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# AIFMD in the EU and its impact on the Fund Industry in Singapore

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Singapore, October 2013



# AIFMD – Background

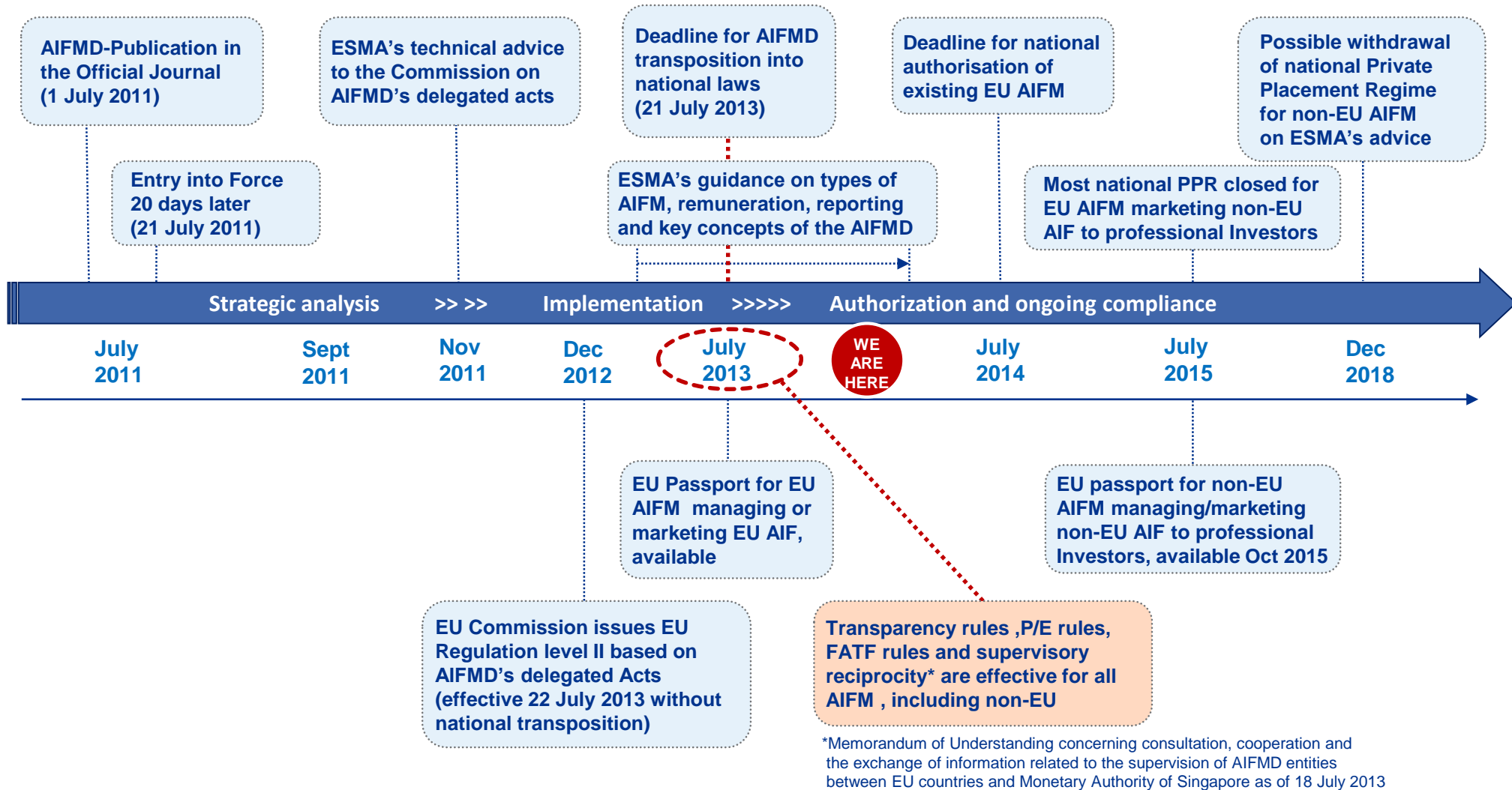
## ➤ Why more regulation?

