



AIMA

Review of 2016

- Results of our regulatory and tax engagement
- Key research and educational papers
- Event highlights





End-of-year message

By Jack Inglis, CEO, AIMA

End-of-year message by Jack Inglis

I am delighted to introduce our Review of 2016, which describes the work we have undertaken around the world this year on behalf of our members. It goes into detail about the year we have had - in terms of our regulatory and tax engagement, our research reports and educational papers, and our largest events around the globe. We will also look ahead to some of our projects in 2017. Finally, I hope you like the black-and-white photography we have chosen, which relates to locations where AIMA has a presence. >



Access to AIMA people

Members routinely access our strong bench of senior staff for guidance and we continue to widen that one-to-one interaction wherever possible.

Policy & regulation outcomes

Our government and regulatory affairs work continues to achieve positive outcomes. In 2016, we saw progress across a number of proposed measures including those relating to payment for research, securitisation reforms, cross border derivatives trading rules, asset segregation, and financial stability policy. The EU Commission has agreed to review the effectiveness of short selling reporting requirements as a result of our engagement. We have moved quickly to build industry consensus on a Brexit position following consultation with members and are poised to address any policy or regulatory changes that come following the US elections.

Compliance & training

Our library of due diligence questionnaires and sound practice guidance for AIMA members

has grown again as has the number of popular training programmes we organise for alternative investment management staff globally. New guides to sound practice published this year cover managed accounts, paying for research, cyber security, investor relations and operational risk management. New DDQs relate to cyber security, fund boards and fund directors and in 2017 we will be launching a modular DDQ for alternative fund managers as well as guides for market abuse prevention, selecting and assessing fund administrators, expense allocations and liquidity risk management.

Industry reputation & research

We have refined our PR, social media and online activities to contend with growing negative comment on our industry. We have intensified our presence on Twitter and LinkedIn and will shortly be delivering on a greatly improved website. We support our narrative always with our own substantial research work aimed at educating investors, politicians and the public.

Events & networks

This year we held more than 200 events across EMEA, North America and Asia-Pacific, with around 12,000 attendees combined. These addressed relevant and topical subjects as well as providing a wealth of peer-to-peer knowledge sharing. Our committees and working groups involve over a thousand people and these enable members to be actively engaged in the issues that matter most to them.

Improved synergies

AIMA's formal collaboration with the MFA has built momentum in 2016 and we will achieve even more efficient use of members' time and resources next year. Delivering value to our members is my number one priority, and I look forward to continuing our work on our members' behalf in 2017.

Best wishes for a happy and prosperous New Year in 2017,

Jack Inglis

AIMA's year in numbers



AIMA in numbers

Corporate members: 1,849

Member contacts: 12,000

Countries with members: 57

AUM of fund manager members:
\$1.7 trillion

New members joined: 329

Member firms on working groups
and committees: over 600

Participants on working groups
and committees: Over 1,400

Committees and working groups
worldwide: over 125

AIMA events worldwide: 217

Event attendees globally: 12,000

Hits to the website: Over 840,000

Followers on Twitter: 5,100

Followers on LinkedIn: 3,400

*Figures correct as of 1 Dec 2016



New sound practice guides and DDQs in 2016



Compliance and training tools

Our library of DDQs and guides to sound practices (GSPs) for AIMA members has grown again as has the number of training programmes we organise for manager members. New GSPs in 2016 cover managed accounts, paying for research, cyber security, investor relations and operational risk management. New DDQs relate to cyber security, fund boards and fund directors. In 2017 we will launch a modular DDQ for managers as well as guides for market abuse prevention, selecting and assessing fund administrators, expense allocations and liquidity risk management.

Cyber Security

AIMA published three updated versions of its [Guide to Sound Practices for Cyber Security](#). The guide seeks to enable those responsible for the implementation of a cyber security programme to understand the universe of problems as well as to consider what is and what is not applicable to them. The guide also tries to differentiate between what are seen as advanced defensive techniques and those which are simpler to enable some selection to be made between base layer protection and something more complex. While there is an acknowledgement of the most sophisticated of cyber threats and protection techniques, the focus of this guide is to concentrate upon doing the straightforward things really well. Regular updates to the guide are also planned for 2017.

AIMA also collaborated with AITEC in the production of the AITEC-AIMA Illustrative Questionnaire for the Due Diligence of Vendor Cyber Security. The DDQ is designed to streamline the process of conducting due diligence on vendors servicing the alternative asset management industry. The DDQ

represents the superset of critical questions complied by a committee of AITEC and AIMA members who are experienced in technology and operations.

Paying for Research

AIMA published a [Guide to Sound Practices for Paying for Research](#), which aims to provide guidance to investment managers who purchase externally sourced equity or fixed income research on behalf of their client accounts. It aims to clarify industry sound practice in relation to the payment for research and to help investment managers understand their role and responsibilities to their clients when using client's assets to pay for research. The guide focuses on the basic principles underlying the regulation of the payment for research, which should be internationally applicable, but examines the regulatory regimes in the US and the UK more thoroughly.

Investor Relations

AIMA published a [Guide to Sound Practices for Investor Relations](#), which aims to identify a common set of sound practices that will help

investment managers build a stable investor base, a key pillar of a sustainable hedge fund business. Among the topics it addresses are the structure and responsibilities of the IR function, investor communications, marketing, fund raising, due diligence, subscriptions and redemptions.

Operational Risk Management

AIMA published a [Guide to Sound Practices for Operational Risk Management](#), which sets out principles that small- to medium-sized hedge fund managers should consider when developing an Operational Risk Management ('ORM') program as part of their overall compliance and operations. With the increased scrutiny of hedge fund managers by institutional investors, regulators and the media, particularly post-2008, the focus on a hedge fund manager's ORM processes and procedures has multiplied. Following this trend, institutional investors and ORM specialists routinely recommend that emerging managers adopt "sound practices". AIMA hopes that this guide will provide additional insights for its manager members

looking to improve their operations, and understand what next steps could be considered as an investment manager's AUM grows.

Fund Directors

AIMA published a set of illustrative questionnaires for the due diligence of individual fund directors and fund boards of directors to assist investors and managers in assessing fund directors and fund governing bodies.

Managed Accounts

AIMA published a [Managed Account Guide](#) in December. Investor interest in managed accounts has increased significantly in recent years, with investors citing their preference for greater control, transparency and flexibility as key drivers. The Guide explores both the potential benefits and disadvantages to managed accounts in greater detail. Among the topics it addresses are structuring, funding, costs, investment management agreements, investment considerations, counterparties, transparency, liquidity, fees and expenses, manager conflicts of interest and regulation.



