

# Setting up and maintaining an AIFM



# License application

**Apply for and obtain your license to operate an AIFM**



Luxembourg is at the forefront of financial services (FS), a rapidly growing industry. FS market entrants must navigate through an extensive licensing process in order to soundly address local (and, potentially, European) regulatory expectations. With a deep understanding of the FS market and its related regulatory requirements, and drawing on its end-to-end licensing assistance process, KPMG can help you apply for and obtain a license to operate.



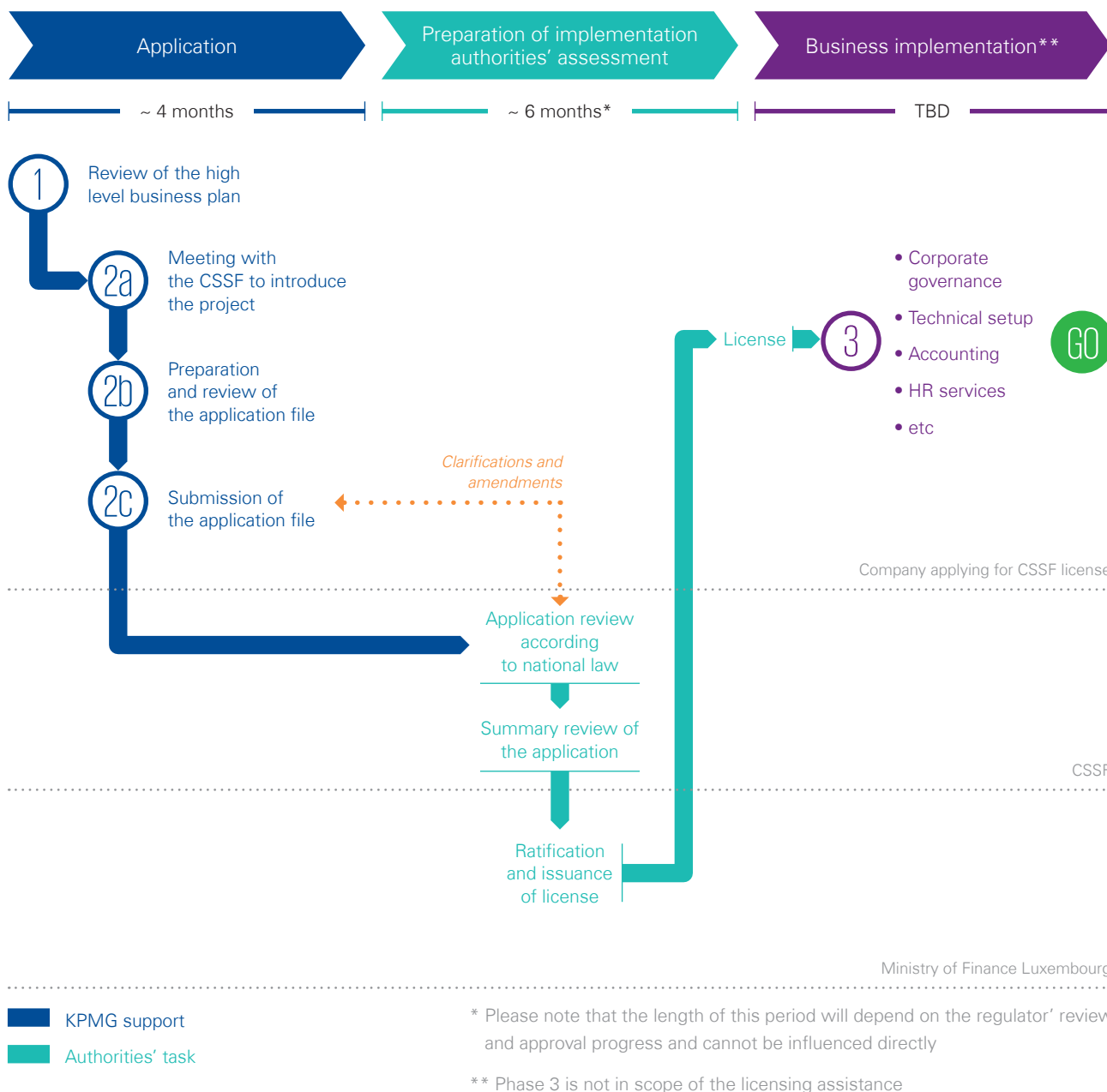
## Client issues

- What are the pros and cons for operating in Luxembourg compared to other countries?
- Which type of license do I need for my particular business strategy?
- How long will it take to obtain a license?
- In Luxembourg, what are the requirements for getting a license?
- What is the minimum governance/operational setup needed?
- Is my organization prepared for a CSSF inspection?



## Benefits we bring

- KPMG has a proven track record in licensing services and in delivering preliminary studies, scenario analysis, workshops, and implementation support.
- KPMG's experienced teams have extensive skill-sets, as well as deep knowledge of regulatory requirements, implementation challenges, and industry best practices.
- KPMG has developed a strong relationship with our local regulator, the CSSF.
- One of KPMG Luxembourg's promises is that we act "As One": our team has cross-functional capability, providing a holistic approach that encompasses regulatory and supervision, technology implementation, strategy definition, and tax efficiency.



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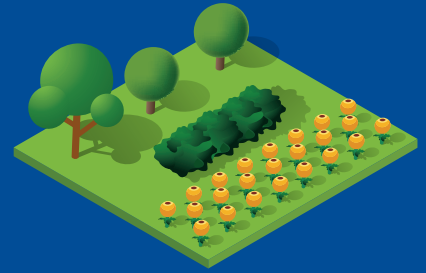
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# Global mobility services



**Taking care of your key people and managing your global workforce**

## Services to help your people

Relocation of (part of) your workforce seems a daunting task, but it does not have to be. Timely planning and leveraging the expertise of KPMG Global Mobility Services (GMS) and KPMG People & Change Advisory will help you prepare for a relocation project.

Our practice brings together a wealth of tax, technology, and mobile administration services to help you manage your global workforce easily, safely and far more efficiently.



### Client issues

- What is the cost to the employer of moving employees?
- How can companies ensure that employees will maintain equivalent package/net remuneration?
- How can companies incentivise employees to move to Luxembourg?
- What can employees expect from a Luxembourg state pension, and what pension rights would employees have in the case of a hard Brexit?
- Is there a way to structure the employees' remuneration in a tax-efficient way and ensure appropriate social security affiliation?
- For fixed-term assignments, what administrative obligations do companies have in terms of immigration?



## Benefits we bring

### Planning

Many stakeholders are involved in the decision-making process, each with their own interests and responsibilities. In this phase, we bring together all stakeholders, draft policies and determine actions to be taken, the timing of each action and the person responsible.

Moving business means moving people. We will collaborate with you to showcase the attractiveness of Luxembourg, and ensure that the project is managed with a cost-controlled approach.

### Implementation

Implementation can begin following the drafting of policies and identification of employees to relocate. This phase includes KPMG planning and ensuring the smooth execution of the various administrative tasks involved in relocation, and providing tax support to your employees (i.e. tax advisory and compliance assistance).

