

Position Paper Intertrust Netherlands
Reference parliamentary inquiry fiscal structures

The position paper below describes the activities of international investors, corporations, financial institutions and the trust sector in the Netherlands, as well as Intertrust's role and vision within this context.

The Netherlands as an International Economic Hub

The Netherlands has traditionally been a legal and fiscal hub for investments between Europe, Asia and the US. Multinational corporations, investment funds and financial institutions choose the Netherlands to house their investment vehicles and holding companies for a combination of reasons including the quality of the legal system, the reliability and methodology of the Dutch fiscal authorities, the highly-qualified and English-speaking professional community, deep and liquid capital markets and the presence of attractive investment and tax treaties. The investment vehicles or "entities" contain financial and material assets and operations with various purposes such as investment into businesses projects located in third countries including emerging markets, holding companies for a portfolio of companies or real estate managed by international funds, assets and securities separated into baskets for example to create funds or financial products. Other countries with attractive environments for legal incorporation include the United States (Delaware in particular), the UK, Ireland, Luxembourg, Singapore, Hong Kong as well as others. These countries compete directly with the Netherlands to attract such incorporations.

In the case of investments into emerging markets, the acceptable level of investment protection combined with the return-enhancing fiscal treatment offered by countries like the Netherlands is often a prerequisite for multinational corporations and institutional investors to make an investment. In the absence of such safe havens, important private sector investments to less stable countries would most likely not occur. Such investments provide opportunities in the destination country for development of infrastructure, generation of significant employment and tax revenues as well as creation of financial assets for the local

government, who is almost always a participant in the investment. The investment and tax treaties in place between the Netherlands and these countries are often superior to other alternatives, and offer protection acceptable to the host countries which give co-financiers in such projects sufficient comfort.

Private equity and real estate funds are another important user of legal entities in the Netherlands. Their entities hold the companies and the financial assets which are required for the proper functioning of their funds. The investment and tax treaties which benefit them result in a lower tax burden than would otherwise be the case. Over time, the tax benefits to such funds have been limited by recent BEPS-derived regulation limiting the deduction of interest expense and phasing out the use of certain instruments like the CV-BV structure. The shareholders of these private equity and real estate funds include public and private pension funds, university endowments and other institutional investors across the globe and here in the Netherlands.

The Netherlands is an attractive jurisdiction for setting up legal entities, so-called special purpose vehicles, in structured finance transactions. These SPVs are used in both cross border financing transactions as well as in domestic financing transactions. Many regulated European investors are, based on domestic regulations, required to invest in securities which fall under European securities law. The Netherlands is a member state of the European Union, which makes a Dutch SPV attractive to European investors. Non-European multinational corporations, investment funds and financial institutions often use a Dutch SPV to tap European capital markets by issuing debt instruments and as such attract European investors.

The direct economic impact of the attractiveness of the Netherlands for legal incorporations is the related portion of employment and revenues generated by the Dutch legal, financial and fiscal advisory community, the accounting community, the banking community and the trust community. Indirectly, of course, the welfare of these professionals affects the rest of the economy in terms of growth and consumer spending but also in the competitiveness and depth of the Dutch professional community. The trust sector in the Netherlands provides a regulated and well-developed infrastructure through which these activities can be conducted. The trust sector's role is to ensure that companies incorporating entities here do so responsibly and correctly, meeting all obligations imposed on them by the Netherlands. The presence of a high-quality trust sector is an important component in the international competitiveness of the Netherlands for legal incorporations.

Where a company or financial institution establishes operations or its physical headquarters is a separate decision, which is sometimes linked to where their legal

incorporation sites. The characteristics that drive this decision, including the availability of qualified personnel, the accessibility and quality of infrastructure, but also ability to offer top management talent competitive remuneration packages and the ability to provide internationally competitive education to their children. When these variables are aligned, the choice of operational centers and the choice for legal domicile are more likely to be in the same location. The UK and the US are examples of countries which have been very successful in creating environments attractive to both. We see that in some cases, a legal entity being domiciled in the Netherlands does lead to a subsequent decision to also start operations in the Netherlands.

The competitive landscape between countries is changing. The UK will likely be an even fiercer competitor once it leaves the EU and is no longer bound by its restrictions. Clearly, Dutch society seems to be grappling with the decision of remaining competitive versus conforming to the desires of the EU to minimize the differences between the member states. There is a lot at stake for the future of the Netherlands in being attractive to corporations and investors as a location both for legal domiciliation and operational establishment.

Intertrust

Intertrust is a global leader in the trust, corporate and funds services sector, present in 30 countries. We provide outsourced legal and financial administration services which keep our clients' entities in good standing. We employ more than 2500 people globally, 570 of whom are in the Netherlands. Approximately 30% of our 2016 revenues came from the Netherlands. We seek to maintain our position as a global leader in our industry while building a sustainable business. We achieve this by creating a balanced relationship with all Intertrust stakeholders including employees, clients, business partners, investors, the communities we operate in and society at large.

We are highly aware of our role as gatekeeper to the global financial infrastructure. We recognize that by assisting reputable companies, financial institutions, funds and private individuals in complying with their legal, financial and regulatory reporting obligations, we are creating conditions for the sound, transparent and lawful conduct of international trade and investment. Making choices about who we serve and how we serve them is an important part of this process. We therefore consider compliance and integrity within a stringent regulatory environment to be an integral part of our business identity.

At Intertrust we adhere not only to the letter but also the spirit of laws and treaties, including those which govern our client's dealings. We know our clients and the business they operate in, and do careful and continuous checks to verify

their statements to us. We ensure that the entities we manage for our clients meet all local regulations, including any financial, legal and regulatory requirements and obligations to which our clients are bound under the laws and regulations wherever we do business with them.

We have clear strategic goals regarding the types of clients we do and do not wish to serve, which are reflected in company-wide client acceptance policies. We take a view on what type of legal entities and structures are sustainable from a regulatory, compliance and risk management perspective, and proactively revise our policies in line with changing societal norms. Consultations with regulators help us to continually improve our operations specifically and industry standards in general.

Robust internal governance, supported by procedures and systems, form our compliance framework. We apply a variety of means to ensure our employees are guided by high levels of personal and professional integrity, including our Compliance Charter, Code of Conduct, regular training programs, mandatory client file checks, ongoing screening of clients, and transaction monitoring. In addition, local and global acceptance committees are responsible for approving any new business. These measures ensure that our employees are able to implement our high standards of compliance in providing our services.

In making integrity one of our strategic pillars, we committed ourselves to putting significant resources into compliance, risk management and internal audit. This level of commitment is not superfluous, it is necessary to ensure that those elements of society who wish to abuse our financial system are not successful. We note that we can bear the cost of these systems due to our size. In our opinion, some players in the industry are not always able to allocate sufficient resources to these areas, resulting in damage to the reputation of the sector and the Netherlands. We would applaud measures which would increase the quality of trust providers.