



# AIMA's Global Review of the Year 2018

Includes:

Regulatory and tax highlights

Our research and sound practices

Key events

Updates from regional offices

The AIMA logo consists of a dark blue square with the word "AIMA" in white, sans-serif capital letters.

# 2018 in numbers

New corporate members: 300

Total corporate members: 2,000+

Total member contacts: 14,000+

Countries where our members are based: 60+

AuM of manager members: \$2 trillion

1,600+ individuals from 650+ firms represented in 130+ committees and working groups

275+ events

Over 12,500 attendees at AIMA events

7,000 Twitter followers

Over 7,000 LinkedIn followers



# AIMA CEO's end-of-year letter

by Jack Inglis



**I am delighted to introduce our Global Review of the Year for 2018 which describes the work we have undertaken around the world this year on behalf of our membership. We believe that our efforts made a real difference for the industry over the last twelve months and that we have provided significant value to our members.**

We continue to deliver on AIMA's global proposition through a winning combination of hard work, team effort and collaboration with AIMA members. They value the individual access to senior staff that membership offers and benefit from on-demand consulting and insights on a broad range of industry issues.

## **Delivering on AIMA's global proposition**

AIMA has been an influential voice throughout 2018. We have acted where new policy and regulatory developments have had the potential to affect our members.

Major projects have included obtaining a commitment from ESMA on cooperation agreements, petitioning the SEC to create rules on market data fees, supporting changes to NI 81-102 in Canada and publishing the Fund Managers Code of Conduct Guide in Hong Kong.

The quality of our Due Diligence Questionnaires continues to set the industry standard. Since their modularisation in November 2017 we have added liquid alternatives and short form fund and manager components to the library. Alongside these resources our members have been supported consistently by one-to-one consulting and the wide industry network AIMA provides. This year our team held over 275 events around the world attracting around 12,500 people. These events offered access to extensive peer-to-peer

knowledge and the opportunity to forge new industry connections. AIMA has also secured numerous discounts from external service providers which offer members substantial savings.

The year has seen us deliver research containing unique insights on the future of our industry and create educational content to help improve the understanding of important industry stakeholders.

AIMA now represents over 2,000 corporate members in 60 countries and continues to grow. We have increased our staff in the U.S. and intend to make further additions next year to provide a truly on-the-ground service with local regulatory support. Our membership in Asia-Pacific has increased by 8%, further demonstrating our value around the world.

None of our achievements this year would have been possible without the support of our membership and the commitment of AIMA staff. We work continuously to deliver value to our members. Supporting them is our priority.

## Policy and regulation

Our Government and Regulatory Affairs team continued to offer invaluable representation for members through advocacy work and provided practical guidance on regulation throughout the year. For our European members we hosted a range of educational events on GDPR and published an [Implementation Guide](#) at the start of the year. Our team also regularly supported members on a one-to-one basis on their compliance with the legislation. As negotiations on the UK exiting the EU continue, it was no surprise that our team remained very busy with Brexit on behalf of our members. Amongst other positive outcomes, the team successfully obtained a clear commitment from ESMA on co-operation agreements.

In the Americas we worked to make the SEC aware of the difficulties caused by market data fees. Following AIMA's petitions, statements from the Commissioners indicated they have recognised these issues. In Canada, the team participated in discussions with regulators on the introduction of an alternative investment mutual fund regime (NI

81-102). AIMA has been involved in discussions on the development of this framework since 2013.

Our team in Asia-Pacific devised and published an Implementation Guide to the Fund Manager Code of Conduct (FMCC). This is part of SFC's intention to strengthen Hong Kong's regulatory regime. We launched the Guide at events in Hong Kong, London and New York City.

## Guidance and thought leadership through publications

[AIMA DDQs](#) are the industry standard. This year our team added liquid alternatives as well as short form fund and manager components to the library, which was modularised in November 2017. Members are regularly consulted to ensure the relevance of the content and maintain a good user experience.

Our [Sound Practice Guides](#) now include [GDPR Implementation](#) and [Expense Allocation](#). There has also been an extensive update to Sound Practices for the [Valuation of Investments](#). We look forward to providing a Guide to Platforms, a Guide to

Outsourcing, a Guide to Private Credit and the AM&CR Road Map.

Our Research team published the landmark paper, '[Perspectives](#)', which looked at the future of the hedge fund industry through the insights of 25 of its leading figures. It addressed themes including machine learning, workforce diversity and talent, and generating alpha in the years ahead. Amongst other papers we also published research into how [responsible investment](#) is becoming mainstream, a paper on [understanding liquidity](#) (the fourth instalment of our series for trustees and fiduciaries), a [road map for emerging managers](#) as they grow their AuM to \$1bn and a [report](#) into distribution methods for hedge funds.

## Communications

Our team has offered a representative voice for the industry and amplified AIMA's messages throughout 2018. The function now sits within the Research department to ensure communications are continually informed by new insights and new data.

Throughout the year we have worked to introduce new delivery mechanisms for our content and messages including visual and broadcast materials. Our approach to traditional media relations has become increasingly targeted and we continue to improve the use of social channels to deliver directed and measurable communications campaigns.

Our work benefits greatly from collaboration with the AIMA Communications Committee, a group comprised of members' heads of communications. This unique resource helps AIMA devise and deliver a global voice for the industry. We are grateful for the Committee's assistance and insight.

It is our intention to provide the industry with market-leading, analytical, targeted and measurable communications work. We look forward to developing this in 2019.

## Events and networks

This year we held more than 275 events across EMEA, the Americas and Asia-Pacific with a total of around 12,500 attendees. These provided our

members exclusive access to the industry participants that they needed to know, showcased key research and allowed them to make connections with the influential delegates that attended.

AIMA's flagship event, the [Global Policy and Regulatory Forum](#), will take place in New York in 2019. Our committees and working groups around the globe now involve over 1,600 individuals from more than 650 firms, enabling members to be engaged actively in the issues that matter most to them.

## New training programme

This year in London, AIMA launched a programme of paid-for training sessions for which members received a discount. Our members responded very positively to the programme and we will offer more sessions next year. Highlights from this year included practical application of market abuse rules; preparing for the Senior Managers and Certification Regime; good practice in front office controls in a MiFID II environment and responsible investing fundamentals.

## Support for our members in the Americas

We increased our staff in the United States and will make further additions to support fully our members with a local service. This will include regulatory consulting and advocacy. AIMA continues to work with other regulatory jurisdictions in the region such as Canada, Cayman and Bermuda and with investors.