- Calls for regulation of hedge fund managers and stop of excessive financial risk-taking
- G-20 Summit 2008/2009 in Washington and Pittsburgh, USA
- Dodd-Frank in the USA & AIFMD in the EU

## ➤ What is the Alternative Investment Funds Managers Directive?

- EU Commission proposed the AIFMD in April 2009 to **monitor systemic risks** and **strengthen investor protection**; it entered into force in July 2011 with a 2-year transposition period and a 1-year transition period until July 2014
- Alternative Investment Fund Managers ('AIFM') will have to **apply for authorisation** in order to manage an Alternative Investment Fund ('AIF'), if the amount of assets under management exceeds certain **thresholds** (€ 100 million leveraged/ € 500 million unleveraged )
- Authorised EU AIFM managing/marketing EU AIF will in return be provided with two passports enabling them to offer their management services ('**Management Passport**') and market their AIF, other EU AIF or non-EU AIF throughout the EU ('**Marketing Passport**'); non-EU Marketing Passport in July 2015
- AIFMD is **unconsolidated** with UCITSD » parallel national regimes for Investor, Product, Manager, Depository, etc.

# AIFMD – Timeline and Transitional Compliance



# Estimates of EU entities captured by the definition of AIF

|                | No. of funds (est.)     |                 | No. of funds (est.)    |
|----------------|-------------------------|-----------------|------------------------|
| Austria        | 970                     | Lithuania       | 20                     |
| Belgium        | 120                     | Luxembourg      | >2,000                 |
| Czech Republic | 160                     | Malta           | <500                   |
| Finland        | 250 - 300               | Netherlands     | 1,400                  |
| France         | 9,000 - 12,000          | Norway          | >170                   |
| Germany        | 4,000 + 350 closed p.a. | Portugal        | 450                    |
| Greece         | —                       | Slovak Republic | 20 - 30                |
| Hungary        | 520                     | Slovenia        | 10                     |
| Iceland        | 50 - 60                 | Spain           | 330                    |
| Ireland        | >2,100                  | Sweden          | 500 - 750              |
| Italy          | 660                     | UK              | 2,000                  |
| Latvia         | 20 - 25                 |                 |                        |
| Liechtenstein  | 400                     | <b>TOTAL</b>    | <b>25,650 - 28,975</b> |

No. of **non-UCITC** as per Dec 2012: **19,095** with net assets of 2,645 EUR bn (UCITS: 6,271 EUR bn) (Source: EFAMA)

Source: Competent authorities of the EEA Member States, quoted in: ESMA 2013/600 – Guidelines on key concepts of the AIFMD, Final Report 24 May 2013, p. 24

# Determination of the Manager and the Fund

## ➤ What is an AIF?

- Any Undertaking for Collective Investment **other than UCITS**
- Which **raises capital** from a **number of investors**
- With a view to investing it in accordance with a **defined investment policy** for the **benefit of those investors**