Regulatory affairs and tax highlights



Regulatory and tax engagement

In 2016, we saw progress across a number of proposals including those relating to payment for research, securitisation reforms, cross border derivatives trading rules, asset segregation, and financial stability policy. The EU Commission agreed to review the effectiveness of short selling reporting requirements as a result of our engagement. We moved quickly to build industry consensus on a Brexit position following consultation with members and will address any policy or regulatory changes that come following the US elections.

Asset management regulation

AIFMD

During the course of 2016 AIMA engaged with the European Securities and Markets Authority (ESMA) and the European Commission (the 'Commission') as well as a number of national regulators in relation to a variety of outstanding issues regarding the Alternative Investment Fund Managers Directive (AIFMD). This included the following:

- Third Country Passport

ESMA issued advice regarding the extension of the AIFMD passport to 12 non-EU jurisdictions. AIMA continued to engage with ESMA and the Commission in order to ensure the greatest amount of clarity possible regarding the process that ESMA is adopting to assess the eligibility of third countries for the AIFMD passport and what will happen to the national private placement regimes if/when the third country passport is activated.

- Asset segregation

AIMA, along with the Association for Financial Markets in Europe (AFME), Irish Funds (IF) and the Association of Global Custodians (AGC) continued to meet with ESMA as well as a number of European competent authorities to explain that ESMA's proposed preferred models for asset segregation (set out in an [ESMA consultation](#) on its guidelines on asset segregation under the AIFMD) would entail a restructuring of the prime brokerage, custody and sub-custody market, to the detriment of AIFs and investor protection. AIMA, AFME, IF and the AGC have continued to argue that in order to entail such upheaval there would need to be a very clear statutory footing for this change, which is not present in the AIFMD.

In July, ESMA issued a [call for evidence](#) on asset segregation and custody services, seeking further input on which methods of asset segregation should be used by asset managers. AIMA worked together with AFME, IF and the AGC on producing a [response](#), which argued that market participants should be permitted to continue to use the asset

segregation framework described in Option 4 on page 18 of the call for evidence, with the understanding that such participants are required to take additional actions and institute additional procedures, including, if required, individual segregation in those jurisdictions where such additional action and procedures are necessary to ensure adequate investor and client asset protection. ESMA has not yet made a decision as to the best method of asset segregation, meaning that the industry has not yet had to implement any changes to their asset segregation models.

- Passporting fees

AIMA continued to engage with the Commission in relation to the fees charged by EU Member States for the use of the AIFMD passport. In particular, AIMA raised this issue in its [response](#) to the Commission's [consultation document](#) regarding the cross-border distribution of funds across the EU and suggested that the Commission should take this opportunity to ensure more convergent practices and a smoother passporting system.

- Reporting

AIMA continued to engage with ESMA and the FCA in relation to their Q&As on reporting requirements under the AIFMD in order to achieve greater clarity on the reporting requirements for AIMA members.

Remuneration

AIMA continued to engage with ESMA in relation to the correct interpretation of the proportionality principle. AIMA is seeking to ensure that the current interpretation of proportionality, which permits asset managers to disapply certain provisions of the remuneration guidelines (the 'Pay-Out Process Rules') if it is proportionate for them to do so, remains in place. ESMA's final [guidelines](#) on sound remuneration policies under the fifth Undertakings for Collective Investments in Transferable Securities (UCITS) Directive neither permit nor prohibit the disapplication of the Pay-Out Process Rules on the grounds of proportionality.

However, ESMA has also written a [letter](#) to the Commission, European Council and European

Parliament on the proportionality principle, which explains that whilst the UCITS Remuneration Guidelines are silent as to whether proportionality can lead to the disapplication of the Pay-Out Process Rules, ESMA's view is that disapplication of the Pay-Out Process Rules should be permissible under both the UCITS and the AIFMD Remuneration Guidelines. AIMA will continue to engage with ESMA and other European policy makers to ensure that this interpretation of the proportionality principle is maintained.

Securitisation

AIMA has continued to engage with the Commission, the European Parliament and the European Council in relation to the development of the Securitisation Regulation. AIMA produced a position paper which it has shared with a number of European politicians and a follow up key issues document which it has shared with key stakeholders during the European Parliament negotiations. AIMA will continue to engage with regulators in the coming year to seek to ensure that the [Securitisation Regulation](#) is a beneficial

regulatory development for asset managers.

Systemic risk

AIMA has continued to engage with the Financial Stability Board (FSB) and other regulators in order to persuade them that hedge funds are not systemically important and to argue that gross notional exposure (GNE) is not the best way to measure the systemic risk of a hedge fund. AIMA produced a [white paper](#) comparing measures of leverage in funds which is shared with a number of regulators.

AIMA also submitted a joint [response](#) with the Managed Funds Association (MFA) to the Financial Stability Board's (FSB's) [proposed policy recommendations](#) to address structural vulnerabilities from asset management activities. In the response, AIMA and the MFA supported the FSB's decision to focus on asset management activities rather than designation of individual asset managers as systemically important. AIMA and the MFA also encouraged the FSB and others to: (i) consider the cumulative impact of the many regulatory actions that have been taken since the

financial crisis to mitigate risks to determine whether any regulatory or information gaps remain; and (ii) re-examine certain of its underlying assumptions regarding leverage and the potential for increased risks associated with the use of leverage.

Canada engagement

AIMA Canada's Legal & Finance Committee delivered four comments letters to proposals from regulators, including one on the Alternative Funds Proposal which would allow alternatives strategies to be open to retail investors as well as accredited investors and institutions. AIMA Canada committees and working groups also had meetings with various regulators across Canada covering topics of registration, investment funds regulation, enforcement & compliance, and derivatives clearing & reporting requirements.

Markets Regulation

MiFID II

As we head towards the end of 2016, we now have a clearer view of the final MiFID II

framework: European-level work on implementing measures is largely complete and individual Member States are now pushing ahead with domestic implementation of the new rules. AIMA's efforts over the course of 2015 to shape the rules on payment for research were rewarded this year when the European Commission confirmed that firms would be able to collect research budget alongside execution spend, meaning that firms will be able to build on some of the key features of existing Commission Sharing Agreements as they implement the new rules. We have also had success in shaping the domestic implementation of MiFID II standards, with the UK's Financial Conduct Authority confirming that it will not force AIFMs to adhere to MiFID II transaction reporting obligations.

In addition, we have continued to engage in the detail of the new framework, and by the end of 2016 will have responded to six separate consultations from ESMA and regulators in the UK and France. We have also ramped up our MiFID II implementation work. An overarching AIMA MiFID II Guide will be launched early in 2017, with a series of follow-up publications

addressing key aspects of the rules in depth. We have also engaged with a number of vendors and associations to provide members with a clearer view of the various industry solutions to key implementation challenges such as transaction reporting and payment for research.

Basel III

January 2016 saw the publication by AIMA of an in-depth [research report](#) on the impact of reforms stemming from Basel III on the hedge fund industry, highlighting the ways in which firms are seeking to mitigate some of the impacts on their financing relationships. (See *Research Papers* section.)

