AIMA’S GLOBAL REVIEW OF
2019
AIMA IN NUMBERS

AIMA’S GLOBAL REVIEW OF 2019
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- **15,000+** Member contacts
- **$2tr** AUM of manager members
- **60+** Countries where our members are based
- **2,000** Corporate members
- **700** Number of member firms represented on AIMA working groups and committees
- **100+** Number of committees and working groups
- **280+** Number of AIMA events
- **14,000** No. of attendees at AIMA events
- **2,000** Individual participants on working groups and committees
I am pleased to present our Global Review of the Year for 2019.

This has been another year of growth for AIMA. AIMA now counts over 2,000 corporate members in 60 countries and continues to grow, representing over US$2 trillion in hedge fund or private credit assets. We held more than 280 events globally across EMEA, the Americas and Asia-Pacific with a total of 14,000 attendees. We have expanded in the U.S. by establishing an office in Washington, providing regulatory assistance on the ground.

In the wake of continuing political and economic uncertainty, AIMA’s work is more critical now than ever before. Through providing leadership and an authoritative voice for the alternative investments industry, we believe that our work has made a true impact over the last twelve months and that we have driven significant value for our members.
Advocating for our members

Our efforts this year have provided increasing visibility and influence for our membership. Our government and regulatory affairs (GRA) work remains a central pillar of AIMA’s focus and we continue to represent our members through advocacy and guidance on regulation. Major projects include engaging with European policymakers on reducing the existing reporting burden for members on MiFID II, the official adoption of liquid alternatives in Canada, engaging with the U.S. Securities and Exchange Commission on the impact of GDPR, and a consultation paper on the Hong Kong Government’s proposals to establish a limited partnership regime for investment funds.

In response to heightened investor and regulatory focus, this year we increased our engagement with responsible investment, ESG and diversity and inclusion (D&I). Our thought leadership paper set out practical steps that firms can take to improve their D&I practices.

Setting industry standards

AIMA Due Diligence Questionnaires (DDQs) continue to set the industry standard. This year we launched the AIMA DDQ for Outsource Service Providers, which accompanied the new Sound Practice Guide, as well as updating many of our standard DDQs including cyber security.

We continue to make strides to ensure that both manager and investor voices are heard to enable effective engagement. This is reflected in our paper In Harmony launched earlier this year which examined current and future practices between hedge fund managers and investors. Our research also included Trust but Verify, an Australian-led paper examining operational due diligence from allocators’ viewpoints, as well our fifth annual report on the private credit industry, Financing the Economy 2019.
Thank you

On behalf of all of us at AIMA I would like to extend our sincere gratitude to our members and sponsoring partners for their continued support and collaboration over the last year.

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.

Increased investor engagement

The investor community is an important contributor to AIMA’s work, and both our manager and service provider members value this input.

While we remain a manager-led organisation, hearing the thoughts of investors globally help us to tackle new challenges for the industry and improve our function as a bridge between investors and managers. Our enhanced investor membership proves invaluable in our ongoing efforts to educate regulators, policymakers and the wider public about the benefits of hedge funds and private credit.

This year we also held new investor events in Europe and Latin America, while our established Australia, Canada and APAC Forums attracted the highest number of attendees to date.

Jack Inglis
Chief Executive Officer, AIMA
AIMA'S GLOBAL REVIEW OF 2019

SOUND PRACTICE GUIDANCE
AIMA'S GLOBAL REVIEW OF 2019
AIMA and AITEC collaborated on a revised version of the questionnaire for cyber security due diligence. This expanded the scope to cover vendor technology generally, eliminating long prose answer options and creating both a long form and a short form version of the AITEC-AIMA Illustrative Questionnaires for the Due Diligence of Vendor Technology and Cyber Security.

Following member feedback, since 2017’s version of the AIMA Illustrative Questionnaire for the Due Diligence of Investment Managers, AIMA made a series of updates. AIMA made a series of updates which have allowed members to remove certain unused parts of the DDQ while still being able to retain the AIMA branding – a change which has been well received. AIMA also released a new Illustrative Questionnaire for the Due Diligence of Outsource Service Providers in 2019, concurrent with the publication of a new Guide to Sound Practices for Outsourcing by Investment Managers.
AIMA IN EUROPE

AIMA'S GLOBAL REVIEW OF 2019
Government Affairs, Regulation and Tax

In this section we have summarised some of our key regulatory and tax engagements of 2019. For more information, please visit the ‘AIMA NewsWire’ section of the AIMA website.