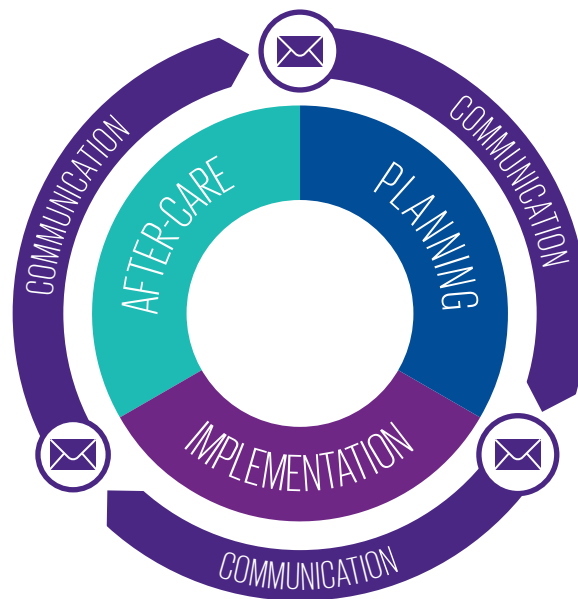
### After-care

After relocation and registration, the employee can benefit from our after-care scheme. They may require a refresher about a certain administrative topic, and/or need help to meet local tax compliance obligations (e.g. tax returns, etc.).

### Communication and technology

Throughout the process, we ensure that information is shared with all stakeholders in a clear and timely manner.

KPMG's GMS practice develops technology tools that can help you manage costs and enhance efficiency. Our global mobility tools, combined with KPMG's services, help streamline and simplify the management of your global mobility programme.



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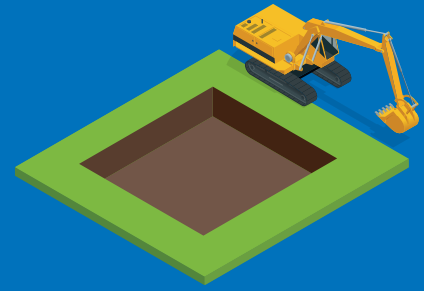


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# Recruitment services

**Attract the best talents to grow your business**



Currently, human resources departments are redefining the workplace experience, engaging employees like never before while managing people strategies that align with strategic business objectives. Agility and innovation have become central in addressing these challenges. In this fast-growing and quick-changing world, human resources has a central role to play.

KPMG Luxembourg's People & Change team helps organizations become more agile in transforming their performance by changing the way people are led, managed, and developed, while helping reshape the corporate culture.



## Client issues

When it comes to recruitment, organizations should consider:

- Developing the right talent strategy for the organization;
- Selecting and hiring the best talent.



## Benefits we bring

KPMG Luxembourg brings:

- Excellent knowledge of Luxembourg's labour market;
- A broad KPMG network, whose knowledge of local labour markets helps identify potential employment opportunities;
- An impactful team, which is certified in the Insights/SHL Talent Measurement/Master Personal Analysis methodology, and has deep experience in recruiting the right talent.



### **1 Job description**

Together with you, KPMG will assist in the definition of the job description and of the key requirements of the position.

### **2 Job advertisement**

The advertisement will be published.  
There will be no headhunting activities.

### **3 CV screening**

KPMG will review the applications received and screen the CVs.

### **4 First run of interviews**

KPMG will conduct interviews of the potential candidates.  
Assessment of the shortlisted candidates' technical skills by KPMG's internal experts

### **5 Shortlist of candidates**

KPMG will provide a shortlist of candidates.

### **6 Second run of interviews**

You will interview the candidates.

### **7 Decision**

You will retain the candidate of your choice.

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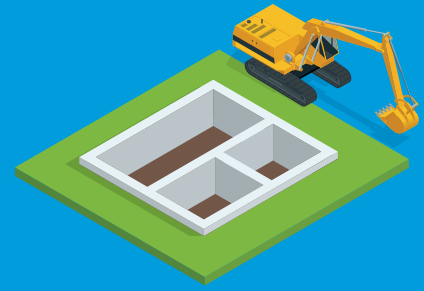
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# Advisory and accounting

**A technology-based servicing solution  
for the alternative investments industry**



A professional accounting solutions provider to Luxembourg-specific challenges relating to Lux GAAP, IFRS, Consolidation and Financial Reporting. Our Partner-led team of over 20 qualified accountants, supported by approximately 30 part qualified or experienced accountants, is provided with continual training throughout their career while operating KPMG-developed, in-house software platforms, which are built for purpose.



## **Client issues**

- Finding the right accounting analysis in the context of unusual or complex transactions.
- Confirming accounting analysis of transactions on which the tax treatment is based to limit tax uncertainty arising from future events.
- Migration from foreign accounting standards to Luxembourg GAAP and compliance with Luxembourg chart of accounts and reporting requirements.





## Benefits we bring

Our solutions are tailor-made and tech-inspired.

### 'Glocal' experience and expertise

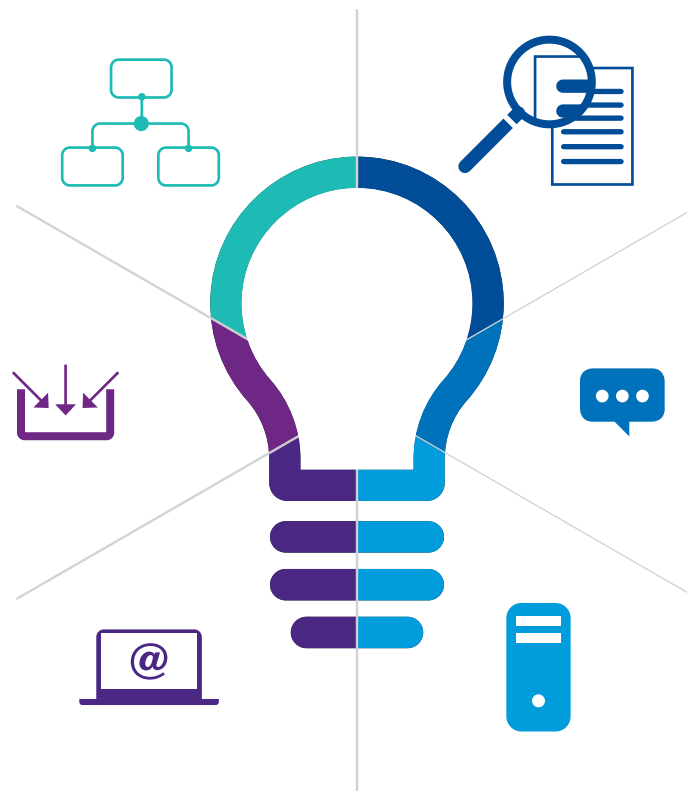
We have a strong local and global presence and our multilingual team will support you with its expertise.

### Technology

Our services and software are technology-powered.  
We support leading-edge tech start-ups and are a partner in a blockchain solution under development in Luxembourg.

### Property companies with (foreign) real estate

We provide efficient solutions for all of your real estate structures (e.g. optimization of property management accounting).