We have also continued to engage with policymakers on the implementation of Basel III standards, focusing in particular on the impact of the leverage ratio on OTC clearing; on this issue, AIMA brought together a coalition of associations and developed a [joint submission](#) to the Basel Committee, highlighting the importance of designing the leverage ratio in a way that recognises the risk-reducing potential of client initial margin.

Capital Markets Union

In January 2016, AIMA [responded](#) to the European Commission's [call for evidence](#) on the EU regulatory framework for financial services that was published as part of the Capital Markets Union project. In our response we addressed a number of areas where AIMA believes that existing regulation is not achieving its intended policy objectives, highlighting:

- The need to consider carefully the reform of market infrastructure to support liquidity as agreed standards are implemented;
- The need to look again at regulatory reporting to ensure that supervisors are collecting the right data in the most effective way possible;
- The importance of finalising the EU internal market in fund distribution and opening this market to third country funds; and
- The need to review public short-selling disclosure requirements which has hurt equity market liquidity.

Since making our submission, we have engaged with the European Commission on a number of specific issues, including securitization, EMIR reporting and short-selling rules. We anticipate that this will translate over the course of 2017 into tangible policy changes to address problems that we have highlighted.

Senior Managers and Certification Regime

2017 will see a formal consultation by the FCA on the extension of the Senior Managers and Certification Regime (SMCR) to all financial services firms, including asset managers. There will be inherent difficulties in carrying the regime across to a huge population of financial services firms of differing type, size, structure and complexity, as explored in the AIMA [summary](#) for members published earlier this year. AIMA has taken the opportunity to engage early on this issue, hosting a roundtable with the FCA and members in May 2016 to explore some of the potential issues in extending the regime and to provide the FCA with an insight into the governance structures and allocation of responsibilities in different-sized asset management firms.

AIMA followed up with a briefing to the FCA in June 2016 on common corporate and governance structures in different-sized member firms, to inform their early thinking on applying the regime proportionately. In the last quarter of 2016, the FCA started engaging more widely with the industry as it develops its approach and AIMA is continuing to maintain an open dialogue with members of the FCA's policy team. In addition, together with Clifford Chance and Bloomberg, AIMA provided a briefing for manager members on the incoming SMCR in December 2016 and will look to continue to engage with members and the FCA as the plans for extension take shape in 2017.

CCP recovery and resolution

2016 has seen CCP recovery and resolution rules finally moving forward. In August 2016, the Committee on Payments and Market Infrastructures of the Banking for International Settlements, and the International Organization of Securities Commissions (together CPMI-IOSCO) published a consultative report on [Resilience and recovery of central counterparties \(CCPs\): Further guidance on the](#)

[Principles for financial market infrastructures \(PFMI\)](#), primarily focused on additional guidance on the issues of CCP governance, credit, margin and liquidity. The Financial Stability Board also published a discussion note on [Essential Aspects of CCP Resolution Planning](#), on proposed further guidance to assist jurisdictions with implementing effective resolution regimes, and explore the resolution tools that should be available to authorities.

AIMA responded to both the [CPMI-IOSCO](#) and [FSB](#) consultations, highlighting priorities for AIMA's members and raising outstanding concerns with the proposed guidance. The EU Commission published its [proposal](#) for a harmonised EU framework to determine funding for recovery and resolution where pre-funded resources under EMIR are exhausted. According to the proposed measures, initial margin haircuts have come off the table - a positive development AIMA has strongly supported over a number of years. AIMA will continue to update members on developments and engage with the relevant authorities on key outstanding concerns, including for

example, ensuring appropriate buy-side representation on CCP governing bodies.

OTC derivatives reforms

Global OTC derivatives market reforms pushed ahead during 2016. The year kicked off with the European Commission and the US Commodity Futures Trading Commission (CFTC) agreeing a [common approach](#) in February for transatlantic central counterparties (CCPs), following many years of engagement on this issue by AIMA. The European Commission and CFTC followed this up in March 2016 with announcements of formal recognition of the comparability of their respective rules regulating CCPs. The determinations will enable CCPs to provide clearing services in both the EU and US while remaining subject solely to their local requirements.

AIMA has also continued to engage on the issue of single-sided reporting. In April 2016, AIMA co-signed a [paper](#) prepared by the International Swaps and Derivatives Association (ISDA) on improving derivatives transparency espousing the benefits of single-sided reporting. The

paper had a total of 13 signatories (including ISDA, AIMA, the Investment Association and the Managed Funds Association) and was sent directly key legislators and policymakers in relevant jurisdictions. The paper advocates in favour of single-sided reporting on the basis that it will reduce costs, avoid duplication, streamline reporting obligations and make it easier to harmonise international reporting requirements. We expect that reporting will be an area of focus under the EMIR Review in 2017, and will continue our efforts on this front.

During 2016 AIMA advocated for amendments to the regulatory technical standards with respect to the EMIR margin period of risk (MPOR) for client accounts for exchange-traded derivatives to achieve a level playing field with other jurisdictions. This key amendment was picked up in the June 2016 Commission Delegated Regulation EU 2016/822, with the MPOR for central counterparty client accounts reduced from two days to one day for exchange-traded derivatives and securities held in gross omnibus accounts or individual segregated client accounts (where

certain conditions are met). The amended RTS aligns the MPOR time horizons with that of the US, following the equivalence decision by the EU Commission.

Ahead of implementation of the EU margin requirements for non-centrally cleared derivatives in 2017, AIMA and Simmons & Simmons provided a [briefing](#) for members in September on the EU rules, and an overview of the interaction of the EU and US regulatory framework.

SFTR

The EU Regulation for the transparency of securities financing transactions and of reuse (the SFTR) entered into force and partial effect in January of 2016. In early 2016 AIMA created and invited members to join a new Securities Financing Transaction (SFT) Working Group to help firms with their implementation of the new rules, with the requirements for the reuse of collateral entering into effect in July 2016 and obligations for pre-contractual disclosures for collective investment funds starting immediately for newly constituted funds.

In early 2016 AIMA obtained positive European Commission clarification that the headline SFTR reporting obligation would not apply to any fund or account client domiciled outside of the EU, regardless of where the manager of the vehicle is located and whether or not the manager is authorised. This will mean that for many members, the Article 4 SFTR reporting obligation will not apply to them once it becomes effective. Nonetheless, AIMA submitted a targeted response in April to the ESMA Discussion Paper on draft RTS and ITS under SFTR dealing with the content and format of SFT reports, highlighting key operational issues associated with the rules. AIMA will continue to monitor developments on the SFTR, in particular in relation to the first round of periodic reporting to investors for annual reports due under AIFMD and the UCITS Directive on or after 13 January 2017.