Market data
Market data remains high on AIMA’s agenda and we have continued to press policymakers in the EU and U.S. to act and address the excessive cost and complexity of market data agreements, exploring both competition law and regulatory considerations in our work. We have also been vocal in the debate on the introduction of a consolidated tape in the EU, highlighting the benefits that this would bring to our members and encouraging policymakers to act swiftly to deliver on this. We have also had helpful discussions with the Financial Conduct Authority (FCA) on the topic of alternative data and how this should be treated in the context of the regulatory framework.

Short-termism
A new threat to our industry emerged in 2019, with ESMA launching a programme to explore corporate short-termism and underinvestment in research and development, asking whether activities in the financial services sector are a contributing factor. As part of its work, ESMA is looking at a range of issues, from remuneration through to shareholder activism and use of derivatives by funds. AIMA represented its members’ interests with a detailed response to ESMA’s survey on the topic and by following up with in-person engagement to challenge the premise that our members’ activities impact the corporate sector in this way.

MiFID II
MiFID II remains an area of focus for us, given moves by policymakers at European level to modify the framework. In light of this we have engaged with the German Ministry of Finance, responding to its consultation on possible changes to the rules, as well as ESMA, which has consulted on various aspects of the regime, including market data, costs and charges, and periodic auctions. A central focus of our advocacy work is to seek to reduce the existing reporting burden for firms subject to MiFID II requirements. We have also continued to work on practical compliance issues related to MiFID II, hosting member roundtables on transaction reporting, execution quality monitoring and algorithmic trading controls, sharing the insights broadly with members of relevant working groups.
Brexit
AIMA has produced a significant number of guidance and briefing documents to assist members in their Brexit planning efforts. This includes briefings on marketing, rules for MiFID investment firms and OTC derivatives markets, as well as comprehensive information on the UK’s process of legislative onshoring and the transitional regimes available in other member states. We also continue to engage with the FCA and HM Treasury on Brexit contingency planning and broader questions about the future of the UK’s financial services regulatory architecture following its departure from the EU.

SMCR
As well as publishing a digestible Roadmap to the Senior Managers and Certification Regime (SMCR) in February 2019, covering key concerns including the treatment of partners and non-UK staff, we have continued to engage with the FCA by responding to its consultations on implementation issues and raising points of member concern in our bilateral discussions. We have also provided member training on SMCR. Our current work on the topic extends to issues relating to non-regulatory conduct, with further guidance for members in the pipeline.

OTC Derivatives
Over the course of 2019 we have addressed various issues relating to OTC derivatives markets, covering technical issues related to ANNA-DSB updates, through to forward-looking changes to the existing EMIR framework, including the new rules that require that clearing services be offered on fair, reasonable, non-discriminatory and transparent terms.

SFTR
The EU’s rules on reporting of securities financing transactions will go live in 2020 and ahead of this we have been pushing ESMA to provide clarity regarding the scope of the regime as it impacts funds. We have also been working with the sell-side to consider how the regime will operate in the context of prime brokerage relationships, identifying areas of challenge for firms, as well as possible solutions.

Competition Law
2019 saw the culmination of the FCA’s first enforcement case against investment managers using its competition law powers. To help members understand this complex and sensitive area of law, we produced a guide that explains the legal framework and examines the deeds that underlie the FCA’s case. We also offer firms suggestions as to the steps they might wish to take to ensure their ongoing compliance with the rules. In addition, we have run training for members on the topic.

GDPR
As well as organising ongoing member discussions on practical GDPR compliance questions, we have also engaged with authorities in the U.S., UK and EU regarding the ongoing block on new SEC registrations by non-U.S. managers, given concerns on the part of the SEC that GDPR will block their access to books and records.
Diversity and Inclusion

We published a first-of-its-kind thought leadership paper The Alternatives(https://www.aima.org/sound-practices/guides-to-sound-practices/the-alternatives.html) combining personal stories with personal tips for firms of all sizes wanting to deepen their commitment to promoting diversity and inclusion. We are also set to publish a dedicated DDQ on the topic, as well as a first-of-its-kind thought leadership paper that combines personal stories with practical tips for firms of all sizes that want to deepen their commitment to promoting diversity and inclusion.

Responsible Investment

Over the course of 2019 we have significantly increased our level of engagement with issues relating to responsible investment. On the advocacy side, we have engaged with the FCA on its work on climate change and with European policymakers on various aspects of the EU’s sustainable finance package, which will ultimately lead to a significant uplift in terms of firms’ compliance obligations in this area (including in the context of risk management, reporting and disclosure). We have also produced a range of guidance documents for members, including a responsible investment primer and guides on ESG integration at management company level and on formulating an RI policy.