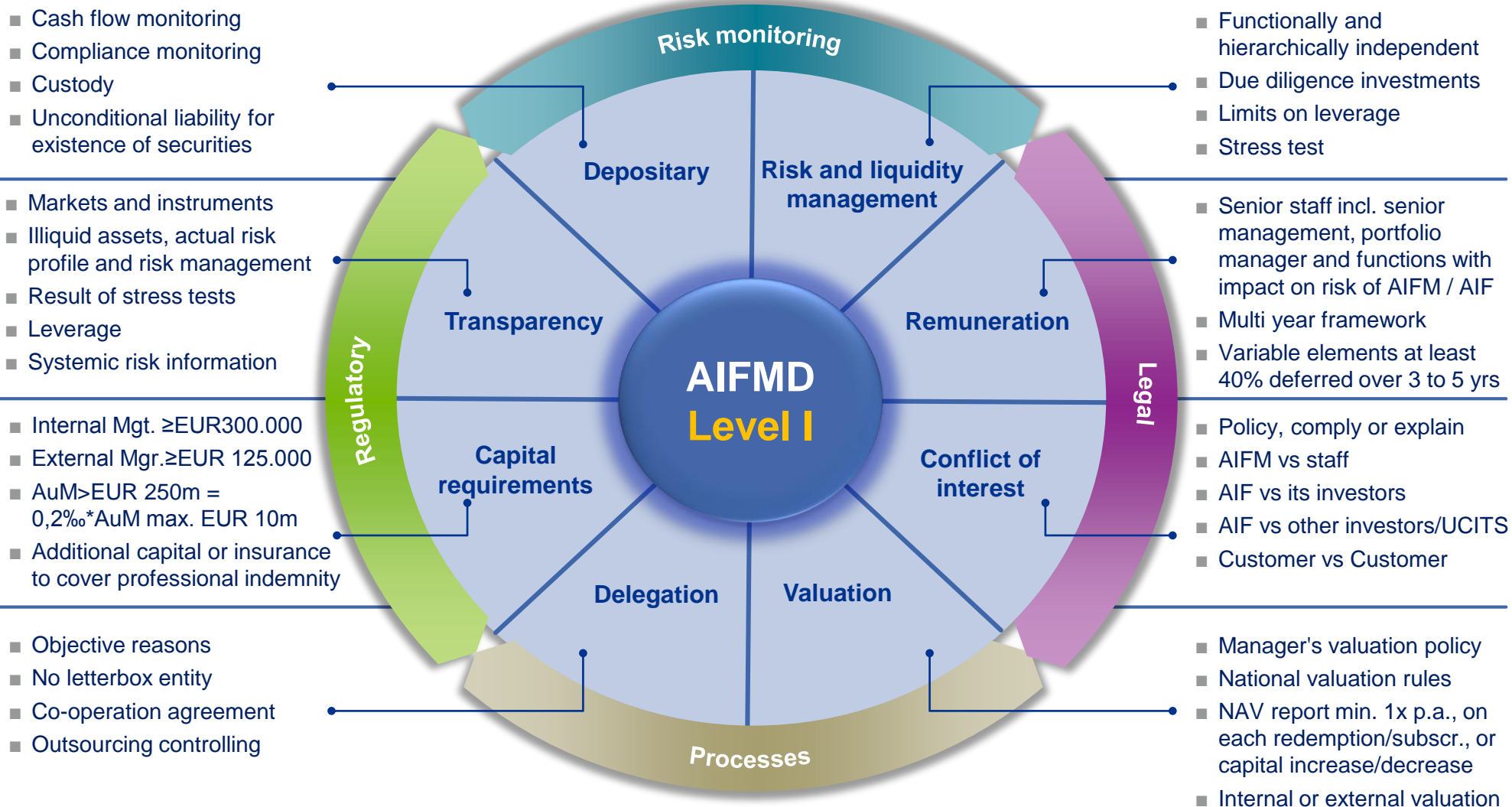
## ➤ Who is the AIFM?

- Legal person whose regular business is **managing** one or more AIFs
- An entity **performing portfolio management and/or risk management** is considered as 'managing an AIF'
- An AIFM may also perform **other functions** such as administration, marketing or activities related to the assets of AIF

## ➤ How is the AIFM determined?

- Each AIF shall have a **single** AIFM which shall be responsible
- A '**Self-managed AIF**' is the responsible AIFM, if its legal form permits it but an external AIFM has not been appointed
- An '**External AIFM**' is the responsible AIFM, if it is a legal person appointed by or on behalf of the AIF

