for any new fund/sub-fund where MDO acts as Management Company/AIFM, we would require to be provided with a model portfolio to ensure that any new fund complies with Luxembourg rules. In addition, this would allow us to carry out an analysis on the portfolio(s) to provide our risk assessment.

## **Valuation (only applicable to AIFs)**

### **1. What valuation services can you provide?**

In its role as AIFM, MDO shall ensure that the proper and independent valuation of assets of each AIF it manages is performed in accordance with Art. 17 of the AIFM Law and the AIF's constitutional documents.

MDO can provide valuation services (as described in the AIFM Law) to AIFs investing in listed securities only. For other type of assets, the valuation function will be delegated to an external valuation agent.

To avoid any confusion, MDO does not provide central administration services to the AIFs under management. A central administrator is appointed for each AIF and is responsible for administration of the AIF including the performance of the net asset value (NAV) calculation. The NAV calculation of each AIF is performed in accordance with the constitutional documents of the AIF, the national laws and applicable accounting rules and standards.

### **2. Do you perform a due diligence on the external valuation agent?**

We perform a due diligence on all delegates. Therefore – in the case where MDO delegates the valuation function - we would perform a due diligence on the external valuation agent.

## **Distribution**

### **1. What do you see as the role of a management company with respect to distribution and marketing of the fund?**

In our role as AIFM, it is our responsibility to send a notification to the regulators of the jurisdictions where the AIF in question will be marketed. MDO currently works with an external service provider to complete the required marketing notifications. This service provider will complete the required marketing notifications based on the specific requirements of the European Directive and/or any applicable local regulation; they will submit the notification letter(s) to the regulator.

A management company is responsible for the distribution activities concerning the funds it has under management. Therefore, MDO would require to be provided with the list of appointed distributors, countries of origin, whether they are GAFI/FATF members, and would check if the appropriate distribution agreements are in place. However, MDO would not take any active role in the marketing of the fund since we believe that this role should be fully undertaken by the investment manager, or any other entity of its choice who is duly licensed to act as such. The main reason being that we – as a third-party management company – would have a conflict of interest in providing this service.

## 2. Global distributor:

**If distribution and marketing is outsourced to a Global Distributor, how will the management company monitor the activities to ensure that they are being carried out in compliance with Luxembourg regulations?**

MDO is a contractual party to a global distribution agreement which outlines the roles and duties of the global distributor in line with Luxembourg law.

MDO would perform an initial and ongoing due diligence on the global distributor.

## 3. Prospectus/PPM:

**What role does the management company play in the production, review and approval of prospectus/PPM in relation to new fund launch as well as ongoing update?**

MDO plays an active role in reviewing and approving prospectus/PPM updates. MDO has a legal team with 5 fund lawyers who are actively involved in the revision process. The risk management team will also be involved in reviewing and validating parts of the prospectus/PPM (product related, risk, operational etc.), and so will the Sales & Marketing team.

## 4. KIIDs:

**Is the management company responsible for the production of KIID (Key Investment Information Document)? What role does the management company play in the production, review, regulatory filing and on-going maintenance of KIID?**

MDO has dedicated resources who produce the KIIDs of our clients. Currently MDO produces about 1,300 KIIDs for its clients.

MDO can handle the overall KIID production process and we believe that it is the responsibility of the management company to produce the KIIDs.

However, in some cases the KIIDs are produced by the Asset Manager or delegated to another service provider. In such cases MDO will have to review and approve the KIIDs before they are filed with the regulator and MDO will publish the KIIDs on its website.

Should KIIDs be produced by a third party, MDO has certain requirements (delivery and naming conventions) that should be followed in order to ensure a smooth publication process.

## 5. Cross-border registration:

Fund registration is typically handled by specialist service providers, e.g. audit firms and other fund registration specialists.

However, MDO also has internal resources to handle the fund registration process in European countries and Switzerland.

Our registration services will be performed in accordance with the UCITS notification process and in compliance with local regulatory requirements.