Pensions reform

In the UK we have pushed the case for the UK government to overhaul existing defined contribution pensions rules to make it easier for the default schemes to access alternative investments.
AIMA’S GLOBAL REVIEW OF 2019

Asset management and sound practice

AIFMD and UCITS

AIFMD review

2019 marked the first stage of the review of the Alternative Investment Fund Managers Directive (AIFMD) with the publication by the European Commission of the report, commissioned by KPMG on the operation of the AIFMD. This Directive is a key regulatory framework for our members, and AIMA has been compiling knowledge repositories, in the form of topic-by-topic ‘workbooks’, in order to best prepare for the next stage in the review of the AIFMD. AIMA has also been directly engaging with the European Commission, European Parliament, EU Member States and various national competent authorities, ahead of any formal review or consultation. The objective of these engagements has been to discuss the review and to promote the value that the alternative investment management industry brings to the economy and to wider society.

Cross-border distribution of funds

A key legislative piece of the EU’s Capital Market Union (CMU) project, the “cross-border distribution of funds” (CBDF) package was adopted and published during Spring 2019 (directive and regulation). AIMA has closely tracked the development of this file and has engaged with policymakers throughout the negotiations to push for the adoption of an appropriate and practicable framework. This work has focused on pre-marketing activities and marketing denotifications with respect to AIFs marketed through the AIFMD’s marketing passport. Following the adoption of the CBDF package, AIMA published a summary note and sent a letter to a number of EU Member States to advocate for the importance of maintaining flexibility to accept genuine reverse solicitations in Member States where pre-marketing has occurred.

UCITS performance fees

AIMA, jointly with the Managed Funds Association (MFA), submitted a response to the European Securities and Markets Authority (ESMA) consultation on guidelines for performance fees in UCITS. The letter explains that the overarching goal of performance fee guidelines should be in delivering appropriate transparency to promote investor decision-making, rather than prescribing particular performance fee arrangements.
Financial stability

Liquidity risk management
In 2019, following the European Systemic Risk Board (ESRB) recommendation, ESMA consulted on liquidity stress testing in view of harmonising liquidity stress tests across the EU. AIMA responded to the consultation and provided a summary of the final rules to members. AIMA has also initiated a series of roundtables with members aiming to compile feedback and case studies regarding liquidity risk management in the context of professional investment. These papers aim to inform policymakers with regards to the current debate on fund liquidity management.

Leverage
Following on from the Financial Stability Board (FSB) recommendations, IOSCO issued a consultation on assessing leverage in investment funds. AIMA, jointly with MFA, answered the consultation supporting the asset class-by-asset class approach and commenting on the three proposed leverage metrics – gross notional exposure, adjusted gross notional exposure and net notional exposure. AIMA also engaged in one-on-one meetings with IOSCO members and relevant policymakers in order to deliver key messages in relation to leverage in investment funds and financial stability.

These messages included the relative low systemic importance of the alternative asset management industry and the value of policymakers obtaining a clearer perception of the leveraged asset classes before launching any legislative initiative.

Prudential regime for MiFID investment firms
AIMA has been engaging with policymakers during the EU negotiations, seeking to implement a new prudential framework for investment firms (IFR/IFD). During its engagement with the European Commission, the Council and the European Parliament, AIMA highlighted the agency nature of our members’ activity and its limited impact on the overall financial stability of financial markets. AIMA also engaged on the adequacy of the risk factors design as well as on remuneration provisions, stressing the specificities of portfolio managers in the MiFID environment. The directive and the regulation were adopted during the course of 2019 and will enter into application in 2021. AIMA has published a summary for its members and has been preparing to engage with EU Member States ahead of the national transposition of the directive.
Operations

Outsourcing
The topic of outsourcing has been a live one in the course of the year, in the context of Brexit and EU access to global talent, but also as regards IT and cloud networking solutions. Both the Central Bank of Ireland (CBI) as well as the European Banking Authority (EBA) consulted on and published guidelines regarding outsourcing arrangements. AIMA engaged with both institutions to advocate for the adopted frameworks to be practicable and proportionate. Members were also provided with a detailed summary for both sets of guidelines. AIMA further engaged with the EBA to highlight a transition issue for firms who will move from the CRD/CRR framework to the IFR/IFD regime, and sought to guarantee that investment firms will not be unnecessarily captured by the EBA rules on outsourcing. Finally, AIMA published a new Guide to Sound Practices for Outsourcing by Investment Managers to reflect these regulatory changes and the general increase in regulatory interest in the topic, supported by related events in various countries.