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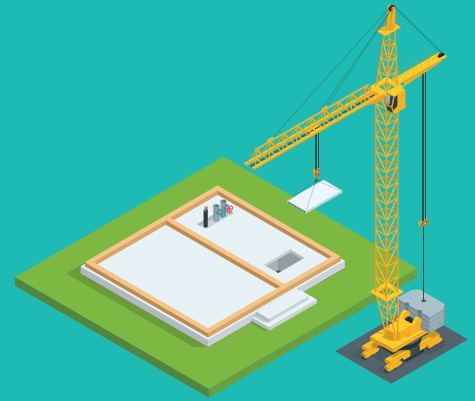


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# Valuation services

**Bespoke services catering to all types of alternative investments**



Our team of integrated valuation specialists takes a holistic view of value by taking time to understand a corporate's dynamics, as well as industry and value drivers. We provide a range of services across the deal cycle. These include: alternative investment fund valuations, fairness opinions, independent board advice, investment and transactional advice, investment performance assessments, dispute valuations, advice on management incentive plans, restructuring, financial reporting valuations (PPA, impairment testing, WACC reports) and tax restructuring.



## Client issues

### Private equity

Private equity constantly deals with fundraising, investment decisions, portfolio management and successful realization...

### Real estate

The valuation of real estate requires special knowledge and experience, and knowledge of different approaches...

### Infrastructure

Infrastructure projects tend to be highly regulated and can take many shapes and forms ranging from brownfield to greenfield, requiring complex assessment of financial, technical and economic aspects...

### Private debt

The decline in bank lending to corporates has created a market opportunity for private debt funds. Those favourable market conditions and regulations have opened the market for non-traditional lenders...



## Benefits we bring

### Procedure and methodology assistance

Development and implementation of sound valuation policy in line with AIFMD.

### Full and independent valuation report

Independent opinion of fair value estimate with full due diligence.

### Certification of policies and procedures

Independent verification of AIFM valuation policies and procedures.

### Independent opinion on valuation/analysis

Positive (or negative) assurance as to whether the AIFM valuations can be deemed reasonable.

## Providing independent valuation services to AIFMs

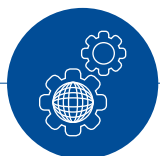


"AIFMs must ensure that, for each AIF that they manage, appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the AIF can be performed in accordance with this Article, the applicable national law and the AIF management regulations or instruments of incorporation."

*Article 17 of law (12 July 2013)  
on alternative investment fund managers*



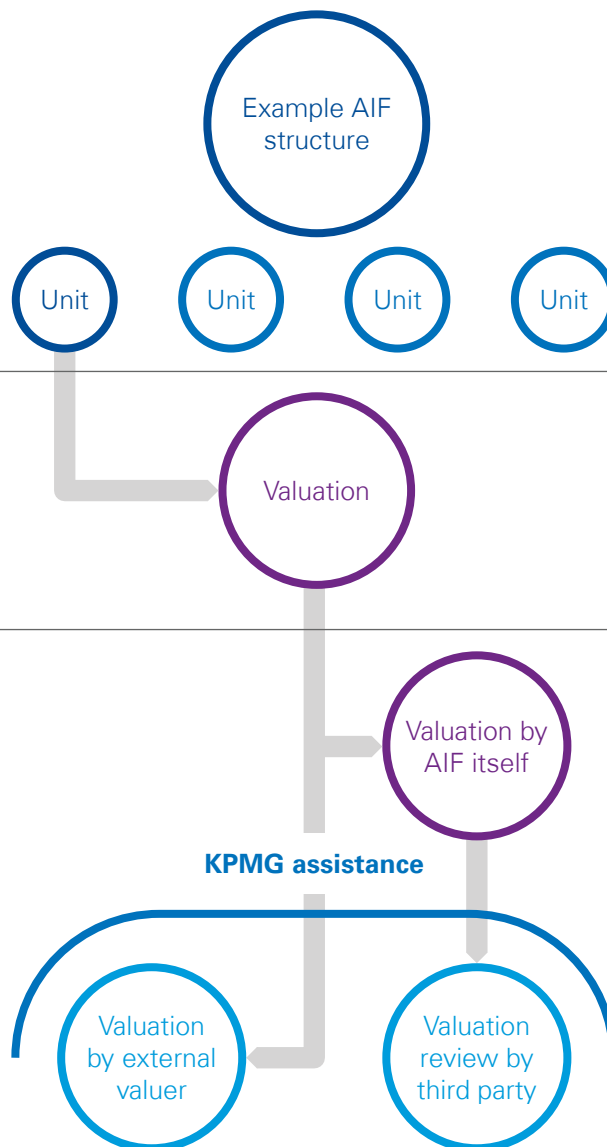
KPMG Deal Advisory provides **objective and unbiased advice** to its clients.



### Our range of services includes:

- ✓ independent valuation services
- ✓ valuation review services
- ✓ assistance in setting up valuation methodologies for private equity, venture capital, infrastructure, real estate and debt funds, among others

## Where do we assist?



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# Tax and transfer pricing



**Manage investors' expectations and ensure compliance with existing/upcoming tax regulations**

Al funds are facing increasingly complicated tax and transfer pricing ("TP") regulations and legislation in Luxembourg as well as at a European and international level.

Recent developments underline the increasing importance of TP in Luxembourg. Since the asset management industry plays a key role in Luxembourg's economy, the Luxembourg tax authorities ("LTA") are actively focused on the arm's length nature of the different intra-group transactions of AIFM and Super ManCos.

At KPMG, we ensure close and constant communication with our clients to help them successfully manage investors' expectations and compliance with existing and upcoming tax regulations.



## Client issues

- How to remunerate delegated activities to group entities.
- Is the AIFM remunerated at arm's length?
- Documenting the arm's-length character of intra-group transactions.
- Setting up a structure to comply with the evolving tax regulations.
- Finding the most appropriate financing instruments.
- Ensuring compliance with tax reporting and regulatory requirements.
- Aligning the intra-group delegations to regulatory requirements.
- Optimizing the exit strategy of an investment.
- Transfer pricing impact in relation to changes in business operating models further to Brexit.



## Benefits we bring

- Assistance on the planning and setting up a solid transfer pricing policy and/or preparing a transfer pricing documentation in line with the OECD and Luxembourg transfer pricing requirements as well as with the regulatory landscape in Luxembourg.
- Assistance from a tax standpoint on various types of investment (fund) structures, e.g. real estate, private equity debt funds, infrastructure funds; tax assistance on the implementation.
- of regulated or unregulated investment (fund) structures in Luxembourg.
- Preparation of tax structuring reports covering relevant direct and indirect Luxembourg tax aspects as well as cross-border tax aspects by involving our international KPMG network.
- Review of legal documentation and financial models from a tax and transfer pricing point of view.