MAR

2016 has been an important year for market abuse rules. On 3 July, EU Regulation 596/2014 on market abuse (MAR) entered into effect and brought with it numerous questions for buy-

side participants regarding interpretation and implementation of the rules, both within the EU and third-countries. AIMA has been active throughout the year to make members aware of the changes introduced by MAR and to provide a forum for discussion.

In June, AIMA organised a breakfast briefing on MAR hosted by Simmons & Simmons which focused on key changes and uncertainties for hedge fund managers. AIMA also held a roundtable discussion with the FCA in September during which we sought feedback on areas of uncertainty such as the concept of 'use' of inside information in the context of order cancellation policies, the definition of a 'quote' for the purposes of order and transaction monitoring, and the various possibilities for cross-border application of MAR.

Separately, the AIMA Market Abuse Working Group has developed responses to ESMA's draft guidelines for market sounding recipients, as well as the FCA's CP 16/13 on changes to the decision procedure and penalties (DEPP)

manual and the enforcement guide for the implementation of MAR. The Working Group is also currently evaluating potential draft Questions & Answers on MAR that could help provide clarity on certain outstanding issues.

SSR

AIMA members have continued to cite the EU Short Selling Regulation (the SSR) as one of the most costly and burdensome pieces of EU financial regulation for operational compliance purposes. In light of this, AIMA has over the course of 2016 encouraged the European Commission to look again at the EU's short-selling rules as part of the ongoing Capital Markets Union (CMU) project. In addition to making specific comments on the SSR in the AIMA response to the European Commission Call for Evidence on the impact of financial regulation since 2008, we also submitted a [joint letter](#) with the MFA to the Commission on various industry concerns regarding the SSR.

The letter proposes various amendments to the SSR to help improve its functioning and to assist with the ongoing success of the CMU.

These include the development of a single platform for participants to obtain the requisite information to make net short position calculations and notifications and to increase in the time permitted for significant net short position notifications and disclosures from T+1 to T+2. The letter also notes certain inconsistencies of competent authority enforcement across EU Member States, in particular re-raising the issue of interpretation of the SSR by the Greek HCMC relating to the sales of allocations in rights issues that AIMA posed to ESMA back in 2015. The SSR will continue to be a topic of focus in our political engagement going forward into 2017.

'Brexit'

On 23 June 2016, the British electorate voted by a margin of 52%-48% to leave the European Union. The UK Prime Minister, Theresa May, has since confirmed that the UK will notify the European Council under Article 50 no later than 31 March 2017 which will trigger a two-year negotiation window within which a withdrawal agreement between the UK and EU will then be negotiated.

AIMA has been proactive in its response to the Brexit decision, establishing a Brexit Task Force consisting of a cross-section of fund manager and sponsoring partner service provider members to help guide our Brexit policy work, as well as technical sub-groups sitting underneath covering questions of UK tax matters post-Brexit, prime brokerage and the important question of what the UK financial services regime relating to alternative investment managers could look like post Brexit.

Back in August AIMA developed and distributed a joint member survey alongside the MFA to map the exposures of the global hedge fund and private credit industries to Brexit and to identify priorities going forward. AIMA has also developed a high-level Brexit Position Paper co-signed jointly with the AIMA, ACC and MFA targeted at UK politicians and regulatory authorities. The position paper sets out the industry priorities for Brexit, promoting maximising single market access whilst outside of the EU through an overarching equivalence framework to be agreed between the UK and

EU based on principles of equivalence, non-discrimination and reciprocity.

The position paper also stresses the value of the alternative investment management industry to the UK and presents the positive opportunities for the UK to develop its attractiveness as a jurisdiction to manage and potentially domicile assets. We have kept in close contact with relevant political and regulatory officials since June, regularly meeting both HM Treasury and the FCA, as well as holding meetings with the Economic Secretary to the Treasury and the Prime Minister's office in November. In addition, we are keeping in close contact with other associations and industry bodies to ensure that the voice of the alternative investment management industry is heard at each stage of the Brexit process.

Tax Affairs

Base Erosion and Profit Shifting (BEPS)

In the last five years tax laws seem to have been subject to more changes than the previous fifty altogether. This is the result of

the OECD initiative to tackle [Base Erosion and Profit Shifting \(BEPS\)](#) of multinational entities (MNEs), which developed in 2015 a framework to reform international tax rules on a fundamental basis.

The aim was to align more effectively taxation rights with where the economic activity takes place. The proposed measures operate as a combination of minimum standards, reinforced international principles and best practices, and include these areas: (a) the interaction between different domestic tax rules (such as controlled foreign company regimes, hybrid mismatch arrangements); (b) the substance of international tax provisions and model tax conventions (anti-avoidance provisions to prevent treaty abuse, changes in the definition of a permanent establishment, or transfer pricing principles); and (c) transparency and certainty of MNE tax liabilities (country-by-country reporting). In its [final report](#) on BEPS Action 6 (concerned with preventing access to tax treaty benefits inappropriately) the OECD acknowledged in response to issues raised by the asset management sector that further work

was required on the tax treaty entitlement of those funds (non-CIVs) such as alternative investment funds which are not classified by the OECD as collective investment vehicles (CIVs, broadly UCITS and equivalent funds).

Reacting to those demands, the OECD published in April 2016 a [consultation document](#) to seek views on the issues raised, in particular threshold qualifications for regulation and widely held ownership that might qualify non-CIVs for treaty access, the treatment of non-CIVs which are tax transparent entities, and means of identification of ultimate investors in a non-CIV. AIMA submitted its [response](#) to the OECD consultation on tax treaty entitlement for non-CIV funds). The discussion draft for the most part was seeking comments on the limitation on benefits (LOB) provision, in particular proposals put forward by commentators on earlier discussion drafts, although issues around the principal purpose test (PPT) were also discussed.

Generally, AIMA welcomes the OECD's efforts, but sees this as an ongoing process where

different practical complexities (often country specific) and governing interests will need to be taken into consideration, and this should be reflected in the recommendations incorporated into the [Model Tax Convention \(MTC\)](#) and the Commentary that accompanies it. 2017 is set to be a crucial year in determining what the final position of alternative investment funds might be.

The other areas where AIMA has been more active are: (1) in relation to the final recommendations set out in the [BEPS Action 7 deliverable \(2015\)](#) which modifies article 5 of the OECD model tax convention (MTC) regarding permanent establishments, AIMA submitted to the OECD and HM Treasury a [position paper](#) on permanent establishments, discussing the commentaries to article 5(5) relating to dependant agents, the impact on businesses carrying on cross-border activities, and more generally the consequences of lowering the threshold when assessing entities' taxable presence in a jurisdiction.