Cyber Security
AIMA participated in the FCA’s new Cyber Security Industry Insights Group to ensure the actions being undertaken by authorities around cyber risk and resilience could be shared with members. AIMA also submitted a response to the Financial Stability Board consultation on developing a toolkit of effective practices relating to a financial institution’s response to, and recovery from, a cyber incident. Finally, AIMA published an updated version of its Guide to Sound Practices for Cyber Security and organised launch events in Dublin and London with further events planned in 2020.

Fiduciary Duty and Standards of Care
This year AIMA prepared a summary of the SEC’s new package of rules and interpretations intended to set forth the standards of conduct applicable to broker-dealers and investment advisers in dealing with the investing public, in order to enhance the quality and transparency of investors’ relationships with investment advisers and broker-dealers. The package also included an interpretation to reaffirm and, in some cases, clarify the SEC’s views of the fiduciary duty that investment advisers owe to their clients under the Investment Advisers Act of 1940. AIMA held two webinars on the topic to inform U.S. and non-U.S. members of the potential impact of these requirements.
Capital Market Union

With the European Parliament elections and the renewal of the European Commission in 2019, the EU is entering a new five-year legislative cycle. AIMA has been engaging with EU institutions ahead of the publication of new legislative proposals to promote the development of EU capital markets as well as the role of asset management in addressing the EU’s key challenges, such as funding pensions or financing of innovation and economic growth. AIMA contributed to the “Next CMU” high-level group set up by France, Germany and the Netherlands. Moreover, AIMA published a policy vision for the development of EU capital markets and met with European Commission representatives, as well as newly elected MEPs, in order to deliver key messages on behalf of members.

Shareholder engagement

AIMA has supported its members in the implementation of the EU’s revised Shareholder Rights Directive (SRD) by organising a seminar with the FCA during the implementation period and publishing a guidance note detailing the main requirements. AIMA has also engaged with policymakers at EU and national level to promote the role of active shareholders in improving corporate governance, notably in France and in the Netherlands where this topic is being publicly debated.

Beneficial ownership

The UK’s Business, Energy and Industrial Strategy (BEIS) Department consulted on corporate transparency and beneficial ownership. AIMA responded to the consultation, raising awareness regarding the level of public access to sensitive information about beneficial owners, directors and persons with significant control. AIMA shared members’ concerns, regarding the quantity of information that might need to be reported for open-ended investment funds, especially those that allow daily subscriptions and redemptions.

PRIIPs

AIMA engaged with EU policymakers at the end of 2018 and with the FCA in the course of this year on the preparation of the review of PRIIPs regulation to highlight current challenges around the calculation of transaction costs. AIMA also highlighted members’ principal concern around the scope of the rules which should neither capture all categories of an asset manager’s employees nor encompass sophisticated investors approaching the manager via reverse solicitation. AIMA also supported the advocacy work to secure a postponement of the PRIIPs application to UCITS until 2022.
Tax

This year, AIMA and other industry bodies continued discussions with HM Treasury and HM Revenue & Customs concerning potential tax issues for financial services following the UK’s departure from the EU, in particular where a business reorganises its activities to meet regulatory requirements. A summary of the discussions is available for members. AIMA believe that HMRC gained a better understanding of the commercial reasons for actions likely to be undertaken in the asset management sector.

**Evolving tax requirements**

The EU’s implementation of its List of Non-cooperative Jurisdictions for Tax Purposes revealed evolving requirements for the Crown Dependencies and Overseas Territories – all of which have now introduced measures that require companies carrying on relevant businesses, such as fund management, within the jurisdiction to exercise core income generating activities (CIGA) locally. We are awaiting final guidance from the jurisdictions on various issues, in particular the extent to which elements of CIGA can be performed by a delegate elsewhere.

Additional regulatory requirements for funds are also being agreed with the EU. AIMA has provided its views to the EU Commission in its role as adviser to the Code of Conduct Group and to various jurisdictions, and intends to provide guidance to members when the outcome is more certain.

**Cross-border tax arrangements**

The EU Directive on cross-border tax arrangements (DAC6) requires the disclosure by intermediaries of cross-border transactions which may produce a tax advantage, or that meet certain hallmarks. Although this is modelled on the UK’s regime for disclosure of tax avoidance schemes, it is broader in scope and raises significant uncertainties for financial services businesses. AIMA’s working group on DAC6 and Mandatory Disclosure Rules participated in the HMRC industry-wide working group. HMRC intend that intermediaries should have to disclose only relevant information but are constrained by the terms of DAC6 from providing a white list or safe harbours.
BEPS project

The OECD’s work under the BEPS Project (Base Erosion & Profit Shifting) commencing five years ago left one major issue unresolved – how to fairly tax profits realised by multinational enterprises (MNEs) in the tech and digital industries. It was agreed that a new international tax mechanism was required to address this. In the absence of progress on this topic, various countries and the EU have brought forward their own measures which have not been met with international acceptance, in particular from the U.S. Government.