Inception / investment stage / recovery	Ongoing work / maintenance	Divestment stage
<ul style="list-style-type: none"> <li>▪ Identification and understanding of the key value drivers that are relevant to the industry and applicable to the AIFM / Super ManCo.</li> <li>▪ Identification of the functional and operational footprint of the AIFM's / Super ManCo's operations in Luxembourg.</li> <li>▪ Economic analysis to support the arm's length remuneration for the operations in Luxembourg.</li> <li>▪ Setting up transfer pricing policies</li> <li>▪ Tax due diligence and acquisition tax reports;</li> <li>▪ Strawman and Tax restructuring report;</li> <li>▪ Fund migration and onboarding;</li> <li>▪ Tax opinions;</li> <li>▪ Tax rulings / APAs;</li> <li>▪ Tax leakage projections;</li> <li>▪ ATAD review of the structure;</li> <li>▪ Prospectus/PPM review for tax purposes.</li> <li>▪ Review of legal documentation and financial models from a tax and transfer pricing point of view.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tax structuring and restructuring;</li> <li>▪ Tax compliance (direct tax, withholding tax, etc.);</li> <li>▪ VAT advice &amp; compliance;</li> <li>▪ Funds related tax work;</li> <li>▪ Substance health check;</li> <li>▪ Tailor-made tax updates;</li> <li>▪ Assistance in direct tax and VAT audits;</li> <li>▪ Preparation and updates of TP documentation including testing of the arm's length nature of the intra-group transactions in line with the TP policy</li> <li>▪ All the services proposed in the inception phase.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tax due diligence;</li> <li>▪ All the services proposed in the inception and maintenance phases;</li> <li>▪ Tax returns filing;</li> <li>▪ Liquidation returns;</li> <li>▪ Vendor due diligence assistance.</li> <li>▪ Assisting with any tax controversies that may arise from transfer pricing issues.</li> </ul>

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# Mandatory disclosure rules



## Assessment of your obligations and on-going assistance in the reporting process

Understanding the new reporting obligations deriving from the MDR Directive is paramount to avoid penalties that may be levied on intermediaries and taxpayers failing to comply with the requirements.

KPMG will assess your operational needs and determine processes to be put in place.



### Client issues

- EU Directive on Mandatory Disclosure Rules (MDR) is applicable to all the EU member states for transactions implemented since June 2018 – but some key points of the Directive are still unclear and will be clarified only when local implementation laws will be available.
- Mandatory reporting of certain cross-border transactions in August 2020, if they bear any of the 'hallmarks' defined in the Directive.
- Taxpayers must start assessing their situation, adapt their process and prepare for the reporting.



### Benefits we bring

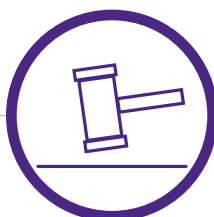
- Assistance in understanding the new reporting obligations derived from the MDR via tailor-made trainings and workshops.
- Preliminary assessment of your situation and
- identification of possible reportable transactions
- Review of your internal processes and tools to ensure compliance with the new reporting obligations.
- Strong and proven methodology to adapt business processes to your organization and meet your specific needs.



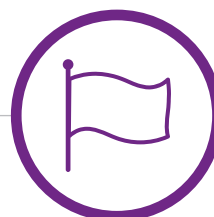
Who is subject to the reporting?



Which transactions are reportable?



When will the rules apply?

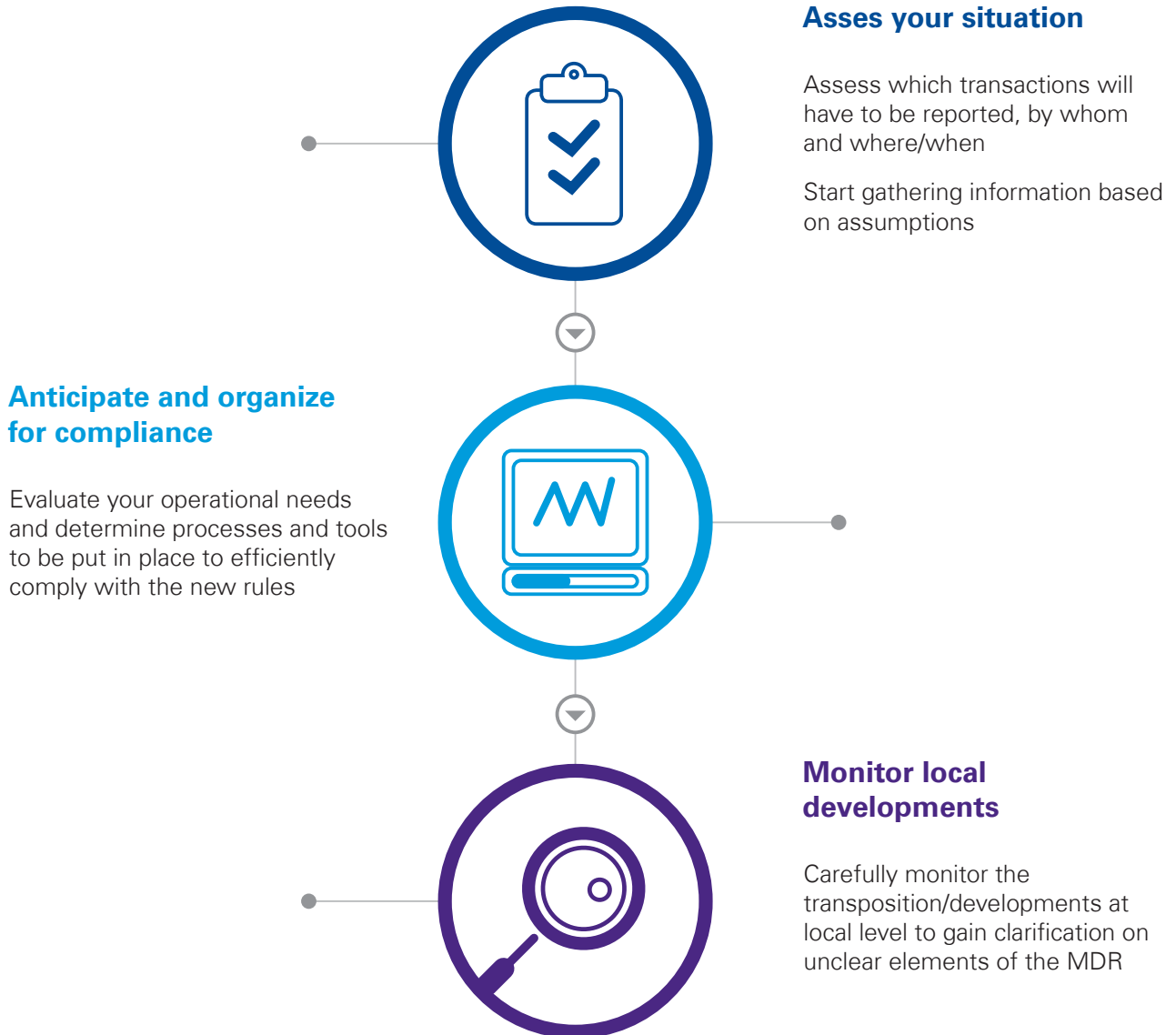


Which countries are concerned?



What are the right tools and processes to enable compliance with the rules?