## Third party discounts

AIMA has secured eight [new discounts](#) for members with external service providers this year around the world. These include offerings in due diligence and regulatory support, insurance, payments and audit. We continue to offer our discount for the CAIA designation exams and have also negotiated discounted medical insurance, available for staff at AIMA member firms.

## Increased investor engagement

AIMA continues to expand on its engagement with investors. This year we introduced affiliate membership for investors, allowing them to join AIMA free of charge but without the right to vote in our elections or meetings. This initiative has been a clear success, with investor membership in AIMA doubling in just a year. This will allow us to engage more effectively with the industry's most important stakeholders. While we remain a manager-led organisation, hearing the thoughts of investors will help us to tackle new challenges for the industry and improve our function as a bridge between investors and managers. Our enhanced investor membership should also prove invaluable in our ongoing efforts to educate regulators, policymakers and the wider public about the benefits of hedge funds and private credit.

Our investor outreach was further evidenced in Asia-Pacific and Canada. The APAC Annual Forum, held in Hong Kong in March 2018, attracted a record number of 470 attendees representing different facets of the alternatives industry. The annual AIMA Canada Investor Forum was also sold out, with a record 327 attendees from Canada, the US, Europe and Asia. A third of these delegates were investors and allocators.

AIMA offers investors the opportunity to receive AIMA membership at no cost. These investor firms are known as “affiliate” members. The differences between affiliate and full membership are outlined below.

### Institutional Investor Members

| Affiliate                                 | Full  |
|---|---|
| No fee charged                            | Fees charged  |
| Membership details appear on member lists | There is the option to have non-publicised membership |
| No vote in AIMA meetings or elections     | One vote in AIMA meetings or elections                |

## Thank you

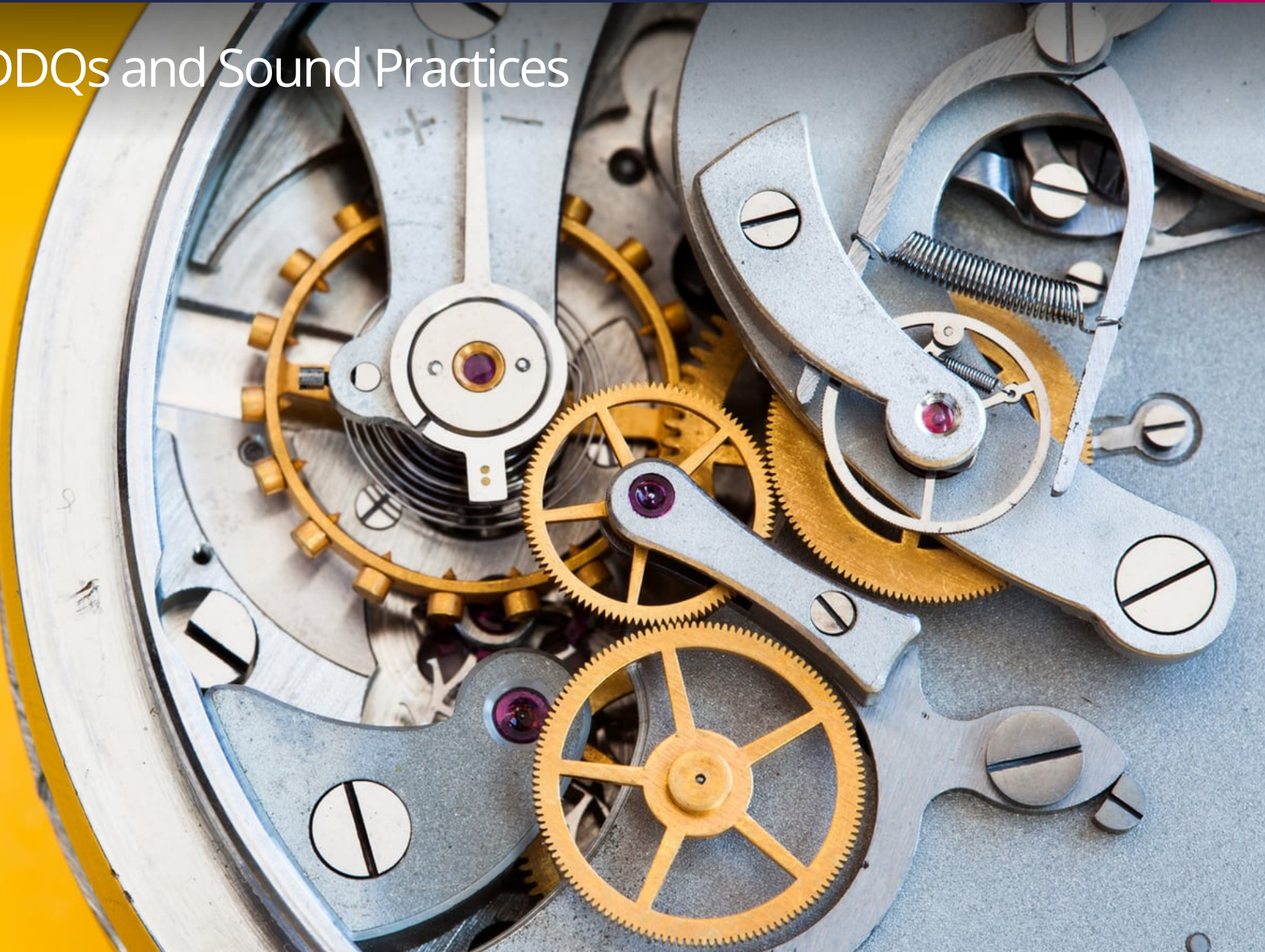
On behalf of all of us at AIMA I would like to thank our members and sponsoring partners for their support and collaboration over the last year. We at AIMA feel greatly energised by our work this year and eagerly anticipate 2019.



**Jack Inglis**  
AIMA CEO



# New DDQs and Sound Practices





**In 2018 AIMA added to its substantial library of Due Diligence Questionnaires, creating three new illustrative questionnaires for the due diligence of:**

- [Liquid alternative funds](#),
- [Alternative data vendors](#); and
- [Transaction cost analysis vendors](#).

AIMA introduced two short form versions of its flagship Illustrative Questionnaire for the Due Diligence of Investment Managers: one for the due diligence of managers and the one for the due diligence of funds.

In addition, AIMA has consulted with members on a selection of targeted amendments to the investment manager DDQ. These are designed to make it easier to use and more user-friendly for readers.