# AIFM Directive – content overview



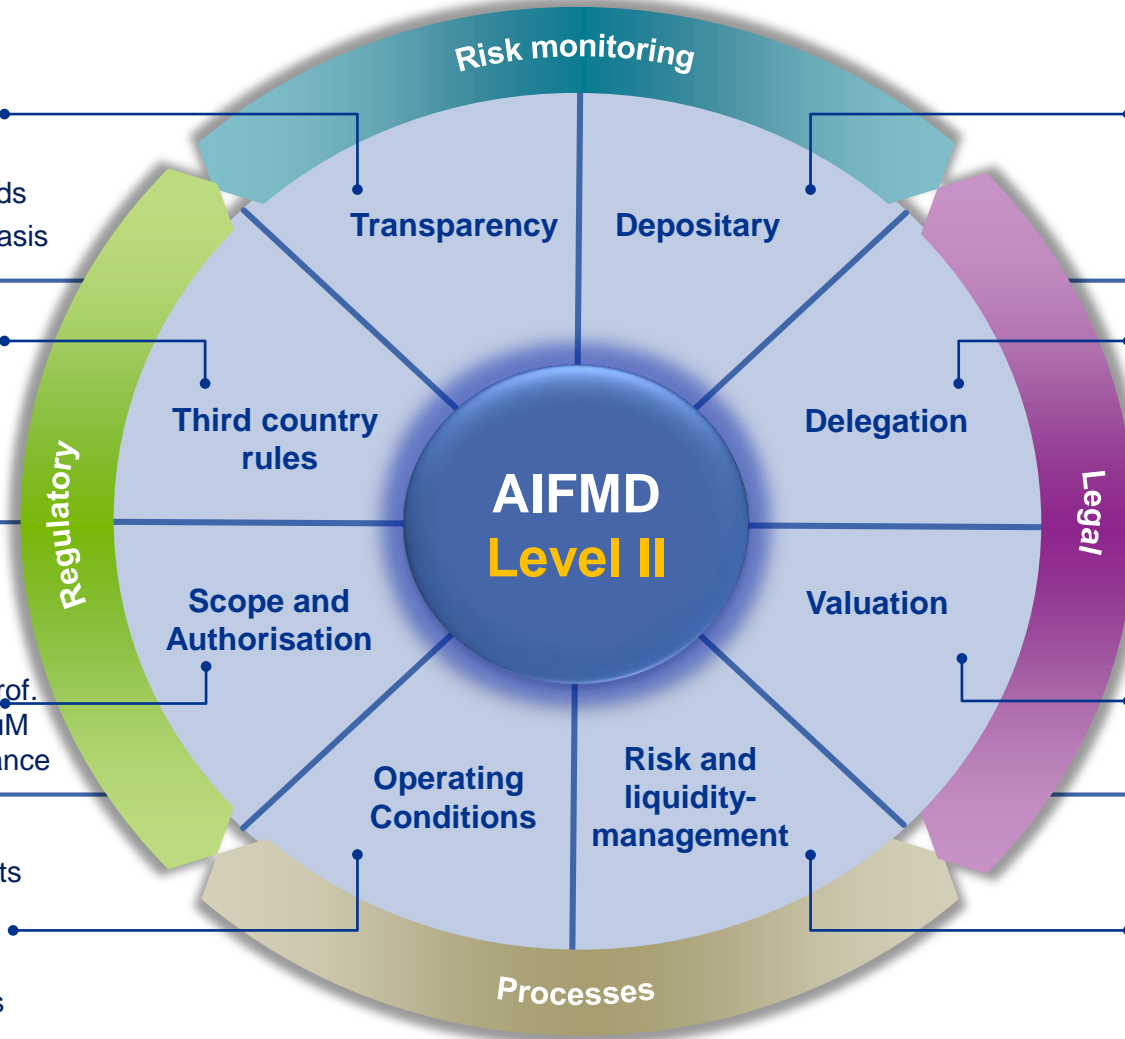
# AIFM Regulation – content overview

- Content of annual report
- Disclosure to investors
- Reporting to competent authority
- Leverage calculation methods
- Leverage on a substantial basis

- Cooperation arrangements
- Local inspections
- Data protection safeguard

- Calculation of AuM
- Monitoring of AuM
- Occasional breaches
- Additional capital to cover prof. indemnity 0,1‰ on gross AuM unlimited/dynamic or insurance

- General principles
- Due-diligence on investments
- Conflicts of interest policy
- Organisational structure
- Investment in securitisations