We would basically take care of:

- the initial authorisation process, which includes among other things the compilation of the necessary documents, the completion of the notification letters, the liaison with the different parties involved etc.
- the maintenance services, with a view to comply at any time with various local distribution and regulatory obligations

#### **6. Regulatory fee:**

**Is the management company responsible for monitoring and ensuring that regulatory fees across all countries of registration are paid promptly as required by local regulation?**

MDO will ensure that the fund will pay the annual CSSF fee as such invoice is typically addressed to the management company. All other regulatory fees are often addressed to the fund's registered address of the service provider that has been mandated to do the fund registration. In such case MDO would typically expect the domiciliary agent and/or service provider who has been appointed to do the fund registration to ensure that the regulatory fees across all countries of registration are paid.

#### **7. Regulatory filing:**

**Is the management company responsible for monitoring and ensuring that all regulatory filings (e.g. semi-annual and annual financial statements etc.) are performed promptly as required by local regulation?**

The management company has to ensure that all regulatory filings are performed. If MDO has been appointed to do the fund registration, MDO will submit all required documents to the relevant authorities. If a service provider has been mandated to do the fund registration, then MDO expects the filings to be performed by that service provider. In most cases it is the central administrator who will file the annual and semi-annual reports with the Luxembourg regulator.

In its role as AIFM, MDO is responsible for the Annex IV reporting. MDO is working in cooperation with a third party data-driven platform service provider which will provide the technical framework for MDO to perform the AIFMD Reporting

#### **8. Tax transparency:**

**Does the management company appoint, negotiate fee and/or enter into contract with tax agents to ensure that tax reporting and filing are performed**

**in accordance to regulatory requirements in respective countries of registration?**

**Is the management company responsible for informing and ensuring that the fund administrator publish tax-transparent NAV in accordance to regulatory requirements in respective countries of registration?**

MDO does not negotiate nor appoint tax agents. Tax agents are generally appointed by the fund.

The fund administrator would typically be appointed to calculate tax figures (e.g. Germany, Austria etc.) and as such the fund administrator would have to ensure that they publish tax figures in line with regulatory requirements in the relevant countries of registration.

**9. Who are the fund administrators you currently work with? Please provide a list of names.**

MDO works with the following Fund Administrators in Luxembourg:

- BBH
- BNP
- BNY Mellon
- Caceis
- Citibank
- Credit Suisse
- EFA
- JP Morgan
- Mitsubishi
- Northern Trust
- Pictet / FundPartner Solutions
- RBC
- Rothschild
- Société Générale
- State Street
- UBS
- Vistra

- VP Bank

MDO uses the FundD system provided by Seqvoia ([www.seqvoia.com/index.html](http://www.seqvoia.com/index.html)) to produce KIIDs. MDO also has experience of the KNEIP KIID production system, Co-React.

## Client Servicing

- 1. What is your client servicing model? Do your clients have one single point of contact for all issues or do they have to interact with different teams for different subject matter?**

MDO provides each client with a dedicated client services and risk manager (“RM”) as a single point of contact. Your RM will have the specific experience to address your needs and will be supported by the Conducting Persons of MDO Management Company.

In case of issue escalation, the RMs are supported by their respective team leaders who will report to the Chief Operating Officer on a monthly basis during the Conducting Persons meeting.

## Compliance & Regulatory Reporting

- 1. How does the management company ensure that the fund complies with all Luxembourg regulations?**

MDO’s Conducting Persons meet on a monthly basis to review the UCITS it manages and will review compliance of the funds with all Luxembourg regulations.

The Conducting Persons are also supported by MDO’s Compliance Officer who would keep up with any regulatory updates that would first be communicated internally to MDO’s staff and then reported to all clients.

- 2. What are the policies which a fund should have in place to ensure compliance to Luxembourg regulations?**

A management company must have a procedures manual in place which comprises inducement, AML, complaints handling, voting rights, best execution, personal transactions, conflicts of interest, risk management process, valuation, due diligence, client acceptance, BCP, record keeping, etc.

In most cases the fund can leverage on policies of the management company. Some Boards nevertheless decide to have their own procedures manual for a fund.

- 3. How do you monitor and ensure that all the necessary regulatory reporting (including those you handle yourself as well as those handled by outsourced party) are submitted promptly?**

All required regulatory reporting would be documented in an Operating Memorandum/SLA – whether outsourced or not – and a checklist would be maintained to ensure that the required regulatory reporting is submitted promptly.