AIMA continued to develop and refine its library of [Sound Practices Guides](#) in 2018, publishing an update to the Guide to Sound Practices for the Valuation of Investments and a new Expense Allocation Guide. AIMA also developed a new Guide to Sound Practices for Outsourcing by Investment Managers. This will be published early in 2019.

To access the AIMA DDQ library, click [here](#) (members only).





AIMA in Europe

## Government Affairs, Regulation and Tax

In this section we have summarised some of our key regulatory and tax engagements of 2018. For more information, please visit the 'AIMA NewsWire' section of the [AIMA website](#).

### Market Data

Over the course of 2018 many members have approached us to express their frustration with the way in which trading venues make market data available – expressing concern at both the cost and complexity of data agreements. We have been quick to respond to this feedback. In Europe, we have engaged with the European Commission and ESMA, who are both actively considering the points we have raised. Our work on this topic is set to continue throughout 2019.

### Digital Assets and Blockchain

AIMA took the decision in 2018 to provide policy and practical representation for buy-side managers involved in or looking to become involved in the digital assets space, as well as those who are interested in the potential operational and trading benefits of distributed ledger technology. In the first quarter, the AIMA Digital Assets and Blockchain Core Group was established. This consisted of experts from over 20-member firms and was given the task of driving AIMA's policy and practical guidance in digital assets and blockchain. AIMA also established the AIMA Digital Assets and Blockchain Circulation Group to receive periodic updates on relevant regulatory, political and practical matters regarding all things digital assets and blockchain.

Over the past quarter (Q4 2018) AIMA held three digital assets panel events globally in London, New York and Hong Kong, all of which were very well attended. The events allowed members to hear from commercial and regulatory experts on the state of institutionalisation of the digital assets industry and to understand what progress has been made regarding crypto adoption by hedge funds over the course of 2018. They also revealed the remaining regulatory and technological hurdles, and how these may be overcome to assist the development of the digital assets investment management industry into a truly institutional space.

### EU General Data Protection Regulation (GDPR)

There was no respite from regulatory implementation for hedge fund firms following the effective introduction of MiFID2 in early 2018. May 2018 saw the adoption of the largest change in data protection law in a generation – the EU General Data Protection Regulation (GDPR). This occupied a significant proportion of members' time during the first five months of the year.

In response to this, in January AIMA launched its GDPR Implementation Guide. This provided detailed regulatory and practical guidance for AIMA manager members on the structure of the GDPR and the changes introduced by the regime compared to the previous Data Protection Directive. Included as part of this guide was a checklist of the key questions firms should have been asking themselves when implementing the new rules.



The AIMA Data Regulation Working Group, established in February, proved to be an important forum in which members could share any implementation questions and ideas.

AIMA's work to assist members on the GDPR has not stopped following implementation, however. We recently submitted a letter to the Information Commissioner's Office (ICO) seeking guidance on the scope of the data subject access rights under the GDPR. This was considering the potential for data subject access requests to be sent systematically to numerous firms in a speculative manner. Most recently, AIMA has been working to assist members to find a solution to the sharing of personal data with third-country regulators in a GDPR compliant manner.

AIMA's work on the GDPR also led to the development of a separate AIMA work stream on ensuring that firms have suitable controls in respect of the data they buy in from external sources. In August, we published an Illustrative Questionnaire for the Due Diligence of Alternative Data Vendors, which was completed in early Q3. AIMA also held a member panel event in New York in September on alternative data use by alternative asset managers.

AIMA's data regulation and alternative data work will continue in 2019.

## **Brexit**

2018 has been an active year in the process of the UK leaving the EU – with a final Withdrawal Agreement and Political Statement being agreed at political level between the UK Government and the European Council in November. The

possibility of a no-deal scenario as of 29 March 2019, however, has created a significant legislative and regulatory impetus in the UK to ensure that all relevant EU fund rules are “onshored” prior to the UK's departure. This is for UK fund management firms to ensure that they are structured in a way that enables them to continue to do business in the EU27 if they wish to do so.

AIMA has closely monitored the political progress made on Brexit negotiations during 2018. We have flagged important steps to members whenever relevant and provided periodic updates to the ‘AIMA Brexit Task Force’. AIMA's work, nonetheless, has focused mostly on the technical issues facing members. In H1 AIMA published two papers “Brexit and Alternative Asset Managers – Managing the impact” and “Brexit and Alternative Asset Managers – Managing the impact in the EEA”. These contained recommendations for UK and EU authorities on how best to approach the UK's departure to minimise disruption to respective asset management industries and key technical regulatory questions that need to be answered. AIMA has also focussed on significant tax questions posed by Brexit, not least the potential for restructuring an investment management agreement outside the UK to create a taxable event in the eyes of HMRC.

In July, AIMA published a briefing note on the UK's planned approach to implementing Brexit and onshoring EU rules. This is currently ongoing through the European Union (Withdrawal) Act 2018 and the HM Treasury secondary legislation development process, including FCA development of binding technical standards and the adoption of a temporary permissions regime in the event of a no-deal Brexit. AIMA is currently engaging with the FCA to make sure that its work to write EU rules into UK law is legally sound.

In September, AIMA undertook a short survey of member firms' intentions regarding post-Brexit business in the EU27. 43 firms replied, collectively managing over \$135bn. The results are contained within a report on the [AIMA website](#). This is intended to assist members in understanding the approach of peers and to help their own internal Brexit contingency projects.

AIMA is also engaged in an ongoing project with HM Treasury, HMRC and the FCA to develop a new UK professional investor fund vehicle range. This will enable the domiciliation of hedge fund and private credit fund assets in the UK. Further progress on this work is likely next year, including a request for broader member participation during 2019.

## **MiFID2**

Following the introduction of the Markets in Financial Instruments Directive MiFID2 in January 2018 we continued to offer our insights to members on implementation and published additional guides on best execution reports, costs and charges disclosures. AIMA has also continued to position itself as a hub for the sharing of peer insights; this included the publication of a report on how firms are paying for research (published over the summer). Given that many aspects of MiFID2 are now the subject of supervisory review by the FCA, we continue to engage with the UK regulator to better understand their expectations and keep members informed.

## **FSCS**

2018 saw the FCA change the scope of the UK's Financial Services Compensation Scheme. Subsequently, our members became confused about

the regulator's intentions. To better clarify members' understanding of this topic, we engaged with the FCA to give members a clearer insight into the regulator's thinking. This enabled our members to make appropriate implementation decisions regarding the rule change.