The OECD and G20 have continued to consider potential measures, failing to reach a clear consensus. The OECD in its May 2019 Programme of Work document set out a path towards a solution which – pending agreement - is being adopted by the end of 2020, based on the adoption of two “pillars”. Pillar One encompasses the recalibration of the rules under which MNE profits are allocated to market jurisdictions while Pillar Two puts forward a global anti-base erosion mechanism (GloBE). Significantly, the OECD has moved away from measures targeting particular industries to rules with much wider application which could affect both investment funds and asset managers. AIMA, through its OECD Digitalisation of the Economy Tax working group, has submitted responses to the consultations on both Pillar proposals. In its responses, AIMA has highlighted members’ concerns that the proposals would increase compliance and administration significantly for financial services businesses and tax authorities, with little change to the amount or incidence of tax liabilities.

Financial Transaction Tax (FTT) Directive

Ten EU Member States have been attempting to develop a financial transaction tax (FTT) Directive for some years, using the enhanced cooperation procedure. They have been reported to have made progress in the last few months, following French and German initiatives to base the form of the tax closely on the French FTT. However, it is unclear whether Member States will reach agreement on all outstanding issues and whether it will then prove acceptable to other Member States who may be affected by it. AIMA has prepared a briefing note for members on this subject.
The ACC Tax Committee has been set up with the objective of looking at tax issues of particular relevance to ACC members and so complement the work of the AIMA Tax Committee. Its principal interest is the implementation of the extended EU Anti-tax Avoidance Directive (ATAD2) in Ireland and Luxembourg. This measure may affect alternative credit funds and their use of holding structures and securitisation companies. As the legislation enacted in Ireland and Luxembourg is unclear in a number of aspects, the ACC is engaging with policymakers and members in order to tackle remaining uncertainties.

Tax reform

The implementation of the U.S. tax reform programme as well as BEPS measures has affected some U.S. fund structures. There is a developing rift between the U.S. and other countries on digital services taxes, which the U.S. sees as affecting primarily U.S.-based tech businesses. The OECD’s work to develop an international consensus by December 2020 depends on U.S. support being given to the final outcomes which, despite U.S. commitment to the process, is far from certain. While this may have little direct tax impact on fund vehicles and asset management businesses, greater global tax uncertainty is not conducive to investment.
AIMA's presence in Europe has grown significantly in 2019. We hosted 68 events with a combined audience of over 4,000 people. Our leading annual regulatory event, the AIMA Global Policy and Regulatory Forum, took place in New York in March. We welcomed representatives of 15 regulatory agencies as well as dozens of asset managers. Notable speakers included The Honorable Hester M. Peirce, U.S. Securities and Exchange Commission; James O'Sullivan, Head of Funds Policy, Markets Policy Division, Central Bank of Ireland; Heather Smith, Head of Investments and Securities Division, Cayman Islands Monetary Authority; The Honorable Rostin Behnam, Commissioner, U.S. Commodity Futures Trading Commission and David Joire, Senior Special Counsel, Securities and Exchange Commission. All our speakers provided insightful comments and provoked lively debate. As usual, the event was held under Chatham House Rule, however some of the key areas of discussion included:

- ESG and its transformation on the investment process
- Outsourcing and changing business models
- Enforcement priorities in 2019 and beyond
- Technology as a gamechanger

Throughout the year AIMA's Government and Regulatory Affairs team delivered updates for members in multiple jurisdictions including Switzerland, France, Luxembourg, Italy, Germany and Ireland - all of which were kindly hosted by member firms.

22 fund manager briefings were run by service provider member firms and we also launched Dublin instalments of the manager briefings. Thought leadership events were held on topics such as SMCR, IBORs transition, FCA enforcement themes cybersecurity, initial margin and market abuse.
Another flagship fixture in the annual AIMA event calendar, Spotlight, returned with a focus on raising assets. We were delighted to see over 350 industry peers join the afternoon session, which was followed by a buzzing cocktail reception.