## AIFM, GP = we can help you assess your operational needs and prepare you for the reporting process



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# Risk management services

**Our risk services are all about effective risk management**



KPMG provides a broad range of risk services to boost the efficiency of the risk management function.

We advise asset managers on suitable governance structures and organization setup to create an effective framework for the risk function considering specific needs and latest market practices.

Our experienced team provides support across the risk management spectrum, from risk identification and quantification to risk monitoring and reporting.

We can help businesses stay ahead of industry changes and use these changes as opportunities to help them reach their greatest potential.



## Client issues

Risk management, a key function in every asset manager's organization, has been subject to intensive transformation in the last few years. Due to its holistic nature, risk management's complexity has increased as many managers extend their operations from UCITS to alternative investments.

Effectiveness of the risk function is a major concern as it needs to be engaged in business value protection while subject to ever-increasing scrutiny of regulators. Many officers get tied up in low value-added activities of risk quantification instead of focusing on key areas of risk management and monitoring.



## Benefits we bring

KPMG Risk Services focus on optimizing the risk function allowing officers to identify the most appropriate operating model for their organization. Efficient risk management can free up valuable time to focus on business value protection and contribution to the commercial success of the asset manager.

KPMG's goal is to take the burden off risk officers while assuring sound and adequate risk management activities. Additionally, our risk reporting solutions provide clear and timely risk information to enable proactive management of arising challenges as opposed to mere reactive resolution of issues.





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# Reporting services

**Our services for your day-to-day risk management monitoring and reporting processes**



We assist clients in providing a tailor-made solution for their risk management monitoring and reporting processes. Our solution is designed to address risk managers' needs and help them meet increasing demands. We create value by reducing clients' workload while increasing their risk management process efficiency. Our solution plays an active, integral and naturally embedded part in clients' risk management process covering various risk measures.



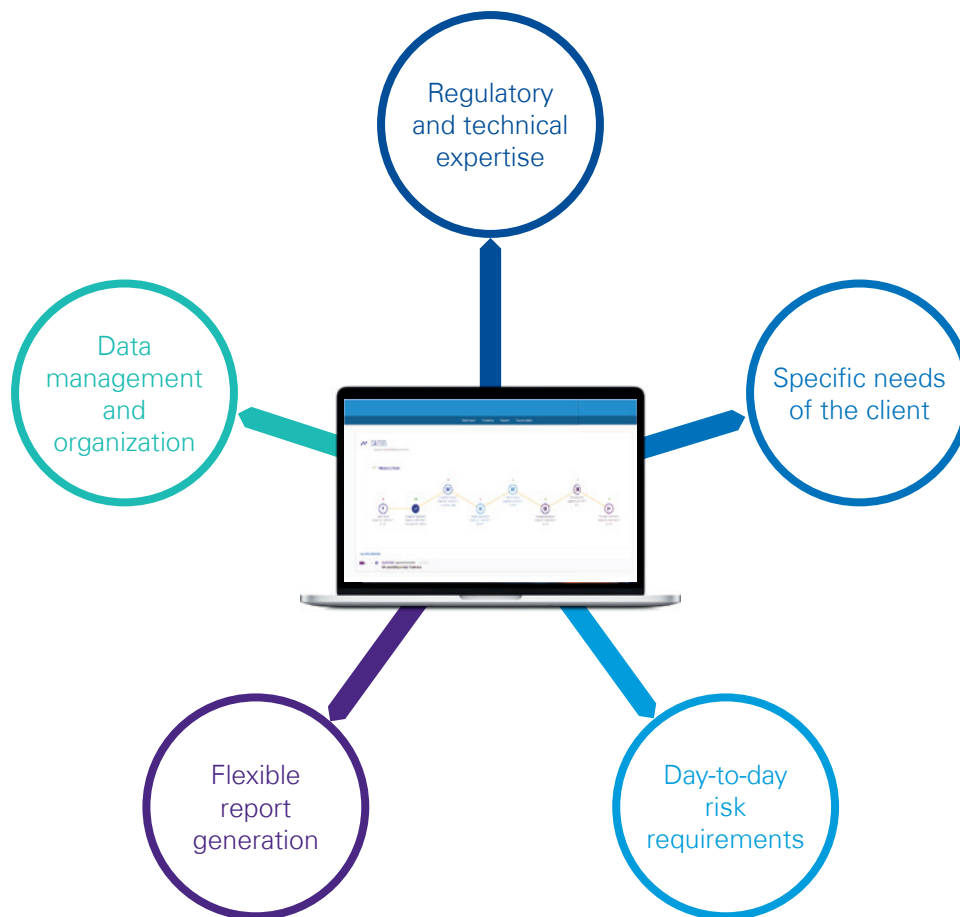
## Client issues

- Complying with regulatory requirements related to investment portfolio risks.
- Understanding risks and risk factors of alternative investments.
- Development of adequate risk measurement for AIFMs.
- Calculating risk measures for the purpose of the AIFMD reporting.
- Developing a sustainable, flexible and reliable risk reporting and monitoring capability.
- Staying up to date on changes to reporting requirements and resulting data implications.
- Data management (collection and control of information from different data sources) and organization.
- Monitoring of day-to-day reporting activities, including exception management.



## Benefits we bring

- Tailor-made and fully managed high-quality outsourcing service.
- KPMG in-house developed cutting-edge risk and performance engine.
- Highly skilled, expert staff knowledgeable in the alternative investment sector and its specific challenges.
- Coherent and AIFMD compliant risk management approaches for all the alternative asset and risk classes.
- Well established risk scoring methodology.
- Regulatory support and updates.
- Cost-effective and flexible report generation.
- Enrichment of client data by external sources.
- Aggregation of risk measures in a tailor-made report and delivery of these reports via web platform, SFTP or email.
- Calculation of complementary state-of-the-art risk management measures such as VaR, CFaR via an in-house developed software solution.
- Follow-up of reporting activities, exception management and report validation via a web platform.



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# Regulatory and institutional investor reporting



**We provide AIFMD, Solvency, VAG, CRR and GroMiKV reports**

The financial sector faces constantly changing and increasing regulatory requirements related to risk and capital as well as in terms of providing information such as portfolio positions, transactions and risk measures to the relevant authorities at national and European level. As a service provider with expert knowledge of the reporting needs of the financial industry, we provide regulatory reporting services in relation to AIFMD as well as institutional investor reporting services (e.g. Solvency II (TPT), VAG, CRD/CRR and GroMiKV) for fund portfolios.