## **OTC Derivatives**

Our work on issues related to OTC derivatives has covered a range of ongoing regulatory projects. These have included changes to EMIR definitions, approaches to third-country CCPs and margin requirements for uncleared derivatives. We have hosted update events on all these topics and have engaged with regulators at the UK, European and Global level to represent our members' interests.

## **Asset Management Regulation**

### **AIFMD**

#### Cross-border Distribution of Funds

Supporting and facilitating the cross-border distribution of funds is a key piece of the Capital Market Union. Following the impact assessment last year, in the Spring of 2018, the European Commission published proposals for an omnibus [directive](#) and a [regulation](#) to amend the conditions for pre-marketing, marketing, notifications and denotifications in respect of UCITS and EU AIFs using a marketing passport. In response to this, AIMA published a [position paper](#) commenting on the proposals and has engaged with policy-makers during the inter-institutional negotiations around the proposals. This has been

to ensure an efficient and workable framework, notably regarding pre-marketing activities and marketing denotification. The cross-border distribution of funds package has been considered as a technical file in Brussels and is expected to be adopted during Spring 2019.

## **Capital Market Union**

### European Supervisory Authorities (ESAs) review:

The review of the European supervisory architecture, including the roles of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), is a significant part of the European Capital Market Union project. It is also a highly political topic that AIMA has followed closely throughout 2017-2018. AIMA has published a [position paper](#) on the [legislative proposal](#) by the European Commission which sought to grant more powers to the EBA and ESMA. AIMA responded by affirming that certain conditions would need to be met to reassure market participants that ESMA has the capacity and independence needed to carry out this mandate with respect to investment managers. The legislative package has been subject to considerable discussions amongst the EU institutions and national competent authorities. We continue to monitor this topic closely and engage with stakeholders, such as the [European Parliament](#). This is to ensure that these proposals improve the efficiency and attractiveness of European capital markets and make it easier for members to conduct business in Europe.

## **Prudential risk**

### Prudential regime for investment firms:

AIMA continues to engage with policy-makers on the design of a new prudential framework for investment firms. In our [position paper](#) commenting on the proposals issued by the European Commission, AIMA advised establishing a regime that would be proportionate to the risks represented by our industry. During our engagement with the European Commission, the Council and the [European Parliament](#), we highlighted the agency nature of our members' activity and its limited impact on the overall financial stability of financial markets. The investment firms' review package includes several elements pertaining to the supervision of the activities of third country firms in the EU and is therefore not so consensual in a Brexit context.

## **Shareholder Engagement**

### Shareholder Rights and Investor Protection:

The amended Shareholder Rights Directive (SRD II) will become effective in June 2019. AIMA has been monitoring closely the beginning of the transposition of SRD II in various member states throughout the year to capture any extra-territorial reach of the directive. AIMA has also engaged with policy makers at an EU and national level to promote the role of active shareholders in improving corporate governance, notably in [France](#) and in the Netherlands.

## **Standards of Conduct and Duty of Care**

The duties owed to clients by investment managers were an important consideration this year.



The UK Financial Conduct Authority (FCA) published a [discussion paper](#) regarding the possible introduction of a new duty of care. AIMA's [response](#) explained that a new duty of care would be at best a superfluous, and therefore unnecessary, addition to the UK's financial regulatory framework. At worst, it may constitute a crude measure which could interfere with and confuse the well-established concept of fiduciary duty that effectively governs the relationship between asset managers (agents) and their investors (principals). The FCA has not yet signalled when or even if it will move forward with a policy statement in this regard.

## Sustainable Finance

The European Union has launched a new effort supporting the transition to a low-carbon, resource-efficient and sustainable economy. A high level expert group on sustainable finance delivered its [recommendations](#) in the beginning of the year. These were followed by an [Action Plan](#) published during spring. On the back of this Action Plan, four proposals directly impacting the asset management industry were published by the European Commission: [a proposal amending MiFID II suitability tests to take into account ESG preferences](#), a [regulation proposal on disclosure on sustainable investments and sustainability risks](#), a [regulation proposal establishing a framework to facilitate sustainable investments](#) and a [regulation proposal amending the benchmark regulation](#) to create a new category of low carbon and positive carbon benchmarks. AIMA has engaged with policy makers on all these proposals to ensure that the fiduciary duty of the asset manager remains at the core of our industry's business model and that environmental, social or governance (ESG) factors should be considered at the request of the client, rather than being prescribed by a

government-imposed mandate.

Specifically, on the proposal amending MiFID II suitability test, AIMA has recommended in its [position paper](#) that ESG factors considerations depend on the client's preferences. On the proposal regarding the disclosure of sustainable investments and sustainability risks, AIMA's [position paper](#) mainly suggested that the disclosures should apply only where relevant as ESG criteria can be irrelevant for some strategies. Finally, in its [position paper](#) reacting to the proposal on benchmarks, AIMA encouraged as much flexibility as possible for benchmarks administrators to prevent regulation from stifling innovation in the energy transition and green economy sectors.

As an association, AIMA has also acknowledged the growing trend of sustainable finance, first by publishing its very first survey on the topic: [Responsible investing: from Niche to Mainstream](#), but also by putting together specific working groups and work streams so as to deepen and improve our members knowledge and practices on this topic. AIMA will continue to develop thematic research and sound practice guides on responsible investing and sustainable finance next year.

## Tax

A number of matters which received attention in 2017 continued to engage AIMA. The UK's Criminal Finances Act 2017 introduced two corporate criminal offences in respect of failure to prevent the facilitation of tax evasion. Sections of AIMA's [guidance prepared for members](#) were incorporated in the broader

guidance for the financial services sector prepared by UK Finance and other representative bodies which obtained formal approval by HM Treasury in February 2018. The MiFID II rules on charging for research which applied from 3 January 2018 have consequences for the VAT treatment of supplies of research ([see AIMA's guidance on the consequences for members](#)). Industry discussions with HMRC have continued throughout 2018 without agreement being reached on practical solutions.

The tax challenges presented by Brexit for businesses that must reorganise themselves to operate outside the EU have come to the fore this year. AIMA has engaged with HM Treasury and HMRC, both on our own initiative and with other financial services representative bodies through the Government's working group. This engagement has sought clarity for members on several important tax issues. Whilst some progress has been achieved, there is, as yet, little that can be made available as guidance.

Brexit offers opportunities to consider how the UK tax system can be adapted to ease compliance burdens and increase the attraction of the UK as an alternative investment management centre. AIMA has made submissions to the UK Government for the overhaul of the UK's fund vehicle offering and for a clear tax treatment of [cryptocurrencies and other digital assets](#) as an asset class.

