



## MODULE 5 UNIT 2

### Video 2 Part 2 Transcript

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NIR VULKAN: I want to ask you a little bit about regulation and your experience in that, but I want to make a couple of points to our students at this point. The first is that many funds start with sitting capital from larger funds. There are big funds or big organisations, especially in New York and in London, who seed funds like that. And they typically give you a big ticket of fifty to a hundred million, they get equity or revenue share from your model. So that's a different kind of model to start, but many of you will perhaps be familiar with that model, which has its advantages and disadvantages compared to what Hans has described here.

My last comment to say before we continue is that we, in Module 6 of this course, in the last module, we talk a little bit about, if you are starting a fund, how to exactly manage the expectations, and how to remain in touch, and how to talk to your investors in a way that reassures them about what you do.

So Hans, I want to talk a little bit about regulation. This is finance, this is a highly regulated business. You are regulated in France, I believe. Can you tell us a little bit about your experiences, how hard it was to get regulated?

HANS-JÖRG VON METTENHEIM: So, let's say this experience is also mixed. So, on the one hand, I wouldn't say that it is terribly difficult to get regulated in France. So, all in all, I would say it is quite straightforward. I can only speak for France as a jurisdiction because there's been a lot of opening up in the last three to five years, perhaps starting even ten years ago where the regulator said: Yes, we really want people to be able to implement the new and good and a bit techy ideas they have. So in principle, France proved to be a good choice for us.

Then, if you look at the details, of course it becomes a bit tedious because we have to be very honest about this. It's a lot of paperwork, lots of crosses to put in the right place, so more or less like for every administration, it's also a bit of work to run a regulated structure, definitely because you have lots of due diligence to do on your client. I mean, that's, that's nothing new – under the sun for sure – but it's something you have to take into account when you are thinking of getting regulated yourself.

VULKAN: How long does it take? Can you give us an idea?

VON METTENHEIM: It's a bit difficult to say because, at the beginning, you try to research, you check your options. I would say the whole process, once you start to put in the documents and you get the approval, that's relatively quick; that was around three months for us. So definitely a manageable time frame. If on the other hand, you count all the time you need to combine the information you have, to get some advice, to ask relevant institutions and administrations for help, I would say around one year. But it's definitely manageable, and it's also not something—it's also not a terrible process. It's actually something that is quite nice to do, not very easy, but I would say reasonably easy, and my experience with a French regulator has been overwhelmingly positive. So there are people to whom you can talk, who will answer, who you can meet in person.

So, all in all, I would say if you are thinking about getting regulated, it's not a terribly expensive process, not terribly complicated, just a bit cumbersome, and my answer would

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be ya, you can go for that. You should definitely have this as an idea in your mind if you want to have a regulated structure.

VULKAN: Here in the UK, we sometimes hear of people who say: Look, you can buy an off-the-shelf kind of fund that's been dormant and use that. That takes off a little bit of the time, but I guess then you don't get exactly what you wanted.

VON METTENHEIM: Ya actually we thought about that, we even looked at some offers. The problem with that for us was that we thought, basically, the offers were a bit overpriced. We didn't find that there was that much value in that. And then another challenge is also, you inherit all the history of this vehicle, which is not always positive, which means you need more checking on that. So, with this, we might have saved a little bit of time, but then on the other hand, as you see, the process was already relatively and reasonably quick. So we ruled out this option, which does not mean it cannot be an option for somebody else who really needs a very short time to market, and who can really has a very, very good view of the past history of the vehicle that you are acquiring.

VULKAN: Thank you very much Hans. And, any kind of advice? Some of our viewers are thinking of, some of the students here are thinking of starting their own fund. What would be your advice? Would you do it again?

VON METTENHEIM: I mean, for me I would definitely do it again because, overall, the experience was funds, so I wouldn't miss it, but you have to be aware of that starting a fund, any way you slice it, really, will take away, somehow, one year of your life. That is a year where you will be busy, mostly busy with doing that, approaching other people, talking with potential partners. So it's something that I wouldn't do lightly. So you might really only do that if you have a very good business case of moving forward with such a project. But it can definitely be done, and at least in France, it proved reasonably straightforward to do.

VULKAN: Thank you very much Hans. Thank you for being as helpful and as positive as always, and I hope you have enjoyed this video.

Did you understand all the concepts in this video? If you would like to review any of the questions, click on the corresponding button.