

Alternative Investment Fund Managers Directive

These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union

Asset Management Unit C4, DG FISMA

1. A few figures of interest

- Size of EU AIF market is around EUR 4.9tn NAV at end of 2017 vs ~1.9tn of net assets in 2007
- AIF market is very diverse in terms of types, strategies and risk profiles (FoF 16% of the NAV, RE 11%, HF 5%, PE 4% and 'Others' 63%)
- Number of funds at the end of 2017 ~ 28 thousand
- 85% of the NAV of AIF industry is concentrated in 5 Member States (LU, IE, FR, UK, DE)
- Professional investors account for ~80% of AIFs' NAV
- Top 5 investors account for ~80% of NAV on aggregate
- AIFs mainly invest in the EEA (60%), North America (16%) and supranational issuers (9%)

Source: ESMA Annual Statistical Report – EU Alternative Investment Funds 2019

2. Overview and scope

- Regulation and supervision of managers of AIFs
- Applies to managers of all non-UCITS funds
- Requirements tailored to different business models, strategies, size
- No framework for retail distribution - national discretion
- Entered into force, 22/7/2011 and transposition into national law 22/7/2013

3. AIF managers' responsibilities

- Authorisation
- Set the scope of activities
- Organisational requirements
- Conflicts of interest
- Conduct of business
- Risk and liquidity management
- Delegation
- Remuneration policies
- Valuation
- Regulatory reporting

4. Role of the depositary

- Holds AIF's assets in custody
- Verifies ownership of other assets;
- Monitors cash
- Oversees compliance with the directive
- Detailed conditions for performance of duties and delegation
- Cannot be the management company as well
- Can be a bank, investment firm or other

5. AIFMD specific provisions

- Disclosure and transparency requirements to investors and supervisors
- Supervisor to share aggregated information with other Member States, ESMA, ESRB
- Enabling supervisors to limit use of leverage
- Information about acquisitions to private companies, other owners and competent authorities
- Provisions against 'asset stripping'

6. Single market rights

- Right to market to professional investors in home Member States and other Member States
- No right under Directive for marketing to retail investors with the passport
- Member State may permit marketing of AIF to retail investors
- Right to manage AIF in other Member States

7. Cross-border activities

- Management passport
- Providing services under freedom to provide services (no requirement for establishment)
- Marketing passport
- Notification systems
- Supervisory cooperation

8. Other investment fund regulations

- Three other sets of fund regulations:
 - European Long Term Investment Funds – ELTIF
 - European Venture Capital Funds – EuVECA
 - European Social Entrepreneurship Funds – EuSEF
 - Money Market Funds - MMFR

- One disclosure regulation
 - Packaged Retail and Insurance-based investment Products – PRIIPs
 - Applies to ALL packaged products sold to retail

9. Alternative Investment Funds (AIFs)

	AIFMD	EuSEFA funds	European venture capital funds	ELTIFs	Money Market Funds
Name	AIFMD	EuSEFA funds	European venture capital funds	ELTIFs	Money Market Funds
Investments	National rules	70% social objective	70 % SMEs	70% long term*	MM & elig. assets
Rules	Manager	Product	Product	Product	Product
Retail	National rules	min eur 100K	min eur 100K	10K<inv<50K**	Per UCITS/AIFMD
Depository	Yes	No	No	Yes	Yes
Inv. policy	National rules	No leverage	No leverage	130% lev, 8 inv.	Per UCITS/AIFMD
KIID / KID	If sold to retails	No	No	Yes	If sold to retail
	AIF	EuSEF	EuVECA	ELTIF	MMFR

* Unlisted companies, listed < €500m mkt cap, real assets (e.g. infrastructure)

** If retail investors have > 500K portfolio, no restrictions

10. Looking ahead: selected work streams impacting the AM field

- 1. FinTech Communication (Q1 2018)
- 2. ESA review (political agreement 21 March 2019)
- 3. Cross-border fund frameworks (Q1 2019 political agreement reached)
- 4. AIFMD review (work has commenced)
- 5. Follow-up to FSB/IOSCO/ESRB financial stability work, notably on liquidity and leverage (work ongoing)

Questions