## Client issues

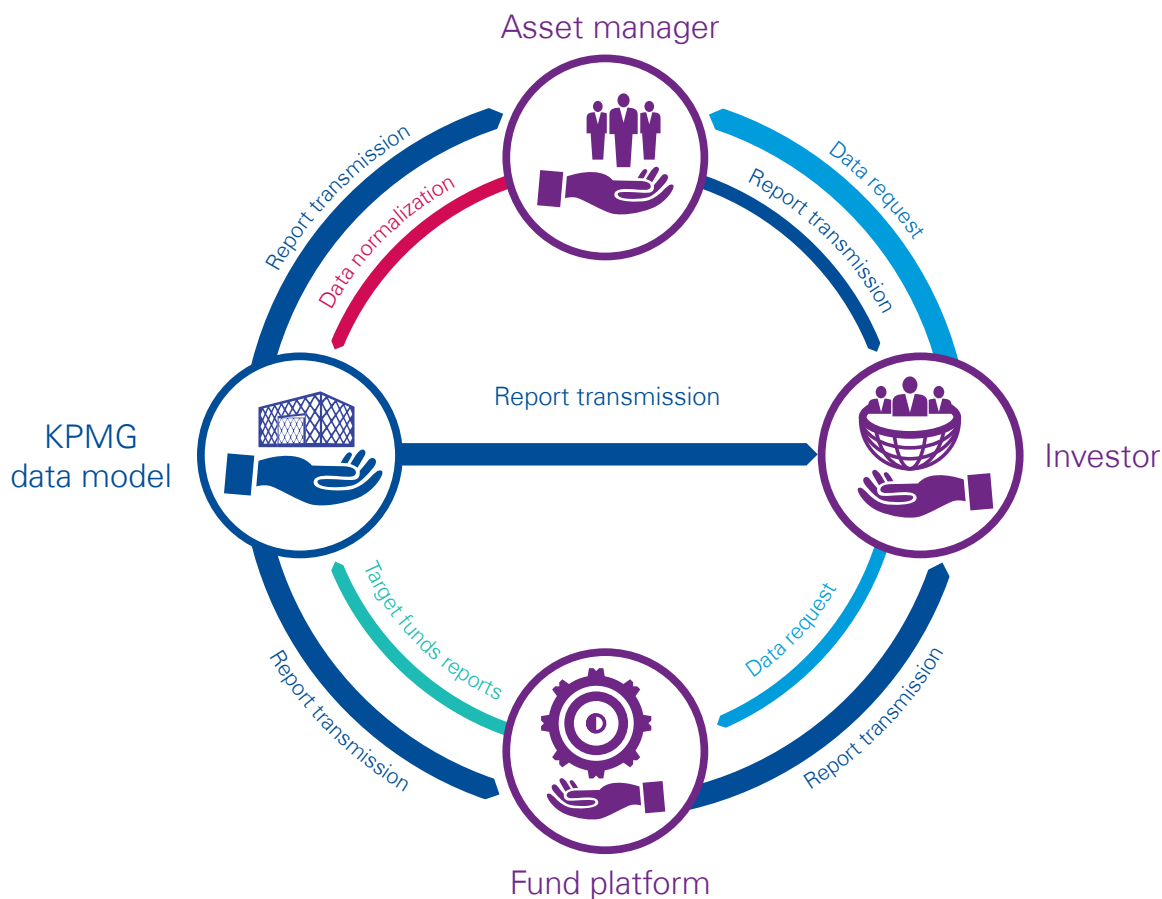
- New and changing regulatory requirements for alternative investment fund managers;
- Lack of relevant reporting capabilities and systems for specific reporting needs;
- Lack of manpower and/or relevant expertise;
- Ensuring appropriate data treatments, classifications and calculations in line with the regulatory requirements;
- Ensuring required report quality within imposed timelines;
- Risk of losing investors in cases where reporting cannot be provided.



## Benefits we bring

We have developed reporting solutions covering the different aspects and challenges of various reporting requirements, which can be tailored to our client's circumstances and needs:

- KPMG in-house developed cutting-edge reporting solutions which are flexible, scalable and cost-effective;
- Centrally managed high-quality outsourcing service capable of producing a wide variety of reports for alternative investment fund managers;
- Highly skilled and experienced staff;
- Regulatory support and updates;
- Enrichment of client data by external sources.



## Contact



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# Internal audit services

**We assist clients with internal audit outsourcing, co-sourcing and strategic performance review of internal audit services**



Our services offer you:

- Assistance in developing a quality internal audit function that delivers strategic business assurance, identifies business opportunities and enhances organizational value via efficient, risk-based and actionable recommendations.
- Performance of external quality assessment using KPMG methodology, K'SPRint - the culmination of our experience helping organizations around the world to build and affirm the strategic value of their internal audit function with embedded IIA Standards.



## Client issues

- Staffing of the internal audit function including the broad range of skillsets required to cover all the area/activities that must be included as part of the pluri-annual internal audit plan.
- The effectiveness and efficiency of internal audit and internal control functions can have a major influence on corporate performance, business outcomes and ensuring that regulatory requirements are fulfilled.



## Benefits we bring

- A consistent, cost-effective and high-quality set of services based on:
  - subject matter professionals covering all relevant areas for AIFMs teaming with internal auditors to enhance value;
  - experience in enterprise risk management and broader risk and controls management;
  - informed perspective on emerging risks within the asset management industry;
  - strong understanding of the business processes specific to AIFMs;
  - access to the resources of one of the world's leading professional advisory networks.
- Access to a full suite of KPMG managed services to help you meet the regulatory and reporting requirements.

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# Mock inspection services

**We can help you prepare for a CSSF inspection**



KPMG assists clients in preparing for a CSSF inspection by conducting mock inspections. After assessing the quality of your information, we advise on how to fix non-compliant or vulnerable areas. We also provide coaching to management and staff on how to interact with the regulator. A compliance review by KPMG, a fully independent professional consulting firm, is an excellent way to prepare for a regulatory inspection.



## **Client issues/considerations**

Governance, regulatory, and compliance continue to be complex business challenges that require high standards of corporate governance and robust compliance management systems. As non-compliance with regulatory requirements is under increased scrutiny from regulators, and as CSSF inspections become more frequent, regulatory compliance has become a high priority area for AIFMs.



## **Benefits we bring**

KPMG Luxembourg has a team of regulatory compliance experts with the industry knowledge, experience, and expertise required to simulate CSSF inspections effectively. Our pragmatic and risk-oriented approach is tailor-made for each client, while our methodology is designed to uncover potential weaknesses.





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# GDPR services

**Become competitively compliant with the General Data Protection Regulation (GDPR)**



Applicable since 25 May 2018, the GDPR is a single set of privacy rules spanning the EU. It simplifies the regulatory environment for international business, introduces complex requirements for organizations, and enforces EU residents' privacy rights over their personal data.