In our representation, we conclude that the

new rules, will create uncertainty and lead to unnecessary compliance costs for financial services businesses; and (2) With regards to the OECD discussion draft on the multilateral instrument (MLI) to implement tax-treaty related BEPS measures ([consultation document](#)), AIMA submitted a [response](#) exploring the best way in which the MLI will be made compatible with the existing bilateral tax treaty framework, and ensure its swift implementation. Clarity (through guidance) and flexibility (using opt-out mechanisms) ought to be pillars of the proposed rules, as well as consistent application.

Given that the BEPS outcome has transitioned to the implementation phase, many countries have started to introduce the proposed framework in their domestic legislations. In particular, the EU (which has made significant progress in this area), approved in June an anti-tax avoidance Directive ([ATA Directive](#)). The Directive lays down rules against aggressive tax planning practices including: (i) a limitation on relief for interest payments; (ii) an exit taxation provision; (iii) a general anti-

abuse rule (GAAR); (iv) controlled foreign company rules; and (v) a framework to tackle hybrid mismatch arrangements.

Tax transparency

The second big pillar upon which the OECD is building international tax reform, is by enhancing tax transparency, both in the private sector and among public authorities.

The OECD has developed important standards of practice over the last few years to provide for: [exchange of information 'on request' \(EOIR\)](#), and the [automatic exchange of financial account information \(AEOI\)](#). The EOIR Standard requires that information that is "foreseeably relevant" for tax purposes be available and accessible to tax authorities, who can then exchange the information with tax authorities in other countries, on the basis of a legal agreement. This standard covers information such as identity of beneficial owners of companies and other legal entities and arrangements like partnerships and trusts, accounting information and bank account information. All members of the

[Global Forum on Transparency and Exchange of Information for Tax Purposes](#) have committed to implementing the EOIR Standard. The Global Forum monitors these commitments through a robust peer review process.

The AEOI relies on a single, common, global requirement (the Common Reporting Standard or CRS) for financial institutions to share financial account information with tax authorities, which then exchange that information with their foreign counterparts on an agreed, annual basis. Over 80 jurisdictions, including major financial centres, have committed to begin automatic exchanges in 2017 and 2018.

In addition to that, the OECD has strengthened the importance of the [Convention on Mutual Administrative Assistance in Tax Matters](#), facilitating co-operation between national tax administrations. On the basis that (at least) two of the three main frameworks are in place, the OECD is set to determine a new list of un-cooperative jurisdictions (to replace the 2000 blacklist which is no longer fit for purpose) by

next year. Further, the EU Commission is moving towards the same direction and has proposed a new process for creating a common EU list of third countries that do not respect tax good governance standards. This single, objective EU list, based on international standards, is intended to replace the current incoherent mix of national lists. The Commission has set out a three step process to compile the EU list ([press release](#)):

- the pre-analysis phase in which the Commission will perform a pre-assessment of all third countries, based on economic indicators, and present the results to Member States in a scoreboard ([list published](#)), to identify the most relevant tax jurisdictions for screening;
- the screening phase in which selected third countries will be screened against clearly defined good governance criteria and engaged in an open dialogue to attempt to address concerns;
- the listing phase in which Member States will decide which countries to list, based on the outcome of the screening

process.

The Commission intends to publish the definitive list of non-cooperative jurisdictions by the end of 2017. Member States have already given their backing to this approach, which is also strongly supported by the European Parliament. AIMA is concerned that the EU initiative will go beyond the internationally accepted OECD standards. AIMA will engage with European bodies to argue that their principles should remain coherent with those agreed on a worldwide basis.

On tax evasion & tax avoidance

In parallel with the efforts to increase transparency, tax arrangements more generally are coming under intense public scrutiny:

The United Kingdom is currently leading the progress to curb tax evasion and tax avoidance, through a variety of measures. HMRC recently published important documents in relation to the criminal offence of failure to prevent criminal facilitation of tax evasion including a [summary of responses](#) to

the consultation paper issued last April, to which AIMA [responded](#). Interestingly, HMRC echoes some of the issues raised by stakeholders on associated persons (i.e. whether a corporation should have to benefit from the associated person's involvement in order to be criminally liable), overseas tax fraud offence, or the scope of the legislation.

The UK Government published the updated draft clauses for the new corporate offences, which will form part of the [Criminal Finances Bill](#). Further, HMRC also released [draft guidance](#) which includes: (i) a general overview of the offence; (ii) the guiding principles that should inform prevention procedures; and (iii) definitional issues - case studies.

HMRC will continue to work with industry bodies to support them in drafting their own sector specific guidance for the offence. More recently, AIMA [responded](#) to HMRC's consultation document on strengthening tax avoidance sanctions and deterrents ([here](#)), aimed at sanctioning those who design, market or facilitate the use of tax avoidance

arrangements which are defeated by HMRC and to change the way the existing penalty regime works for those whose tax returns are found to be inaccurate as a result of using such arrangements. Whilst the measures are intended at a minority involved in persistent marketing of tax avoidance schemes, the proposals seem to be widely drawn and would affect many other advisers, including IFAs, banks and lawyers. AIMA stressed situations that might be of concern, asking for more proportionate and reasonable rules that do not penalise advice on the law.

The EU Commission published an EU Communication ([here](#)) setting out upcoming measures to fight against tax evasion and avoidance: (a) increasing cross-border transparency on beneficial ownership: given the international nature of tax evasion and avoidance, tax transparency must also extend across borders. The Commission will examine how Member States could automatically exchange their national information on beneficial owners of companies and trusts with a potential tax impact; (b) improving oversight

of tax advisors' activities: the Commission will examine how to shed more light on tax advisors' activities and create effective disincentives for those that promote and enable aggressive tax planning; and (c) promoting tax good governance worldwide and tackling uncooperative tax jurisdictions. AIMA will monitor any developments.

Disguised investment management fees / carried interest / income-based carried interest

In 2015, HMRC put forward measures concerning taxation of managers' receipts from funds, and during 2016 those initiatives have been subject to amendments and entered into UK tax legislation.

The disguised investment management fee (DIMF) rules (in force from April 2015 – [Part 13 ITA 2007](#)) were intended to ensure that amounts representing annual management charges are taxed as income in the hands of UK resident individuals, in whatever form they are received. This measure interlocks with a further proposal introduced in the 2015

Summer Budget to address aspects of the capital gains tax (CGT) treatment of carried interest. This removes with immediate effect the so-called "base cost shift" and prevents "cherry picking" and other devices which reduce the taxable amounts included in a receipt of carried interest. Given the complexity of this new framework, HMRC is currently consulting industry bodies to update the guidance that will complement the rules.

In addition, a third set of measures has been introduced this year, affecting investment managers, and in particular alternative investment fund managers with carry arrangements. Under the [income-based carried interest \(IBCI\) rules](#) included in the [Finance Act 2016](#), effective from April 2016, certain carry amounts will be treated as earned income and be subject to income tax & NICs (47% in aggregate) rather than CGT at 28% (the reduction in CGT to 20% from April 2016 does not apply to carry). The appropriate treatment depends upon the fund's average holding period for its investments.