The EU has made slow progress on its list of non-cooperative tax jurisdictions, but it will pursue this as a means of enforcing international standards. None of the jurisdictions included on the list as non-compliant are internationally significant investment management or fund domiciles, but others – including

the Cayman Islands, the British Virgin Islands, Jersey, Guernsey and the Isle of Man - are identified as required to meet commitments to introduce legislation to amend their regimes. The full extent of what the EU (through its Code of Conduct Group (CoCG)) requires from these jurisdictions remains unclear. AIMA has made [submissions](#) to the [EU Commission](#) and the [Crown Dependencies](#) on aspects of the listing process.

Automatic exchange of information has been further developed by the OECD (as Mandatory Disclosure Rules) and the EU (Directive on Administrative Cooperation 6), with a focus now on manufactured tax avoidance schemes and mechanisms to escape compliance with the Common Reporting Scheme. These proposals are influenced by the UK's regime for disclosure of tax avoidance schemes (DOTAS) but have greater scope. AIMA provided a [submission](#) to OECD and is participating in HMRC's industry working group.

## Events

AIMA's presence in Europe grew in 2018. We hosted over 70 events with a combined audience of over 4,400 people. Our leading annual regulatory event, the AIMA Global Policy and Regulatory Forum 2018, took place in Dublin in March. We welcomed representatives of more than 18 regulatory agencies as well as dozens of asset managers. Notable speakers included Deutsche Bundesbank board member Andreas Dombret, as well as Michael D'Arcy, the Minister of State at the Irish Department of Finance, and Conor O'Kelly, the CEO of Ireland's National Treasury Management Agency. All these speakers provided insightful comments and provoked lively debate. As usual, the event was held

under Chatham House rules, but some of the key areas of discussion were:

- Continuing uncertainty over Brexit
- The increasing importance of accountability
- Leverage
- The growing role of technology
- Delivering more value for investors

Throughout the year AIMA's Government and Regulatory Affairs team delivered updates for members in multiple jurisdictions including Switzerland, Malta, France, Sweden, Jersey, Guernsey and Ireland, all kindly hosted by member firms.

Over 20 Hedge Fund Manager Briefings were run by service provider member firms. Thought leadership events were held on topics such as MiFID 2, Brexit, SMCR, cybersecurity, the future of the hedge fund industry and responsible investment.

The inaugural Alternative Credit Council Global Summit was held in London and brought together private credit and hedge fund managers representing a breadth of strategies and viewpoints on the current state of the private credit market. AIMA's annual Next Generation Manager forum (which provides a platform for the exchange of ideas and the development of a peer networking group dedicated to senior hedge fund individuals at start-up and emerging hedge fund firms managing less than \$500m in assets), now in its seventh year, secured a record attendance (for this group) of over 200 industry peers at its

London event.

Another permanent fixture in the annual AIMA event calendar, [Spotlight](#), returned with a focus on UCITS. We were delighted to see over 300 industry peers join the afternoon session, which was followed by a buzzing cocktail reception.





# AIMA in Americas



AIMA has continued to strengthen its footprint in the Americas. In 2018, a regional framework was introduced to bring together our members in the U.S., Canada, Cayman, Bermuda and elsewhere across North and South America to enhance regional connections and better support local members. This was supported by the addition of new staff in the U.S. and Canada. Over the course of the year we hosted nearly 70 events in New York, Los Angeles, Toronto, Montreal, Ottawa, Calgary, Vancouver, Cayman, Bermuda and Sao Paulo.

In the U.S. membership has grown to an all-time high; we have added to our team on the ground to support further membership development. Over the course of the year, AIMA executives travelled around the country to meet with members in New York, Connecticut, Florida, Illinois, Minnesota and California. We also launched a new peer group this year for legal and compliance professionals. This sits alongside our existing local investor relations and business development peer group, and our global committees and working groups.

2018 also marked the launch of a new flagship private credit event in New York – the Alternative Credit Council Summit – which brought together over 200 market participants in its first year. Furthermore, we were pleased to work alongside the Asset Management Association of China (AMAC) to host a timely summit on Chinese market developments ahead of A-share inclusion in the MSCI index. Alongside this, regular panels targeted topics ranging from alternative data vendor due diligence to tax reform.

## **Government Affairs, Regulation and Tax**

### **Market Data**

The way in which trading venues make market data available has been a frustration for members this year. The cost and complexity of data agreements has been of particular concern and AIMA has reacted quickly to member wishes.

In the U.S. we have worked with the Managed Funds Association (MFA) to petition the SEC to police the rationality of exchange data fees, address audit/licensing practices and instigate rule making in order to ensure that exchange data fee hikes are subject to proper scrutiny.

### **CFTC Cross-Border**

In October CFTC Chairman Christopher Giancarlo published a White Paper on Cross-Border Swaps Regulation. This helpfully acknowledged the points that AIMA has made over several years regarding the scope of the U.S. Person definition as formulated in previous CFTC Guidance. We wrote to the Chairman to place on record our support for the reform agenda being promoted by the White Paper. We also highlighted several areas where the Commission could helpfully expand its work.

### **Standards of Conduct and Duty of Care**

The duties owed by an investment manager to its clients were a common theme this year on both sides of the Atlantic. In August, AIMA joined forces with the MFA to submit a joint response to a package of proposals from the U.S.

Securities and Exchange Commission. This regarded the standards of conduct for investment advisers and broker-dealers (see [here](#) and [here](#)). The associations questioned the need for the SEC to adopt interpretative guidance in this regard applicable to institutional clients or sophisticated natural person clients. The SEC is in the process of collating the feedback it received and deciding how it wants to proceed.

### **Systemic Risk Reporting**

Working in conjunction with the MFA, AIMA has submitted letters to the [U.S. Commodity Futures Trading Commission \(CFTC\)](#) and the [U.S. Securities and Exchange Commission \(SEC\)](#) suggesting they work together to harmonise systemic risk reporting into a single shared form. In a separate [letter](#), the Associations have also suggested ways to lighten the reporting burden placed on filers. These suggestions were designed not to compromise the quality and integrity of information received by the CFTC, SEC and the Financial Stability Oversight Council in pursuit of their risk monitoring objectives. They included streamlining the forms, reducing the number of data points and minimising the frequency of reporting.