A new edition to the Europe calendar was the China Asset Management Forums, held in both London and Frankfurt. The forums explored the impact and preparation of resources under the new environment of ‘A’ share, and we were privileged to have the Asset Management Association of China co-host a combined audience of 300 people.
HIGHLIGHTS OF SPOTLIGHT 2019
AIMA IN AMERICAS
AIMA’S GLOBAL REVIEW OF 2019
2019 has been another year of growth for AIMA in the Americas. Earlier this year, we opened our second U.S. office in Washington, D.C., with AIMA’s Deputy CEO and Global Head of Government Affairs Jiří Król at the helm, supported by Jane Moran. In New York, we added Suzan Rose, formerly Chief Compliance Officer at Marshall Wace North America, as a Senior Advisor, and Alexis Kwon, formerly of City Financial, as an Associate Director. Both leverage their industry expertise and experience as AIMA members to continue to refine and add practical resources for our constituents.

In Canada, AIMA saw significant regulatory achievements with the official adoption of liquid alternatives, and the OSC’s regulatory burden reduction initiative. Over the year, guidance from AIMA has led the way for legislative exemptive relief regarding permitted rehypothecation, multiple custodians and relaxed constraints for leverage and shorting in long/short credit and market neutral funds respectively. AIMA and CAIA also published important guidance on risk rating recommendations for hedge fund and alternative mutual funds for IIROC dealers. AIMA guidance was also adopted by CIFSC for expanded alternative fund categories for data comparisons in the retail channel.

Members also saw a reinvigorated AIMA Canada Handbook featuring investor profiles and guidance on how to operate in the Canadian marketplace.

Across the region, AIMA brought members together via more than 75 events in New York, D.C., Los Angeles, Chicago, Toronto, Montreal, Halifax, Calgary, Vancouver, Bermuda, Cayman, Sao Paulo and Santiago. New York played host to AIMA’s annual Global Policy and Regulatory Forum this past April along with the Alternative Credit Council Summit in November. We also hosted a record-breaking fifth annual AIMA Canada Investor Forum with nearly 350 investors, managers and service providers convening in Toronto. In addition to our regular member updates, we debuted a new and more interactive workshop series which will be expanded in 2020, our first annual intern day where members educated the next generation of talent, and an inaugural investor education roadshow to Brazil and Chile.

Members also continued to come together for networking and peer-to-peer education via an ever-growing offering of peer groups. In the Americas, this now includes groups for Investor Relations and Business Development, Legal and Compliance professionals, Operational Due Diligence, and communications professionals with new groups planned for 2020. In Canada, committee and working groups include investor engagement, education and research, legal, finance and compliance, and regional groups.
Canada Investor Forum
AIMA IN ASIA-PACIFIC

AIMA’S GLOBAL REVIEW OF 2019
2019 saw the APAC team continue to engage regulators and policymakers. The tone of our engagement in the APAC region has focused on collaborating with policymakers and regulators to open market access, create opportunities for our members and solve real world and operational issues faced by funds.

We conducted close to 40 meetings, calls and 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, AI and machine learning.

We brought “APAC to the world” as we worked with our global colleagues to feature APAC regulators and policymakers outside of their home jurisdictions. This includes the China asset management forums in the U.S. and Europe, Singapore roadshows globally, U.S. SEC visits to Asia (showcasing both the head of international affairs and U.S. SEC Commissioner on separate occasions), and Japan roadshows to Hong Kong and Singapore.

Our AIMA Acorns of APAC series – a forum for emerging managers - drew on our Government and Regulatory Affairs (GRA) work in the region to discuss issues around starting up a new business and featured regulators providing advice on setting up a fund.

In Hong Kong, AIMA made submissions to the Hong Kong government and authorities on a range of issues including business risk management, cloud computing and virtual storage, new limited partnership structure for funds, asset management-related taxation issues and the impact of offshore centres’ economic substance requirements. In mainland China, we engaged with the authorities on matters ranging from QFII/RQII reforms to the licensing process for PFM.
AIMA continues to collaborate with the Hong Kong Productivity Council (HKPC), a statutory body, to develop a cyber security intelligence platform (with a companion mobile app). HKPC operates the Hong Kong Computer Emergency Response Team Coordination Centre. Following on an earlier round of beta testing with volunteers from our membership, we have redesigned the platform from the ground up. The platform is now named HKPC+AIMA Cyber Security Watch and undergoing a new round of beta testing. The platform aims to be a one-stop shop managed 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.

Our interactions this year with the Singapore government and authorities covered asset management regulation, tax, technology risk, anti-money laundering (AML) and OTC derivatives reporting. AIMA was front and centre in working with the Monetary Authority of Singapore (MAS) involving the structure and taxation issues of the new variable capital company structure also known as VCC. AIMA also partnered with the MAS to conduct roadshows in Hong Kong, the U.S. (NYC) and EU (London, Frankfurt, Paris) on VCC.