**4. Does the management company provide regular regulatory updates to your clients? If yes, for which countries and on which areas?**

MDO provides regular regulatory updates to its clients either by way of a letter/notification or via its quarterly Board report. This update is generally provided in relation to Luxembourg, but in some instances it will also cover other countries, e.g. Switzerland etc.

## **Confidentiality and Security**

**1. What procedures do you have in place to protect the confidentiality of your clients and limiting access of fund data to authorised persons on a need-to-know basis?**

MDO Management Company has ensured physical security of the building and the segregation of internal working environments as necessary to ensure the confidentiality of client files.

Physical security is maintained through the use of specifically secured zones for visitors, Independent Directors and Employees. All physical client files are stored in a secure safe room with restricted access.

A clean desk policy is in operation and all files are secured at the end of each working day.

MDO Management Company also has electronic information barriers in place. Segregated electronic storage and work space is maintained to ensure that client information is held separately.

Confidentiality is also covered in each employment contract and is also clearly outlined in the Staff Handbook which is issued to all members of staff.

**2. What procedures do you have in place to ensure that information relating to one client will not be accessible by another client?**

MDO Management Company also has electronic information barriers in place. Segregated electronic storage and work space is maintained to ensure that client information is held separately.

## **Audit**

**1. How often is internal audit and external audit carried out in your organisation?**

Internal audit is outsourced to Mazars and carried out on an annual basis.

External audit is outsourced to EY and is performed on an annual basis.

## Regulatory / Litigations / Complaints

1. **Have there been regulatory issues (e.g. licensing) of your firm in the past 3 years? Please provide details if any.**

No

2. **Have your firm, or any of your directors or principal officers been subject to any investigations or disciplinary actions, or been issued a warning or reprimand by any regulator in the last 3 years?**

**If so, please describe circumstances, what was done to remedy the situation.**

No

3. **Is your firm, parent, affiliates, officers, or principals currently a party to any legal suits or regulatory actions or potential legal suits or regulatory actions?**

No

4. **Has your firm, directors or principal officers been the subject of any complaint made reasonably and in good faith?**

No

## Operational Risk

1. **How does your firm define operational risk?**

Operational risk management is defined as the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes and systems; human factors; or external events.

The objective of monitoring the operational risk is to reduce the likelihood and/or impact of operational risk events, including those which may give rise to financial loss and/or other impacts including reputational and regulatory impact.

As MDO outsources investment management, distribution and central administration, the operational risk can result from failed processes and errors committed by these service providers. Consequently, MDO has to have a comprehensive overview of all outsourcing relationships and is constantly looking to limit and neutralize any potential sources of operational risk.

Based on the Key Performance Indicators (KPI) received from the central administrators, the Risk Management Team of MDO monitors the operational risk for each UCITS/UCI it is in charge of and reports its analysis through a monthly Executive Summary Report. In case of any exceptions (e.g. NAV timeliness, blocked accounts, AML / KYC missing documents), the Risk Management Team at MDO will investigate the reasons behind these exceptions and any steps to be followed to prevent the issue from happening in the future. The Coordinator

of MDO gathers the analysis as well as the follow-ups from the Risk Management Team and produces for each UCITS/UCI a dedicated section for the Conducting Officers to be discussed during their monthly meeting. The Conducting Officers highlight the actions to be taken to remediate any exceptions which occur and escalate them to the Board on a quarterly basis.

The main source of operational risk for the UCITS/UCIs is human error related to transaction processing, at the level of investment management, fund valuation and shareholders' transaction processing. Transaction processing, on both the custody and transfer agency level, is monitored on an ongoing basis by the administrations with monthly reporting being provided to the Conducting Officers highlighting failed trades, overdraft details, cash and securities reconciliation data and any issue that may have arisen. Operational risk is monitored frequently and reported to the Conducting Officers during their monthly meetings and to the Board of MDO on a quarterly basis. The central administrations have implemented a detailed business continuity plan. Operational risk will be reviewed during the monthly meetings of the Conducting Officers.

Finally, the Conducting Officers will report any relevant operational issues to the Board of Directors of the Fund, including any new procedures implemented.