This test is intended as an objective replacement for the longstanding trading/ investing principle to determine income or capital treatment which can be difficult to apply in the circumstances of a fund. HMRC's intention is that inconsistencies in treatment should not be exploited in relation to taxation of carried interest and other performance linked rewards. The practical effect will be that the treatment of carried interest as capital gains will be largely restricted to private equity funds. HMRC will be consulting stakeholders in 2017 to ensure the guidance is expanded to cover the IBCI rules also.

Hong Kong tax developments

The Hong Kong Government commenced last January the legislative process to implement the open-ended fund company (OFC) regime. As part of this process, the Financial Services and the Treasury Bureau (FSTB) issued a concept paper to gauge views on the possible extension of the profits tax exemption to onshore privately offered OFCs. AIMA's Hong Kong tax committee and OFC working group made a [submission](#) in April stressing the outstanding

issues that the proposed framework still faces, and offering possible improvements and amendments to the draft rules in relation to 'investment scope' or 'custodian requirements'.

The Government published in the Gazette in June the Securities and Futures (Amendment) Ordinance 2016, which enables the introduction of the new fund vehicle.

Separately, the Inland Revenue Department (IRD) issued in May a revised version of the Departmental Interpretation and Practice Notes No.43 (DIPN 43). The most problematic issue related to Hong Kong-sourced interest income that arises to an unauthorised fund, which will be treated as HK taxable income if the 5% threshold (for income from incidental transactions) is exceeded. AIMA and other industry representative bodies have been in discussions with the IRD with the aim that the effects of those changes are minimised.

The IRD also published [DIPN 51 \(Profits Tax Exemption for Offshore Private Equity Funds\)](#) which sets out the IRD's interpretation and

practice in relation to the relevant provisions in the Inland Revenue (Amendment) (No. 2) Ordinance 2015. The rules include some guidance (which not all advisers may regard as correct) on the salaries tax treatment of performance fees and carried interest distributed to executives or employees of a fund management company. The IRD's new guidance indicates that unless the allocation of such performance fees and carried interest represents a genuine investment return that is equivalent to the return on investments received by other third party investors, such allocations could be subject to salaries tax as employment income through application of general anti-avoidance provisions.

The investment return will be deemed by the IRD as at arm's length if: (i) the return is on an investment which is of the same kind as investments made by third party investors; (ii) the return on the investment is reasonably comparable to the return to third party investors on those investments; and (iii) the terms governing the return on the investment are reasonably comparable to the terms

governing the return to third party investors. Hong Kong based fund management companies should evaluate their executive and employee incentive arrangements surrounding carried interest allocations in order to estimate the salaries tax implications (and note that penalties may apply).

US tax update

Whilst the last major tax reform took place 30 years ago in 1986, the US Treasury and the Internal Revenue Service (IRS) have been undertaking a review of key sections of the Internal Revenue Code (IRC). This will likely affect alternative investment funds and their management businesses. These are only two examples:

The IRS published last April [proposed Regulations](#) regarding deemed distributions on stock under section 305(c) IRC. Section 305(c) refers to deemed dividend rules for persons who only hold rights to acquire the stock such as holders of convertible securities or long parties to derivatives contracts (deemed shareholders) and provides that "a change in a

conversion ratio (CRA) that has the effect of increasing a deemed shareholder's interest in the assets or earnings and profits of a corporation is treated as a distribution".

Due to longstanding uncertainty on whether tax reporting or withholding was required, and also difficulty in ascertaining the amount of the deemed distribution, market practice has been that issuers of convertible securities, short parties to derivatives contracts and intermediaries have not reported or withheld on taxable CRAs. The proposed regulations are intended to address these issues. The new reporting rules require an issuer of convertible securities either to provide specified information on taxable CRAs to withholding agents and the IRS or to publish the information on its website. This is intended to capture the information necessary to collect tax on taxable CRAs.

The Proposed Regulations expand the responsibilities of withholding agents (derived from the enactment in 2010 of [section 871\(m\)](#) 'dividend equivalent' payment rules), but also

provide relief by deferring the withholding obligation until such time as the agents have adequate information regarding the deemed distribution, which should clarify their position in situations where there is no cash payment corresponding to a deemed distribution or a withholding agent lacks knowledge of the transaction.

The Proposed Regulations would apply to deemed distributions occurring on or after the publication date of final regulations but do not offer guidance on the withholding treatment of deemed distributions prior to 2016 (although IRS officials seem to have ruled out the retrospective application of the rules). Given the technical complexity of the proposed framework, issues to be resolved will be carried forward to 2017.

Further, the US Treasury released [Final and temporary related-party debt-equity regulations](#) under Section 385 in October. The regulations are directed at recharacterising debt instruments between affiliates and establish extensive documentation

requirements with respect to related-party indebtedness. Following comments from stakeholders, the US Treasury has accepted a more targeted approach, so that substantial changes have been made, and some exceptions are included. The final framework only applies to interests issued by domestic corporations (excluding foreign issuers), and exempts interests issued by S Corporations, and non-controlled RICs and REITs.

Whilst the bifurcation rule (i.e. stock could may be treated as part equity, part debt) has been eliminated, documentation requirements (albeit delayed) remain in the final rules, as well as transaction recharacterisation and funding rules. In relation to investment funds, the Preamble established that groups of investment funds managed by the same investment advisor may be part of an Expanded Group (under the scope of the rules) if the investment advisor controls the voting interests in the investment funds. The Regulations were not extended to encompass debt issued by subsidiary blocker corporations to a

partnership that is not a controlled partnership (e.g., they generally do not treat a partnership that owns 100 percent of a blocker corporation as an Expanded Group member), however the IRS and Treasury continue to study these structures.

California State Income Tax

California's state income tax incorporates market-based sourcing rules which have raised concerns over potential state tax liabilities for funds and asset managers that have no physical presence or connection with that state. The California Franchise Tax Board (FTB) has approved [amendments to Section 25136-2 \(CCR\)](#) which instruct how to source revenues from sales (other than tangible personal property) based on the location of the taxpayer's customer.

The amendments (which are retrospective to 1 January 2015) are intended to clarify the treatment for revenue arising from dividends, interest, securities and other intangible property which would potentially create a nexus and tax filing requirements in California. Companies that are not currently filing a tax

return in California may now be subject to California taxation, including the state's \$800 minimum tax since, as of January 2015, any taxpayer with more than \$536,446 of revenue assigned to the state is deemed to be "doing business" in California and obliged to file a corporate franchise tax return. Accordingly, investment entities in receipt of income from securities (or other intangible property) which could be sourced directly or indirectly to California for the 2015 year, but which are not currently filing California tax returns, should consider whether action might be required.