Although our regulatory activities have focused 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 also has been busy. AIMA APAC continue to engage with 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 and on issues relating to liquidity risk management.
Events

Membership in the region continues to grow healthily, with new membership increasing in excess of 15% in 2019.

The number of events held across APAC this year also increased by 10% to 136 and attracted nearly 9000 attendees. We saw record attendance again in each region’s respective flagship forums (Tokyo, Sydney, and Singapore). Our headline AIMA APAC Forum 2019 in Hong Kong drew 605 people, increasing by 34% from 2018.

In 2018 we launched Acorns of APAC in Singapore and Hong Kong and we held the second edition of the series again this year, with the addition of Australia for the first time. 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 we encourage growth and innovation in the region, our new initiatives in 2019 included a roadshow with Asset Management Association of China (AMAC) in London and Frankfurt, and the China Asset Management Forum in New York. Down under in Australia, we’ve been championing diversity & inclusion, launching the AIMA Australia Women in Alternative Asset Management Working Group and holding its inaugural meeting.

In Singapore, Kher Sheng Lee, Managing Director, Co-Head of APAC and Deputy Global Head of Government Affairs at AIMA, accompanied representatives from the Monetary Authority of Singapore (MAS) on roadshows in Europe promoting the new Singapore Variable Capital Company (VCC) fund structure.
AIMA Singapore Annual Forum
Japan Forum

APAC Annual Forum
RESEARCH & COMMUNICATIONS
AIMA'S GLOBAL REVIEW OF 2019
Research

Our research draws on the unique resources available to us as global representatives of the alternative investment industry to produce unbiased, insightful commentary on trends affecting the industry.

In 2019, AIMA and its partners produced research and thought leadership papers covering themes including guidance on how to start a hedge fund, examining the deepening alignment of interest between hedge funds and allocators, an industry guide on how to improve diversity and inclusion across hedge funds as well as our annual overview of trends within the private credit sector.

Below is a brief summary of our main publications launched this year. For our full research library, including reports by our members, please visit the education section of the AIMA website here.

1. Hedge Fund start-up guide
2. In Harmony – Alignment of Interests (LP/GP)
3. Trust but Verify
4. The Alternatives (see p.13)
5. Financing the Economy – the Future of Private Credit (see p.39)

Hedge Fund start-up guide

Drawing on advice from all sides of the hedge fund value chain, this new guide provides practical advice for all emerging and start-up hedge fund managers on how to build a solid foundation for your business and to set your fund on the right path – whether that is to build a billion dollar business or not. Topics covered in this guide range from how to draft a business plan, selecting your service provider, due diligence, through to capital raising.
In Harmony examines how hedge funds and investors continue to strike the right note in aligning their interests. Faced with what is fast becoming a buyers’ market, hedge funds are forging deeper partnerships with investors. These are characterized by customised investment mandates, as well as offering value advisory services. Flexibility remains key for hedge funds wanting to deepen their partnerships with investors. This reflects a general trend within the industry as it moves away from the product-led environment of the past to a marketplace populated by more bespoke investor solutions. To access the full paper please go [here](#).

Trust but Verify

We launched a virtual roundtable presenting the very latest insights from allocators and industry consultants into the importance of Operational Due Diligence (ODD) on the allocation decision. It also looks at what happens after the initial ODD process, including monitoring managers from an ODD perspective, the use of fintech, and various ODD models. This paper was specifically designed by AIMA Australia’s Investor Advisory Group. It follows AIMA’s ongoing commitment to deliver Due Diligence Questionnaires (DDQs), Sound Practice Guides and Industry Guides.
Our communications function is now successfully incorporated into the Research department, ensuring our thought leadership informs our messaging and communications.

Digital communications is a key strategy for the team, enabling us to utilise our social media channels to target our stakeholders and audiences to best effect including our company LinkedIn page, which now counts almost 12,000 followers. We have set up a Comms Peer Group for communications leaders within the industry, enabling members to network and providing a platform for knowledge sharing.

We aim to provide an authoritative and representative voice for the industry in 2020, drawing on our expertise and research to elevate knowledge and understanding of the alternatives investment sphere.
The Alternative Credit Council (ACC) now represents more than 170 firms that manage over $400bn of private credit assets and continues to play a pivotal role in the industry’s global future. The ACC is an affiliate of AIMA and is governed by its own board which reports to the AIMA Council. In this section we summarise some of the ACC’s activity during 2019. For more information, please visit www.lendingforgrowth.org.