## Client issues/considerations

For organizations grappling with the GDPR, it is crucial to consider:

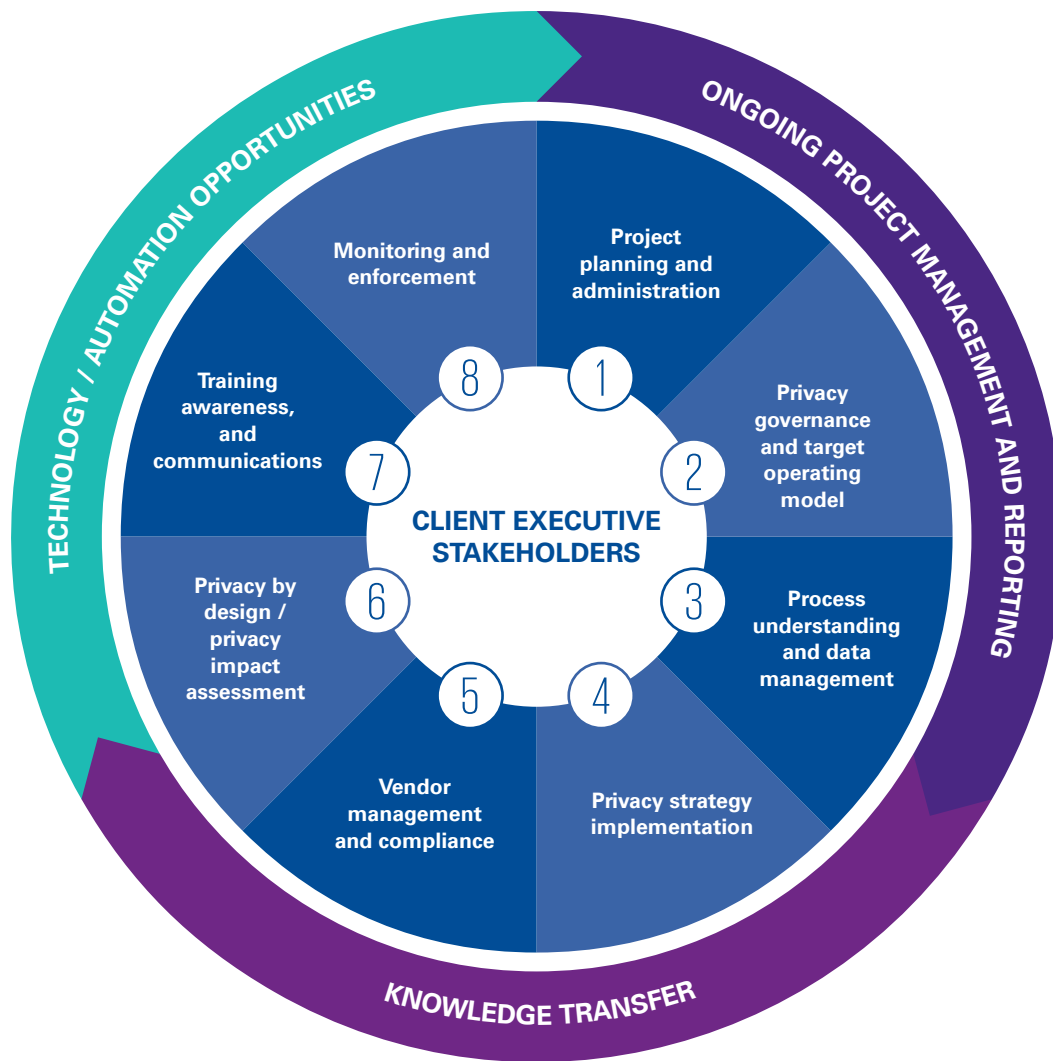
- Territorial scope, as the GDPR also applies to non-EU organizations that offer goods/services to EU residents or that monitor the behaviour of EU residents;
- Accountability, as organizations must demonstrate compliance with GDPR upon request (motivated or not) by a supervisory authority;
- A tiered approach to fines, which can be up to 4% of global turnover or €20 million (whichever is higher);
- Appointing a DPO;
- Mandatory Privacy Impact Assessments;
- A timely response (30 days) to data subjects' requests;
- A timely notification (72 hours) of data breaches.



## Benefits we bring

Following our pragmatic approach (as illustrated), we can assist you by:

- Addressing the most critical GDPR requirements;
- Assessing the current state of privacy compliance;
- Designing and maintaining more holistic compliance programs;
- Issuing an Assurance Report (ISAE 3000) on your privacy controls framework based on criteria defined by the local supervisor (the CNPD);
- Acting as a DPO for you, in order to assist you with monitoring your privacy compliance project and maintaining an acceptable and sustainable level of compliance.



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# Audit and assurance services to AIFMs



**Maintain trust by implementing financial transparency best practices**

When it comes to corporate governance, it's best to lay the foundations for best practices early. It begins with ensuring stakeholders' trust through robust, quality external audit and assurance services. Such a responsibility to the public interest is something that KPMG audit professionals take very seriously.



## Client issues

Earning and keeping the trust of investors and stakeholders are of utmost importance to protect your business and its reputation.



## Benefits we bring

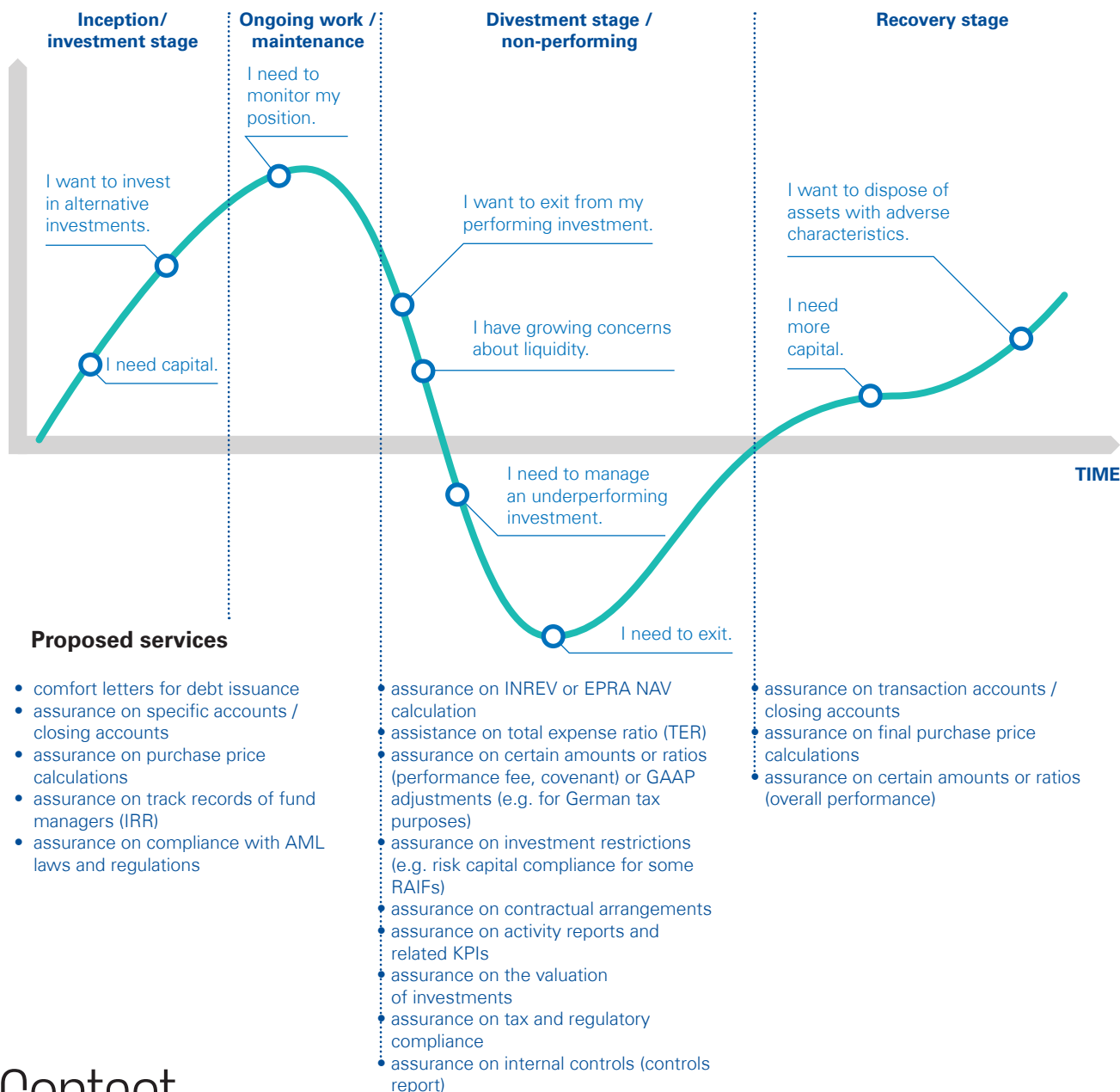
Our independent audit and assurance services perform the valuable role of being a trusted intermediary between you, as providers of business information, and the users of that information.