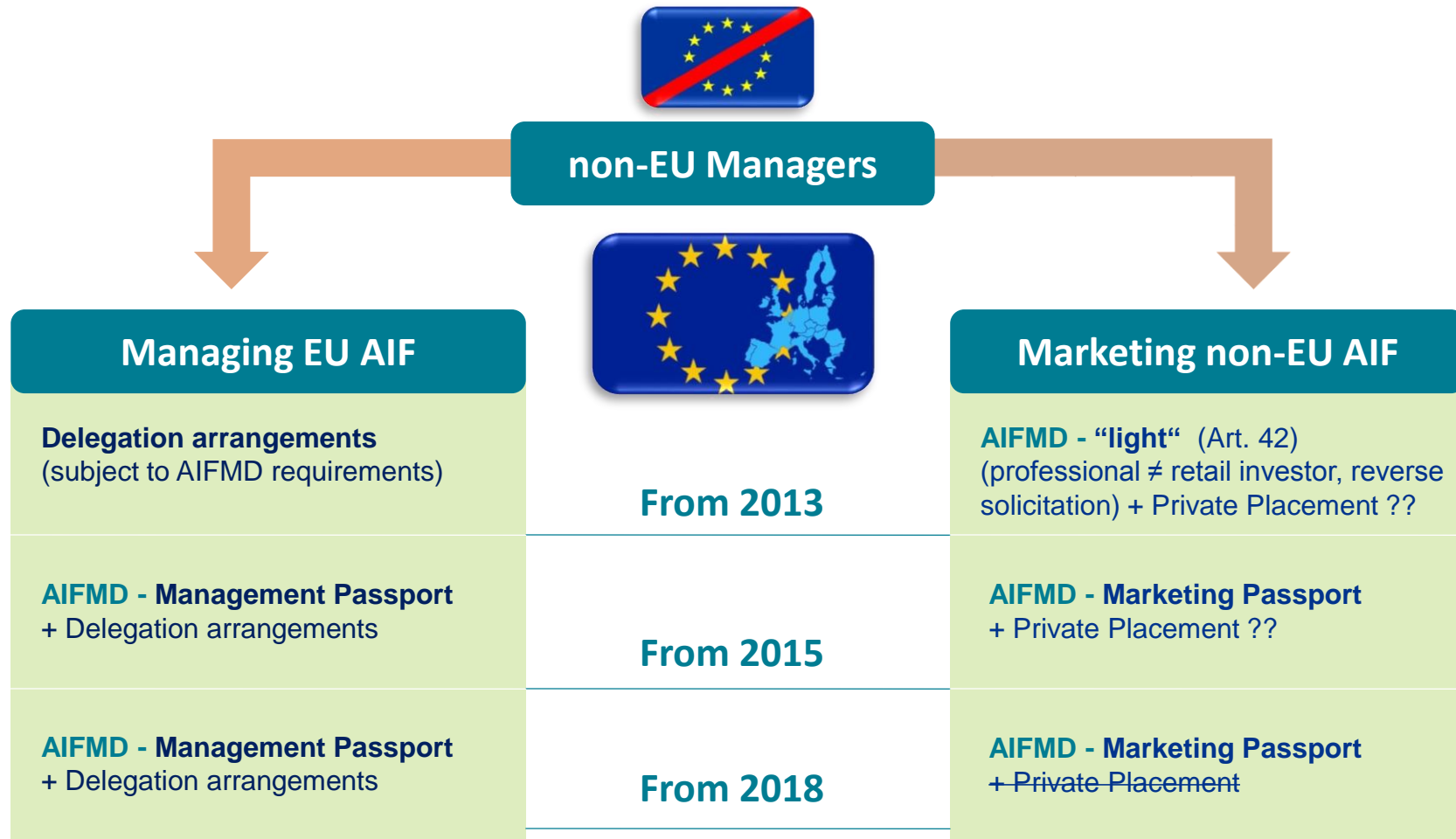
- Scope of custody
- Cash-flow monitoring
- Oversight + control
- Delegation of custody
- Loss of financial instruments
- Discharge of liability

- Objective reasons
- Features of the delegate
- Conflicts of interest
- Sub-delegation
- Letterbox entity ⚠️