**2. Does your firm have an operational risk management framework? Does the framework consider how the company identifies, assesses, monitors and controls operational risks?**

The operational risk management framework is part of our risk management process document.

**3. Are the employees responsible for the operational risk framework adequately independent from the business and appropriately trained?**

MDO's employees are all appropriately trained on a regular basis or will undergo specific training. MDO's employees are all independent from the business and fund administrator.

**4. Does the Board of Directors approve and regularly review the operational risk management framework?**

MDO's Board of Directors approves MDO's risk management process on an annual basis.

**5. Who is responsible for implementing the operational risk framework? Are there clear lines of responsibility across senior management?**

Our Chief Operating Officer ("COO") is responsible for the implementation of the operational risk framework.

Each client services and risk manager ("RM") is in charge of a portfolio of clients, limited to a reasonable number. The RMs are supported by their respective team leaders who will report to the COO (being a Conducting Person of MDO) on a monthly basis during the Conducting Persons meeting. Operational risk is one of the item on the agenda of this meeting.

**6. How does your firm ensure that employees understand their responsibilities for implementing the operational risk framework?**

Regular in-house and external training will be provided to all employees.

The Permanent Risk Management Function of MDO will ensure that all employees are aware of and fully understand MDO's risk management process.

**7. What ongoing assurance does the firm provide to clients over the effectiveness of its operational risk framework?**

MDO is one of the first third party management companies having implemented a "Service Organisation Control Report". The first report was established as at 31 January 2015. The SOC Report Type 2 was published for the period from 1 February to 30 September 2015.

Our SOC report can be provided upon request. Please contact [info@mdo-manco.com](mailto:info@mdo-manco.com).

## **Insurance Coverage**

**1. Do you currently hold an investment management insurance?**

**Have any claims been made against any of the above insurance in the last 3 years? If so, please describe.**

Yes, MDO holds such an insurance.

No claims have been made in the last 3 years.

## **Information Technology**

**1. Have there been any changes made to the IT infrastructure for the last 3 years? Please elaborate on the changes and impact, if any.**

Yes.

The most recent changes to MDO's IT infrastructure were made in 2014 when the IT infrastructure was migrated to a full virtualised solution with mirroring to our BCP site.

For the end user the changes and impact have been minimal. The main motivation for the changes was to make our IT infrastructure more robust and to replicate exactly the working environment at the BCP site.

Please note that the technical infrastructure of MDO Management Company is handled by an IT service company (Sopra-Steria), registered with the CSSF as a professional of the financial sector (PSF). The technical IT infrastructure, IT architecture and the management of IT processes is under the supervision and control of the management of MDO Management Company.

**2. What is the firm's IT infrastructure plans, especially in areas which are currently processed manually? Please provide an overview.**

Manual processes are kept to a minimum in the company. As we are not an operational or transactional center we do not have large volumes of manual operations.

**3. Are there any planned changes in IT infrastructure in the next 12 months?**

The next major IT infrastructure change is the installation of SharePoint, a secure web based content management system, as the main content management platform for the company.

### **Business Continuity Plan (BCP)**

**1. Please describe the business continuity plan (BCP) you have in place.**

**Do you have a back-up recovery site? If yes, is it a dedicated or shared facility?**

**Are all staff made aware of the BCP plan?**

MDO has a written BCP in place which is stored centrally on the company's common drive.

MDO's BCP is designed to reduce the risk of losing its IT system capability or access to MDO's premises to an acceptable level by ensuring the restoration of critical activities within 1 to 2 days, and all essential activities within 1 week of the outage to an acceptable level. Daily back-ups taken off site for storage and real time back-ups of our servers at the BCP facility.

MDO has a BCP facility providing alternative physical premises should the MDO offices be inaccessible. In addition, staff use laptops and are able to work remotely should the need arise.

All staff are aware of the BCP which is part of MDO's procedure manual.

**2. How often do you review and test your BCP?**

The BCP is tested annually and reviewed bi-annually by the Executive Committee of the Management Company.

**3. When was your BCP last reviewed and tested? Who were involved in the testing? (HODs, users, IT?)**

The most recent test of the BCP was carried out on 20th February 2015 and included individuals from the Operations department, the Legal team and IT.