## Our services

We provide a wide range of audit and assurance services to help you meet investors' needs as well as your responsibilities for legal and regulatory compliance. These include:

- Audit of financial statements.
- Tailor-made solutions for providing assurance on specific key indicators, track records, etc., based on adjustable levels of assurance for a better cost/benefit balance.

In addition to our financial statement audit services, we offer your AIFM/AIF a variety of assurance services to meet your needs as follows:



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# Due diligence services

**Ease regulatory pressure by getting expert due diligence help**



The AIFMD, along with the more recent CSSF circular 18/698, stresses the need for effective oversight of delegated functions. Up until now, no clear operational guidelines have been provided to the industry, which relied on sub-optimal and manually intense practices. The latter circular has now shed light on the regulator's expectations and forces both AIFMs and management companies to adapt and meet the imposed standards.



## Client issues

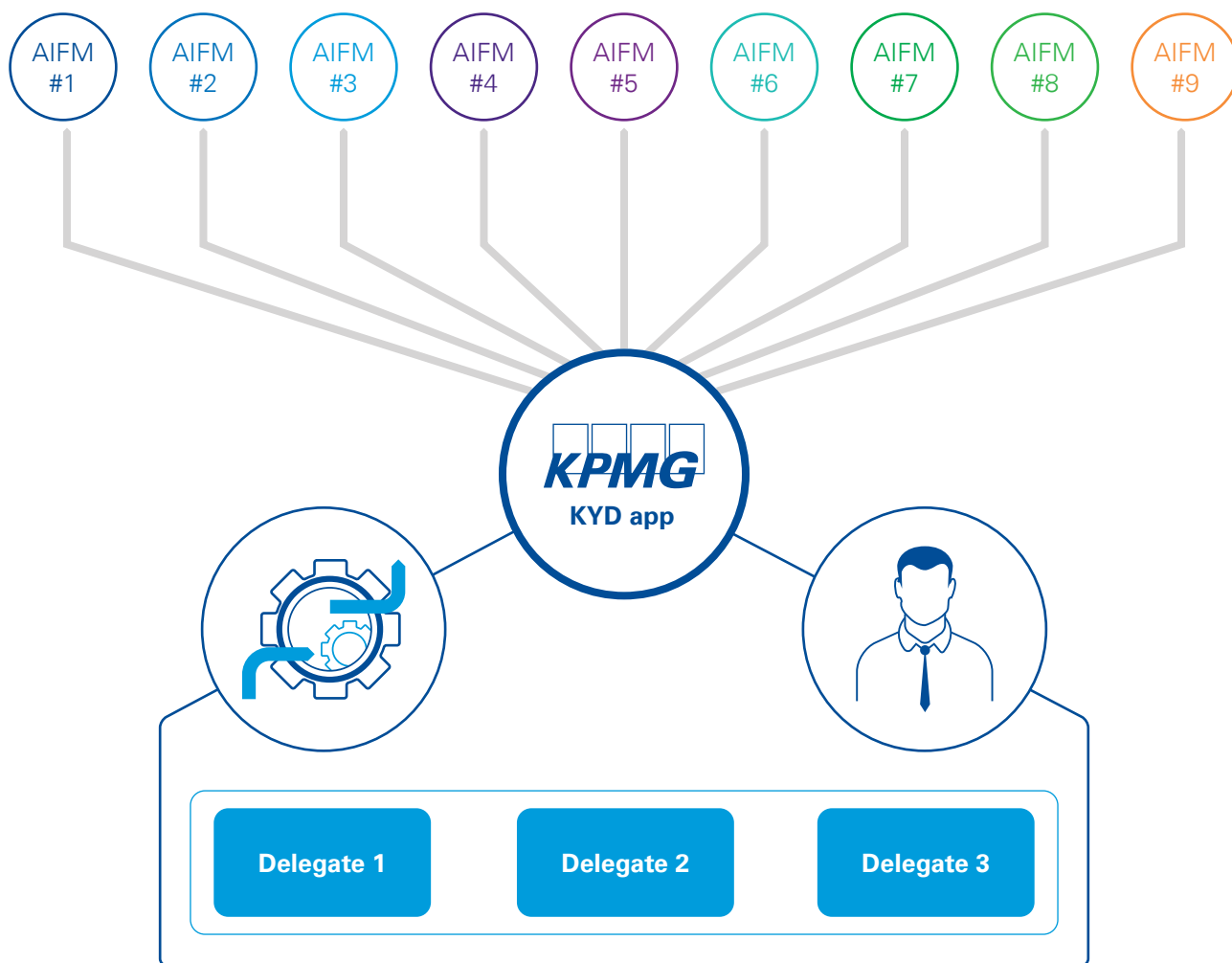
- AIFMs need to put in place an oversight framework that fulfils the requirements set by the regulator for all key delegated functions. This includes a tedious and manually intense recurring program of initial and ongoing due diligence exercises. The latter program is particularly burdensome for AIFMs because of the volume of due diligence questionnaires to handle, non-adherence of delegates especially outside of the EU, and regulatory requirements that require a wide array of expertise from operations to AML/CTF.



## Benefits we bring

**Our technology-powered Know-Your-Delegates (KYD) service significantly eases your oversight duties by:**

- Helping you create online your due diligence questionnaire and scoring model in line with your risk appetite.
- Centrally disseminating questionnaires to all your delegates and collecting their answers and supporting documents.
- Including a chase up service whereby the KPMG KYD team gets in touch with your delegates for maximum response rate.
- Pre-assessing the questionnaire and related documents to ascertain completeness and perform factual checks for corroboration.
- Notifying you directly on the KYD app whenever a "Due Diligence pack" is deemed ready for your review.
- Enabling a real-time monitoring of progress and provision of audit-trail required for your governance needs.
- Using a single app to oversee your key delegates while also relying on an expert team.



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