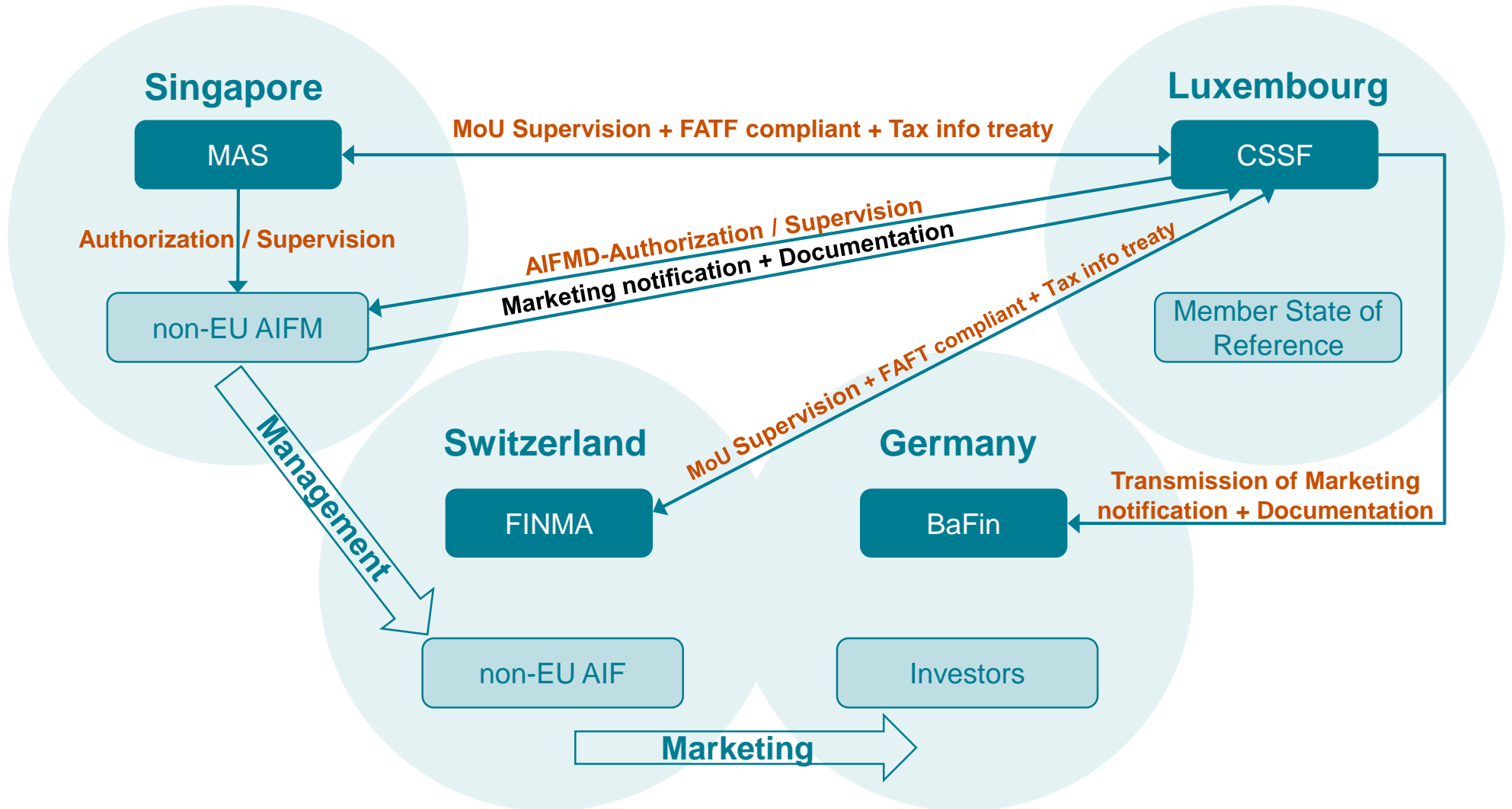
- Policy & procedures
- Periodic review
- Frequency of valuation
- Professional guarantees of external valuer

- Funct. and hierar. separation
- Permanent risk monitoring
- Risk and liquidity mgt. policies
- Risk limits
- Safeguards on confl.of interest

