

## **Call for papers VBA Journaal summer 2023**

### **Due diligence and outsourcing risk**

In the Netherlands, investment portfolio management is often outsourced to third parties: the asset managers. These asset managers in turn also use outside managers. The point of this outsourcing is to have certain activities carried out by parties that are better positioned to do so than the asset owner and/or that are able to do so at lower costs. Outsourcing does, however, entail certain risks. These risks must be identified beforehand and must be managed as best as possible, for instance by means of solid contractual agreements. Also, the risks must be monitored continuously.

An outsourcing relationship that has not been established or is not monitored carefully, can cause certain risks to become reality. This can have far-reaching financial consequences and cause substantial reputational damage. The Madoff fraud case and crypto platform FTX are cases in point.

In order to control outsourcing risk, the intended service provider must be subjected to a due diligence investigation. The term due diligence has accounting as well as legal origins and is basically an audit. Within the context of investments this comes down to collecting information and investigating whether this information is in fact accurate. A distinction is often made between operational due diligence and investment due diligence. Carrying out due diligence on managers is, furthermore, legally required in order to mitigate outsourcing risks. DNB, for instance, checks whether pension funds comply with this requirement.

For all parties that operate in the financial sector, due diligence is an essential part of being in control of their activities. The increased importance of data in investment processes also broadens the scope of due diligence to relationships with other parties, such as data vendors or (cloud) technology providers. There is a great deal of expertise in these areas in the Netherlands. At the same time, this area has remained underexposed in the literature and we therefore invite authors to shed more light on this subject.

In order to inspire authors, the editors have come up with a number of potential subjects:

- Do's and don'ts of operational due diligence
- The new practice of due diligence for technology and data, such as data providers, index providers and software suppliers
- How do you perform a solid background check of the key personnel in the organisation to which you are outsourcing? What is the value of reference checks?
- Deciding between internal and external asset management
- The role and impact of behavioural biases in due diligence
- The role of (big) data and statistics in due diligence
- The challenges encountered when monitoring external service providers
- Investment due diligence and the predictive value of selection criteria

By means of this call for papers we invite interested authors to contact the editorial team ([irma.willemsen@cfavba.nl](mailto:irma.willemsen@cfavba.nl)) no later than 10 February 2023. Contributions must be original articles that have not previously been published elsewhere. The article can be written in both English and Dutch.