While some uncertainties remain, filing a water's edge election may be a protective measure should the FTB deem certain businesses to have an economic nexus. Whether an asset manager's fees received from an offshore fund with investors in California can be sourced to the state remains uncertain. The FTB may introduce other asset management examples setting out a look-through provision.



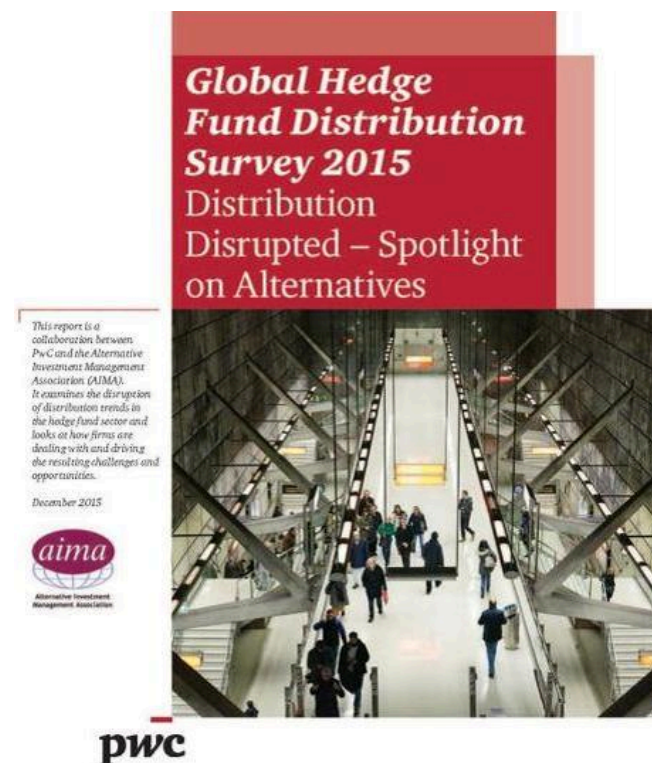


Research and educational papers in 2016

AIMA research

During 2016, our substantial volume of research helped to educate investors, politicians and the public. Read on for more details of the themes we have addressed during 2016.

Distribution Disrupted – A Spotlight On Alternatives (AIMA / PWC)



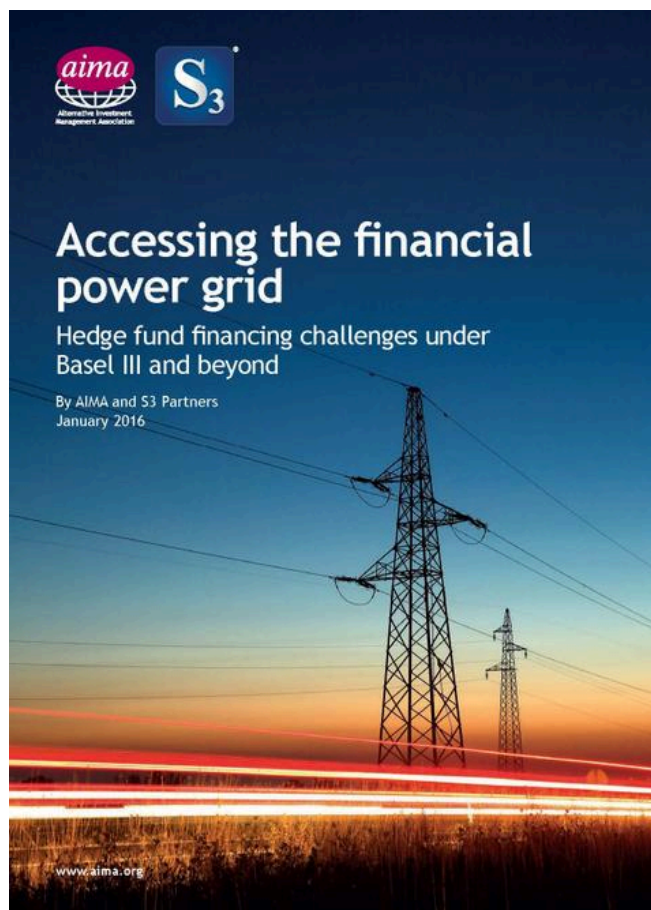
Distribution Disrupted assessed the impact of regulatory reforms and changed investor behaviour on hedge fund distribution models

and capital-raising efforts. The report was based on a survey of fund managers worldwide that found 61% reporting rising assets in their hedge funds, while more than 80% of firms with liquid alternatives funds said those products were also growing.

The impact of the Alternative Investment Fund Managers Directive (AIFMD) was assessed as varied. Around three-quarters of managers had changed where or how they market non-EU funds to EU investors as a result of the directive. Only a small number of EU managers were found to be using the passport, since they continue to manage non-EU funds, but a large proportion of those managers said they would apply for the passport if it became available.

The managers surveyed said their investors typically had taken 6-12 months before making an allocation. These investors cited fund performance, manager experience and investment strategy as the three most important factors in making a decision to invest.

Accessing the Financial Power Grid: Hedge fund financing challenges under Basel III and beyond (AIMA / S3 Partners)



Basel III reforms have fundamentally changed how asset managers are connected to the financial system, with hedge funds challenged to understand expense, usage and access to the financing power grid, according to [*Accessing the Financial Power Grid*](#), which AIMA and S3 Partners published in January.

The survey of fund managers worldwide found that:

- Financing costs have risen for 50% of firms, with an even split between those who quantify the level of cost increase as being greater than 10% and below 10%
- 75% of firms expect further cost increases over the next two years
- The impact is consistent regardless of a fund manager's size, investment strategy or location

Fund managers responding to the survey said they were having to rethink their prime brokerage relationships due to Basel III:

- 75% have been asked to change how

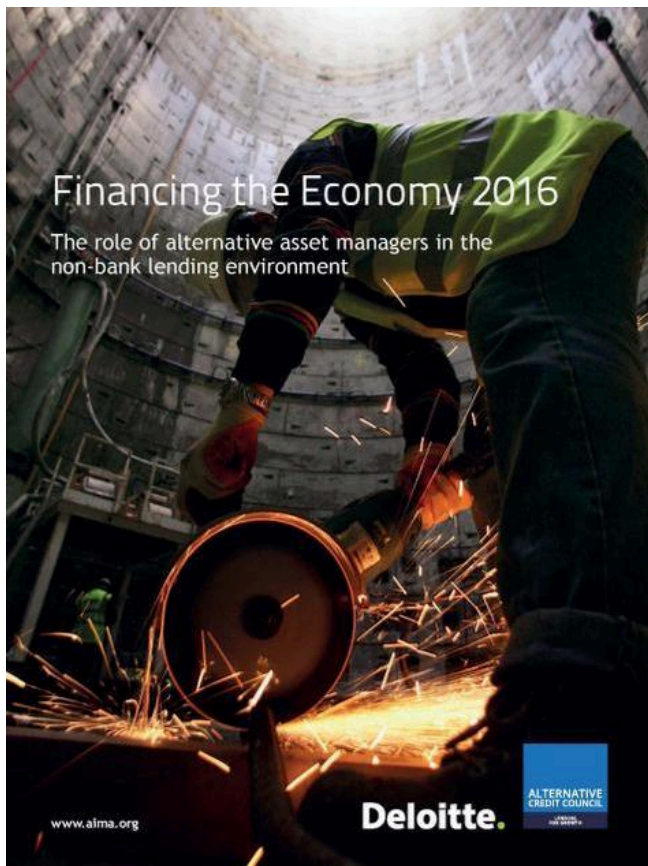
they do business with their prime brokers, while more than 67% have had to cut the amount of cash they keep on their brokers' balance sheets.