### **Relief for Commodity Pool Operators and Commodity Trading Advisers**

AIMA continues to engage with the U.S. Commodity Futures Trading Commission and the National Futures Association. This is to obtain various types of potential relief from the requirement to register for small and non-U.S. firms and from some of the more onerous requirements that apply to registered commodity pool operators (CPOs) and commodity trading advisers (CTAs). This has included a [letter to Chairman Giancarlo reiterating](#) the request

we made in 2017 for registration relief for non-U.S. CPOs and CTAs that would be substantively similar to the U.S. Securities and Exchange Commission's "foreign private adviser" relief and "private fund adviser" relief. Other projects in this regard are underway for 2019.

### **Tax reform**

Comprehensive tax reform has proceeded in the U.S., introducing changes to corporate and personal tax rates and the removal or restriction of many tax reliefs. This has been coupled with state governments and local authorities promoting measures which would benefit managers by countering the effects of restrictions introduced into federal tax law or disadvantage them by moving against perceived omissions from federal tax reform. U.S. state and local taxes have become more relevant to non-U.S. managers with investors in the U.S. as states rely more on nexus rules which do not require physical presence to establish liability to tax.

### **Canada**

AIMA celebrated its 15th anniversary in Canada by welcoming new leadership with Claire Van Wyk-Allan, Director & Head of Canada, taking the helm in April. AIMA Canada's Executive Committee also welcomed a new term with new leadership in September. Belle Kaura, VP Legal & CCO of Third Eye Capital, took over as Chair for the 2018-2020 term, succeeding Michael Burns, Partner, McMillan LLP.



## NI 81-102

The much-anticipated alternative mutual funds framework (NI 81-102 securities regulation), arguably the most important piece of regulation the Canadian funds industry has witnessed in years, will allow hedge funds to launch in a more liquid form called alternative mutual funds. These funds will be available by prospectus and will generally offer daily NAV data, short selling up to 50% of NAV, up to 3x leverage, the ability to invest 10% in illiquid assets and permit performance fees. Exemptive relief may also be available for strategies that require more flexibility.

The new regulation will see a convergence between traditional fund manufacturers and boutique fund managers due to the expected increased adoption of hedge fund strategies by retail advisers. Much of AIMA Canada's initiatives this year centered on leading the industry through these changes, both from legal, compliance and operational perspectives. We also developed resources for the retail adviser channel including shortened DDQ modules, risk rating advocacy and education on the benefits alternative investments offer portfolios.

## Events

The fourth [annual AIMA Canada Investor Forum](#) hosted a record 327 attendees from Canada, the U.S., Europe and Asia at this sold-out event. A third of these delegates were investors and allocators. This flagship North American AIMA investor forum featured almost 60 leading industry speakers who shared their world-class expertise. Current themes impacting the full spectrum of alternative investments were captured from local and global viewpoints over two days.

Throughout the year panel events on private credit, alternative data and regulatory enforcement trends stood out as popular educational topics. AIMA Canada continued to develop its programme on diversity and inclusion, while also offering new sessions dedicated to young professionals.

## Advocacy

Regulatory advocacy in Canada continues to be front and center, as working groups submitted comment letters to the Canadian Securities' Administrators on proposed amendments to national instruments regarding Derivatives, Client-Focused Reforms and Mutual Fund Sales Practices. Regulators also pointed to the success and positive impact of AIMA's formal and informal guidance on the final rules bringing alternative mutual funds to Canada.



From left: Jack Inglis, CEO, AIMA; Michelle Noyes, Managing Director, Head of Americas, AIMA; Claire Van Wyk-Allan, Director, Head of AIMA Canada; Belle Kaura, Vice-President Legal, Chief Compliance Officer, Third Eye Capital, Chair, AIMA Canada Board; Laura Reid, Partner, KPMG LLP & Vice Chair, AIMA Canada Board

## **Cayman**

In Cayman, Russell Burt (of Marbury Fund Services (Cayman) Limited) succeeded Colin MacKay (of Intertrust) as chair of AIMA Cayman's Executive Committee. In the spirit of strengthening intra-regional relationships, AIMA Cayman also hosted its first event in New York with the U.S. membership back in February where the new AML rules and digital asset developments were on the agenda. Additionally, seven local educational and networking events were held for members over the course of the year.

## **Bermuda**

Work with AIMA Bermuda continues since it was first established as a volunteer group at the end of 2016. In 2018 the Executive Committee hosted four events with members including a meeting with the Prime Minister. The local committee is also very active with regulatory engagement and has been involved in discussions around substance requirements.

# AIMA in Asia-Pacific





## Events and Initiatives

2018 was a year of many firsts for AIMA in Asia-Pacific (APAC) and the rate of new membership in the region rose by 8%.

The number of events held across the APAC region this year increased by 25% to 125 and attracted over 7,200 attendees. Our headline event, the AIMA APAC Forum 2018 in Hong Kong, drew together a record number of 470 people. Across all other APAC AIMA Forums (Tokyo, Sydney and Singapore) there was record attendance.

In January, together with BTIG, we held in Singapore our first Independent Research Conference featuring speakers from various independent research firms.

AIMA China hosted a key event with AMAC (the Asset Management Association of China) in New York which drew significant interest.

Other notable firsts for the region this year include our “Acorns of APAC” events in both Singapore and Hong Kong. The Acorns initiative, which is derived from AIMA’s Next Generation of Manager forum, was started to assist local managers who are new to the industry, looking to start a fund, or those in the early stages of raising assets.

As part of another new initiative and effort to reach out to a broader community and promote our investor affiliate membership, we held our first events for the

Investor Outreach and Japan Manager Outreach in Singapore.

AIMA Australia, under the guidance of our Head of Australia, Michael Gallagher, successfully launched a new student-run hedge fund, [Australian Students Asset Management \(ASAM\)](#). Unveiled at the AIMA Australia Forum on September 12th, the fund is the first of its kind in the country. ASAM is an investable university student-run hedge fund. It is registered as a charity and open to industry donations.

We also launched, together with the Chartered Alternative Investment Analyst Association (CAIA), a series of CAIA scholarships across the region. Scholarships were presented by CAIA to recipients at every AIMA Forum event.



Singapore Annual Forum 2018: Pre-Forum Workshop 2: Why Asia's emerging markets are not emerging. Featuring speakers from the Singapore Exchange, Goldman Sachs and Herbert Smith Freehills

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## **Government and Regulatory Affairs, Working Groups and Member Support**

2018 saw the APAC team continue to engage regulators and policy makers. We conducted over 30 meetings, calls or roundtables with regulators in the region to address perennial issues across asset management and market regulation, tax and risk, and important emerging trends like cyber security.