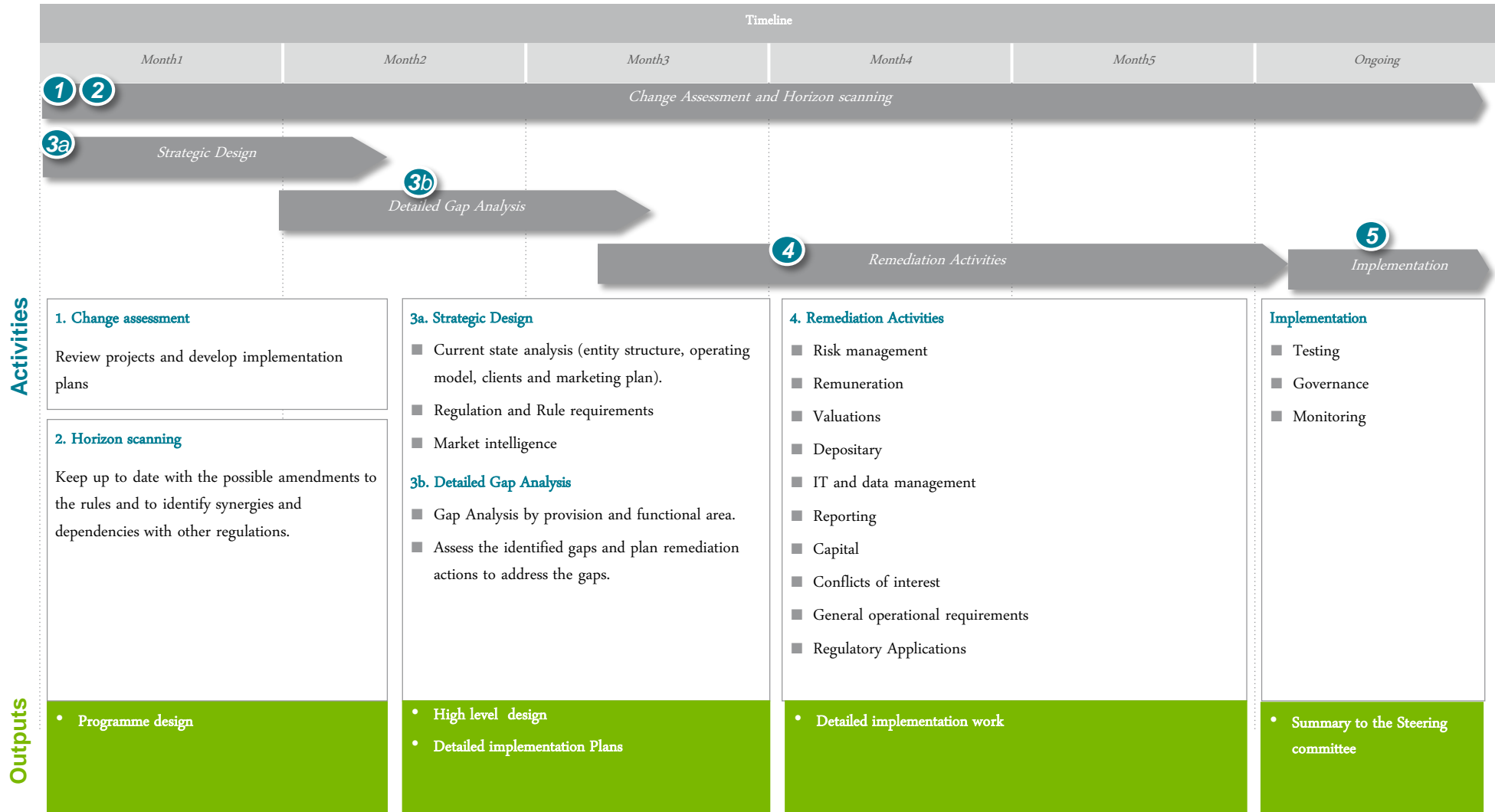
# Access of non-EU Managers to the EU market



# The EU passport for non-EU AIFM in October 2015 (est.) – Case study



# How Managers are approaching AIFMD Projects





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# Q & A

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