Expanding our presence in North America and APAC

During 2019 the ACC has expanded its activities across policy, research, events and thought leadership. The ACC continues to be a trusted source of industry knowledge as well as a leading advocate for lowering barriers to non-bank finance around the world. In keeping with our commitment to represent members globally, the Global Head of the ACC, Jiří Król, relocated to Washington D.C. Ahead of important presidential elections next year, our educational outreach in the U.S. involved a great number of meetings with regulators, policymakers and members of Congress. Moreover, the ACC has established committees in Canada and Australia to lead our local engagement. To further support our efforts, the ACC has welcomed nine Sponsoring Partners this year, including global law firms Allen & Overy, Dechert, Macfarlanes and Simmons & Simmons, international audit and accounting firms EY and PwC, and major fund administrators Bank of New York Mellon, Citco and SS&C. Their engagement remains crucial in helping the ACC to deliver value for its members and the industry overall. Lastly, our activity has been further boosted by the hiring of a new Analyst, Yasmin Bou Hamze, who has joined the team to primarily focus on our regulatory and thought leadership agenda.
Engaging macroprudential regulators

The ACC continued its engagement with macro-prudential policymakers on the financial stability agenda, highlighting how private credit supports a resilient financial system, improves allocation of risk among investors and diversifies the sources of finance available to borrowers. This programme of engagement across both the U.S. and Europe took in meetings with the Federal Reserve Board, the Financial Stability Oversight Council, the Office of Financial Research, the European Central Bank, the European Systemic Risk Board and the Bank of England.

As part of this outreach, we provided important data on the industry which aided policymakers in understanding how private credit differs from other forms of debt financing, and how those differences can often enhance financial stability. The fact that private credit funds fundamentally do not engage in liquidity, maturity or credit transformation – and therefore do not create mismatches that could result in market disruption – continues to be one of the central features of our industry.

Improving perceptions of non-bank lending in Europe

In several European jurisdictions, the appropriateness of the policy framework remains the single biggest determinant of growth for private credit managers. To support policymaker understanding of private credit, the ACC published a white paper Non-bank lending in the European Union to highlight how policy reform can address existing barriers to further growth of the industry. The white paper was supported by a programme of education with domestic policymakers across Europe, via roundtables in Paris, London, Brussels, Luxembourg and Milan. The ACC has also engaged at the European level on the Proposed Credit Servicers, Credit Purchasers and the Recovery of Collateral Directive. Here, the ACC has secured substantial changes to the draft legislation, including an exemption for AIFMs and UCITS Management Companies, and continues to work with the European institutions as this legislation moves forward. Across all of its European activity, the ACC has provided a platform for its members to directly engage with policymakers and peers on the future of the market in Europe and will continue this in 2020.
Continuing thought leadership and education

To mark the fifth anniversary of the ACC’s flagship research series, this year’s edition of Financing the Economy brought together insights from 30 industry leaders and data from 60 firms managing close to US$400 billion in private credit assets. The research found that private credit will continue to expand across both existing and new strategies and markets. This optimism amongst managers was tempered with a strong sense of realism about the impact of the economic and credit cycle on their future growth. This sentiment is already influencing all aspects of the lending process, from changes to underwriting practices, to investment in technology and restructuring capacity. Despite these headwinds, the research highlighted several key trends supporting the sustainability and resilience of the asset class. Although the next decade for private credit will pose different challenges than the last, it was encouraging to see our core finding – that the sector is well set to continue its upward trajectory – so well received by members, investors and policymakers.

Supporting a truly global membership network

The ACC successfully hosted two annual flagship conferences in London and New York, and a pre-conference session at the AIMA in Asia conference in Hong Kong. The programme for the flagship events enables the ACC to showcase the full range of strategies undertaken by our members. We were pleased to include members from around the globe, with speakers from Australian, Canadian, Chinese, French, German, Hong Kong, Italian, U.S. and UK members represented. In addition to the flagship conferences, the ACC has continued to develop our events in the U.S., Europe and APAC, providing a forum for local private credit managers to meet with their peers, share knowledge and improve the understanding of private credit amongst investors and policymakers. Last but by no means least, the ACC was pleased to organise three roundtable discussions on the topic of diversity and inclusion to support our members as they address this important issue.

Thank you to all our members who participate in these events and support our activity.
AIMA’S CORE OBJECTIVES

AIMA’S GLOBAL REVIEW OF 2019
To provide an interactive and professional forum for our membership and act as a catalyst and promoter of the industry’s global development.

To provide leadership for the industry and to be its preeminent voice.

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
AIMA'S GLOBAL REVIEW OF 2019
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 170 members managing $400 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.
THANKS TO OUR SPONSORING PARTNERS IN 2019

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