AIMA collaborated with the statutory Hong Kong Productivity Council (HKPC) to launch a cyber security intelligence platform and a companion app. HKPC operates the Hong Kong Computer Emergency Response Team Coordination Centre. Both the platform and app are currently undergoing beta testing with volunteers from our membership.

The platform aims to be a one-stop shop run by HKPC for AIMA members on cyber security matters. Functionalities include a newsfeed on the latest cyber security news, educational materials, a forum to discuss and share best practices and a channel to report cyber incidents directly to the government.

In response to the new Fund Manager Code of Conduct, a Hong Kong Working Group was formed with representation from Clifford Chance (Chair), Akin Gump, Bovill, Compton, Laker, Lee, Deacons, Herbert Smith Freehills, JP Morgan, Man Group and Tybourn Capital. The working group published an implementation guide for our members. In Hong Kong, we also engaged the SFC and Financial Services and Treasury Bureau on other matters including liquidity, licensing and tax.

Our interactions this year with the Monetary Authority of Singapore (MAS) covered human capital, asset management, tax, technology, anti-money-laundering (AML) and risk. We formed a standing group for human capital with representation from major fund managers in Singapore and conducted a roundtable for managers to offer feedback directly to the MAS.

In response to growing concern and attention on cyber security, the APAC team conducted talks with the Cyber Security Agency of Singapore (CSA) to discuss what can be done to assist the asset management industry prepare and protect itself.

In September we hosted a roundtable in Hong Kong for the MAS to share more information about the new Singapore Variable Capital Company fund structure with our members there. We are currently working on an AML FAQ with the MAS for our members.

Although our regulatory activities have been focussed largely on Hong Kong and Singapore in line with our membership base and representation, we have also been active in the rest of the region.

In Australia, our regulatory committee has been busy. AIMA APAC conducted a survey to gather material with which to make a submission to the Australian Securities and Investments Commissions (ASIC) on its proposal to repeal and replace the ASIC class orders for Foreign Financial Service Provider with a modified licensing regime.

In Japan, we have consistently kept both the FSA and the Tokyo Metropolitan Government involved in our events.

In China, we were present at the International Partners Committee (IPC) meeting in Beijing, organised by the Asset Management Association of China (AMAC) in September. AIMA APAC has been on the IPC since its formation. We have built on our close ties with AMAC, having been the first international organisation to enter into a strategic partnership with them in 2014.

## Tax

AIMA reacts to developments which may (often unintentionally) disadvantage investors. The major example in 2018 concerns South Korea which sought to make its withholding tax rules more effective in respect of non-residents investing in listed securities of Korean companies. The proposed rules were framed so that intermediaries would in many cases have determined to withhold tax from payments to non-resident investors who should not be within the scope. AIMA, together with other industry bodies, made representations to the Korean government which deferred implementation of the rules for further consideration.

2018 has seen a well-rounded effort from all the AIMA APAC centres. We are always grateful for the support given by the AIMA membership and look forward to working together in 2019.



Singapore Annual Forum 2018: Why Diversity Matters: Featuring speakers from Eng & Co LLC, BNY Mellon, BlackRock, Edelweiss, UBS

# Research and Communications





2018 was an exciting year for AIMA's research function. In a first for AIMA, we published a long-form examination of the future of the hedge fund industry based on interviews with 25 of its leading lights. We also examined such crucial topics as responsible investment, how private credit managers manage their loans and how emerging managers can grow their assets. Finally, we also continued our *Financing the Economy* series looking at the state of the private credit industry around the world.

What follows is a brief description of our outputs over the year. For the full library of AIMA's research (which we make publicly available) please click [here](#).

**Industry performance:** one of the key ongoing tasks of AIMA's research function is to keep track of industry performance and to explain it to industry stakeholders. At the beginning of the year we [published research](#) that found hedge funds had outperformed stocks and bonds on a risk-adjusted basis over one, five and 10 years. Tom Kehoe, our Global Head of Research, [wrote a blog](#) later in the year explaining the way in which investors should consider hedge fund returns. It also rebutted some

of the unfair criticism that has been levelled against the industry.

**Perspectives:** in April we published a first for AIMA: a detailed look at the future of the hedge fund industry. [Perspectives](#), created in partnership with Aberdeen Standard Investments, dealt with crucial topics. These included the rise of factor investing, the future of alpha generation in a crowded industry, artificial intelligence and responsible investment in the hedge fund space, diversity in the hedge fund industry, and the future of hedge fund operations. This work was informed by in-depth interviews with 25 of the leading lights of the hedge fund industry. These included Luke Ellis (CEO of Man Group), J. Tomilson Hill (Chairman of Blackstone Alternative Asset Management), Robert Merton (Distinguished Professor of Finance, MIT Sloan School).

**Examining loan administration:** with the ink on Perspectives barely dry, AIMA Research published a paper on loan administration in the private credit space in conjunction with BNP Paribas. The paper, [Enhancing the Loan Administration Function: Marrying Capacity and Customisation](#), examined how



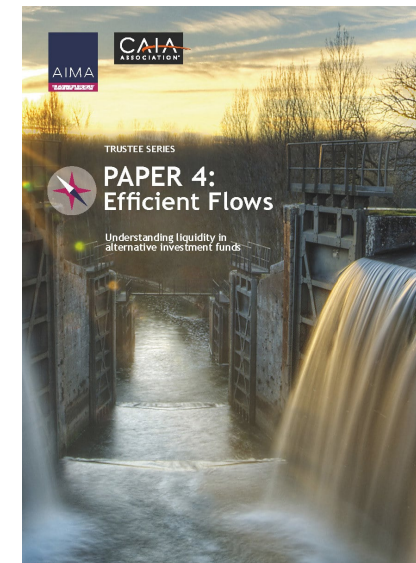
private credit managers go about administering their loans: a crucial topic in a rapidly-growing sector. Private credit managers were surveyed on the most common challenges they face in loan

administration, why private credit managers often opt to use service providers to administer their loans, and how those service providers could improve their offerings.

**Responsible investment:** in late May we published, in conjunction with the Cayman Alternative Investment Summit, *From Niche to Mainstream: Responsible Investment and Hedge Funds*. This paper looked at how hedge funds are adapting to the growing popularity of responsible investment in the broader asset management space. The paper found that over half of hedge fund managers had seen increased investor interest in responsible investment over the preceding twelve months.

