



Alternative Investment Management Association

AIFM FAQs

Please note that this document will be updated in light of developments.

What is the AIFM Directive?

The European Commission has produced a draft directive on Alternative Investment Fund Managers (AIFM). You can read it [here](#). This will affect not only the hedge fund industry in Europe but also private equity and other sectors too, like real estate funds.

You can read all the analysis we have received on the directive [here](#).

What are our concerns about it?

The Commission says that the current crisis has demonstrated the need for the directive but all the major reports which analysed the crisis in-depth, including the de Larosiere report and the Turner Review, concluded that hedge funds neither caused nor played a significant role in the crisis. The draft directive is therefore not a proportionate response to the current crisis.

We think the directive was drafted without proper consultation and that as a result the text is unclear in many areas. That has created uncertainty which is already damaging business by putting plans on hold or discouraging future investment.

Because it presumes a structure for the industry which bears little relationship to reality we are worried that as it stands the directive is unworkable. It could also be in conflict with much of existing EC financial services legislation. And in any case its "one size fits all" approach is inappropriate for a diverse industry.

The directive will hit investors who will face a loss of choice of managers and may force them to avoid non-EU based managers or funds. Hitting investors reduce the amount of counter-cyclical risk capital being supplied to European economies at a time when because of the crisis it is most urgently needed. The consequences will be felt in terms of lost jobs and reduced tax revenues.

We believe the directive is unilateralist because it does not recognise or take into account either the existing progressive and effective regulatory framework in some EU states or the vast amount of work that is currently being undertaken by the G20, IOSCO and the Financial Stability Board. In addition, we think that the directive breaches the concept of "subsidiarity" by transferring responsibilities from national regulators to Brussels.

We think much of the directive is unnecessary and by creating an extra layer of bureaucracy imposes significant burdens and costs without adding value; and that there will be serious unintended consequences to all of this too.

As a global organisation with members around the world we are particularly worried about measures in the directive that appear to encourage a protectionist outcome and which could negatively impact our members and investors.

Finally, we are concerned that the process of drafting the directive has been subjected to undue political pressure and that this inappropriate pressure will continue to be applied. You can access our key messages [here](#).



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What are we doing about it?

We are calling for urgent effort to be devoted to re-drafting this directive. We will also seek to have excluded those provisions which are the most damaging and to prevent those who wish to make the directive even more punitive from prevailing.

As the global trade body for the industry it is right that AIMA takes the lead in mobilising resources in order to secure the best possible outcome for the industry on the directive. We will be announcing a series of initiatives to mobilise the industry.

How will we organise the industry's response?

A main steering group will direct our campaign with separate sub-groups working on specific issues. Our campaign is a major (currently unbudgeted and therefore unfunded) effort that will seek to coordinate activities in relation to European structures, national governments, international organisations, political parties and organisations, industry associations, media outlets and the wider world, including North America and Asia-Pacific.

Our campaign is taking shape to include separate workstreams under the guidance of the Steering Group for:

1. Data gathering/impact analysis
2. Education/Raising Awareness
3. Communications/Media
4. Legal/Redrafting
5. Advocacy/Lobbying

What help do we want from our members?

There are four areas we are looking at:

1. **Data:** We are seeking to gather data from our members for an impact assessment of the directive. We wish to assess the potential impact on managers, their service providers and on investors. Obviously the data we are looking to obtain will be specific and we shall announce this in due course.
2. **Meetings:** We are keen to know what lobbying meetings our members are holding or attending on the directive.
3. **Connections:** We would like to know what connections to "points of influence" our members have directly in the European Parliament, Commission or policy makers in member states, and indirectly in the governments of non-EU states likely to be affected.
4. **Communications:** We would also like to know what interviews or articles our members are contributing to on the directive.

Can I enlist the support of my investors?

We are extremely keen for the voice of investors to be heard in the debate. We have provided a script for you to give to investors for them to use to write to policy makers (both local and European).

It's a guide to what they could say, and written in deliberately quite a neutral tone to allow them to personalise it. The idea is they use the script to produce their own individualised letter featuring their own experiences and opinions, which will naturally carry more weight. You can access it [here](#).



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Do we oppose everything in the directive?

We will not oppose everything in the directive; some of the provisions, such as manager authorisation and registration, are already supported by us and measures which increase transparency to assist the authorities in the understanding of systemic risk issues are to be welcomed. A resolution of cross-border marketing issues would also be sensible.

We are not opposed to the directive per se, we just want the final directive to be proportionate and realistic. We want to work with the Commission, EU governments and the European Parliament to achieve.

What happens next with the directive? What is the timeline?

In order for the proposed AIFM directive to become law, it needs to be approved by the European Parliament (EP) and the European Council (EC).

Within the EP, a lead committee will be assigned to review the proposal, devise and agree amendments and prepare a report to be approved by the EP. There are a number of [committees](#) in the EP - the Economic and Monetary Affairs (ECON) committee will be the lead committee for the AIFM proposal and the Legal Affairs (JURI) committee will provide one opinion on the proposal and at least one other committee will also provide an opinion.

The Rapporteur (the person in the ECON committee responsible for authoring the report on the AIFM proposal) will play a pivotal role as he/ she will set the EP's position on the proposal and will lead all EP negotiations on it. Each committee is comprised of different political parties - a list of current ECON committee members (and the parties they support) can be found [here](#). On 21 July, it was announced that the European People's Party (EPP) will have responsibility for the AIFMD report and on 2 September it was announced that the Rapporteur will be Jean-Paul Gauzès. Shadow Rapporteurs (members who track the dossier for their respective political groups) have also been appointed from ECON and they will represent political groups other than the EPP - see [here](#) for a list of the Shadow Rapporteurs.

If the report is not approved by both the European Parliament and the European Council, then a second reading will be required. Further information on this process can be found on the European Commission's website [here](#). Implementation of the approved proposal is usually 18 months after adoption. We have created a [slide](#) setting out the process of the first reading - this slide assumes that the first reading vote in the Plenary will not take place until next year. If this should change the timing stipulated in the slide will differ, although the overall process will remain the same.