**Hedge fund liquidity:** over the summer we published the fourth paper in our 'trustee' series—a series of papers designed to explain various facets of the hedge fund industry to individuals with non-financial backgrounds. Produced in conjunction with the Chartered Alternative Investment Association (CAIA), *Efficient Flows: Understanding Liquidity in Alternative Investment Funds*, explains how liquidity works in

the hedge fund space, and examines the relative liquidity of various hedge fund strategies.



**Asset-raising for emerging managers:** in October we published *[Making it Big: Charting the Evolution of the Billion-Dollar Hedge Fund](#)*. This paper, produced in conjunction with Global Prime Partners (GPP), is a follow-up to *Alive and Kicking*, another successful AIMA-GPP collaboration looking at emerging hedge fund managers. This year we surveyed both emerging and established hedge fund managers. We laid out a path for emerging managers wishing to grow their assets and potentially break the symbolic barrier of \$1 billion in assets under management (AuM).

**The state of private credit:** capping the year off, we published the fourth annual *[Financing the Economy](#)* paper in conjunction with Dechert LLP. This long-running series of papers examines the state of the global private credit industry, and to the best of our knowledge represents the most robust data available. This year's edition found that private credit is still on track to manager over \$1 trillion of assets in the year 2020. As the industry continues to grow, the Alternative Credit Council, AIMA's private credit affiliate, will be there to support it every step of the way.





## Communications

AIMA communications offered a representative voice for the industry in the media throughout 2018. Following a reorganisation of the function in the second half of the year, communications now sits within AIMA's Research department. As a result, our messaging is informed by the leading insight and intelligence our research provides.

Planning for emerging narratives in the media and areas of media interest are now coordinated through the AIMA Communications Committee, a unique resource comprised of members' heads of communications. This resource has helped to ensure AIMA's voice promotes the benefits, realities and needs of the industry effectively.

We have worked to increase the reach and impact of AIMA's content and value proposition across our membership and the wider industry. This has been achieved by communicating consistently the value of AIMA and alternative investments through a broader array of media including visual and audio channels and social networks.

The team has sought to increase the volume and quality of coverage for AIMA across tier one press, broadcast and online publications through leveraging the unique insights and content that we and our members produce. Our regional teams across the world have continually offered intelligence and direction for communications work to ensure the needs of our membership are properly represented. These teams have also worked to amplify the messages and findings of AIMA content globally.

We have further exploited the capacity of social media to build highly targeted and quantifiable communications campaigns with multimedia content. This has allowed AIMA to channel our valuable educational material directly to investor, manager and service provider audiences, and to measure feedback.

Our events play host to many industry leaders and offer delegates the chance to partake in informative debates on emerging themes. The coverage of major AIMA events has allowed people to catch up on the key lectures and panel discussions that they might have missed.

Looking ahead to 2019, the team is constructing increasingly effective delivery methods for AIMA's messages and content. It is our intention to produce more infographic and video content to engage and educate a wider audience on the mechanics, use and benefits of alternative investments. Our communications team will continue to analyse the ways in which audiences today consume and interact with media, and how the systems that deliver and host debates can influence understanding. It is our intention to provide the industry with a market-leading, analytical, targeted and measurable communications function.

# Alternative Credit Council



**The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents over 140 members that manage \$350bn of private credit assets.**

The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council.

In this section we summarise some of the ACC's activity during 2018. For more information, please visit [www.lendingforgrowth.org](http://www.lendingforgrowth.org).

### **Growth and Representation**

The ACC continues to attract new members during the last twelve months and now represents over 140 members with over \$350bn private credit AuM. This growth was matched by an increase in the support we provide to private credit managers through a mixture of education, advocacy and regulatory engagement. We were also pleased to host our inaugural global private credit summit in London and our [inaugural US summit in New York during 2018](#).

The ACC remains the sole global trade association representing the interests of private credit and non-bank finance participants in asset management. At a time when policymakers are again turning their attention to the non-bank lending sector and financial stability in 2019, this engagement remains as valuable as ever. We will continue our work on behalf of members to support the sustainable growth of private credit in 2019 and beyond.

### **Securitisation**

This year began with the finalisation of the revised EU Securitisation Regulation. Although this was several years in the making, the finalisation of the regulation marked only the end of the beginning. Throughout this process the ACC supported members by producing a summary of the Regulation and responding to consultations on the technical standards relating to the risk retention requirements that managers will need to comply with. The ACC also worked with national competent authorities and the European institutions to better understand their expectations and interpretations of the Regulation. Notably, this included the application of the institutional investor definition to non-EU AIFMs and the disclosure requirements for CLO managers.

### **Credit Servicers Directive**

The ACC published a [position paper](#) in response to a proposed EU Commission Directive that would require credit servicing firms to be subject to licencing requirements. We also met with several EU policymakers to highlight how the Directive would produce additional regulatory burdens on asset managers and harm the development of the non-bank lending market in Europe. Policymakers are still deliberating this Directive and it is likely to remain a priority for 2019.

### **Business Development Company (BDC) reform**

Our [support for the Small Business Credit Availability Act](#) helped galvanise Congressional support for this legislation, which will improve the operating conditions for BDCs in the U.S. This will enable BDCs, with shareholder approval, to operate with an asset coverage ratio of 2:1 rather than the 1:1 ratio that they currently adhere to.



The legislation also introduces important reforms to the offering and filing requirements on BDCs.

### ACC Research

The latest edition of the ACC's flagship research publication [Financing the Economy](#) was warmly received by private credit managers and policymakers alike. More details on the paper can be found in the Research section.

The ACC also surveyed its members on the operational challenges faced by members in relation to [loan administration](#). Managers are increasingly seeking to support growth in the private credit market by enhancing their back and middle office teams. While there is an inherent challenge to developing standardised processes for a sector which prides itself on providing flexible lending solutions, respondents were optimistic that internal and third-party



solutions were coming online to address these issues.

## About the ACC

*The ACC is an affiliate of AIMA. It is governed by the ACC board which reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business.*

*The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits.*

*Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.*





## AIMA's Core Objectives

1.  
To provide an interactive and professional forum for our membership and act as a catalyst and promoter of the industry's global development.
2.  
To provide leadership for the industry and to be its preeminent voice.
3.  
To develop sound practices, enhance industry transparency and education, and to liaise with the wider financial community, institutional investors, the media, regulators, governments and other policymakers.

## About AIMA



**The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with more than 2,000 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than \$2 trillion in hedge fund or private credit assets.**

AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 100 members that manage \$350 billion of private credit assets globally. AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists.

AIMA is governed by its Council (Board of Directors). For further information, please visit AIMA's website, [www.aima.org](http://www.aima.org).







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