Importantly, the survey also found that:

- Most alternative asset managers over the last two years have either maintained or increased the number of prime brokers they use, with the average number of financing relationships found to be four.
- Only 20% of fund managers have a clear understanding of how their prime brokers calculate their worth in terms of the revenue they provide relative to balance sheet impact, known as "return on assets" or RoA. Fewer still have the data necessary to calculate this themselves.

The survey also found a lack of consensus around the definition of prime brokerage terms such as "reconciliation", "collateral management" and "collateral optimisation".

Financing the Economy 2016: The role of alternative asset managers in the non-bank lending environment (ACC / Deloitte)



The global private credit market, an alternative source of financing for small and medium sized enterprises, is flourishing, with institutional capital supporting increased lending in Europe in particular, according to the Alternative Credit Council (ACC) and Deloitte. The research, *Financing the Economy 2016*, found that institutional capital is boosting lending in Europe and much of this growth has been driven by demand from European businesses. However, the US still remains the largest private credit market, both in terms of overall assets under management, and new assets raised in 2015.

87% of global alternative lenders surveyed said that the best lending opportunities were in the UK. This was followed by France (62%), Germany (54%), Spain (54%) and the US (50%).

Pension funds were cited by 57% of respondents as the biggest investor category, while a further 30% said pension funds were their second biggest source of capital. Insurance companies, endowments, foundations and sovereign wealth funds were

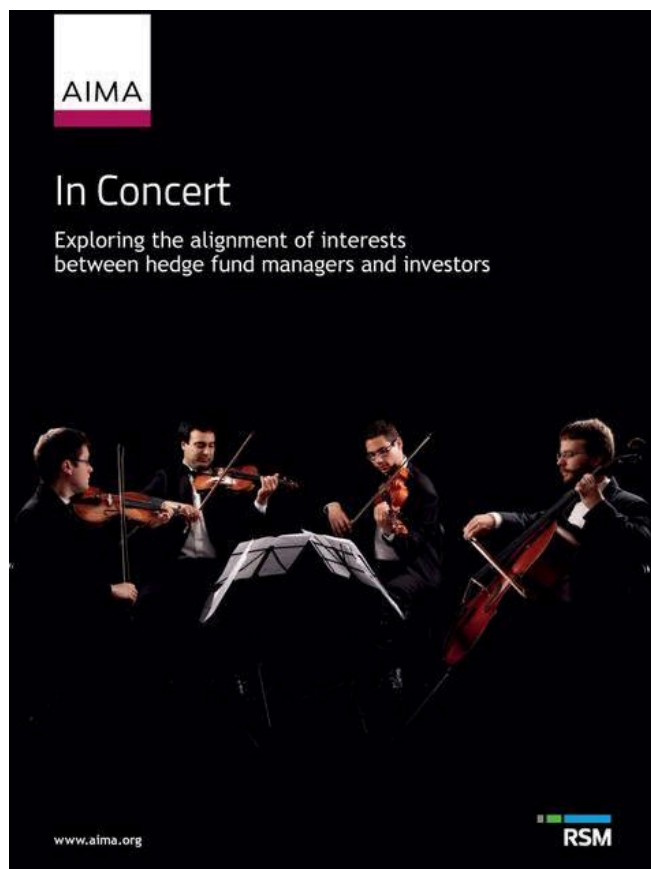
other investor types cited as sources of capital for private debt funds.

The research found that most financing is going to businesses with pre-tax profits of \$10 million or more. Most loans are greater than \$5 million in size and half are in the \$25m-\$100m range. In comparison, bond market financing, a common form of non-bank finance for larger corporates, is in the \$100m-\$300m range.

The research also found that most private credit funds use little or no leverage, have low default rates and are structured in a way to prevent liquidity mismatches, bank-style runs and other financial stability problems. Fund managers said growing demand was partly driven by the flexibility, responsiveness and expertise of alternative lenders.

The paper also includes a number of case study examples, some being published for the first time, of alternative credit funds that have supported various sectors of the 'real economy' including education, healthcare, renewable energy, engineering, and telecommunications.

In Concert: Exploring the alignment of interests between hedge fund managers and investors (AIMA / RSM)



Alternative asset managers are changing their business models and exploring a broader set of arrangements designed to improve the alignment of interest between themselves and their investors, according to *In Concert*, the most extensive undertaken by AIMA into the design of manager remuneration, investment terms and other methods of deepening the relationship with investors.

The survey of 120 alternative investment fund management firms was sponsored by RSM, a provider of audit, tax and consulting services focused on the middle market. Among the findings:

- One-in-three managers now charge performance fees above a hurdle rate, such as a fixed percentage or an index-based benchmark
- Three-quarters (77%) of managers offer or are considering offering a sliding fee scale, whereby management fees are reduced as the fund raises assets above particular thresholds
- Almost all (97%) managers charge

performance fees only above a high watermark – the fund's highest previous value

- Although not widespread, more fund managers are offering claw backs, whereby a share of past performance fees are returned to investors during loss-making periods
- Longer lock-ups in exchange for lower fees and other beneficial terms are increasingly common
- The majority of managers now agree to calculate and charge performance fees annually, rather than throughout the year, such as when profitable positions are closed out
- In firms where staff invest their own capital in the fund, nearly 30% said that principals and employees were the source of more than 10% of the fund's total assets under management
- Nearly two-thirds (61%) of managers consider that having a significant personal investment in the fund is the single most important method for aligning interest with their investors

Transformative Change: How innovation and technology are shaping an industry (AIMA / MFA / KPMG)



Hedge fund managers are innovating and increasing their investment in technology to create new competitive advantages and to address regulatory and operational issues, according to a study by KPMG International, AIMA and Managed Funds Association (MFA) titled *Transformative Change*.

An overwhelming percentage of hedge fund managers, 90%, said they are investing in technology to improve controls and compliance, with an almost equal number, 88%, identifying efficiency objectives as a top reason. The survey polled more than 100 global hedge fund managers representing approximately US\$300 billion of assets under management (AUM).

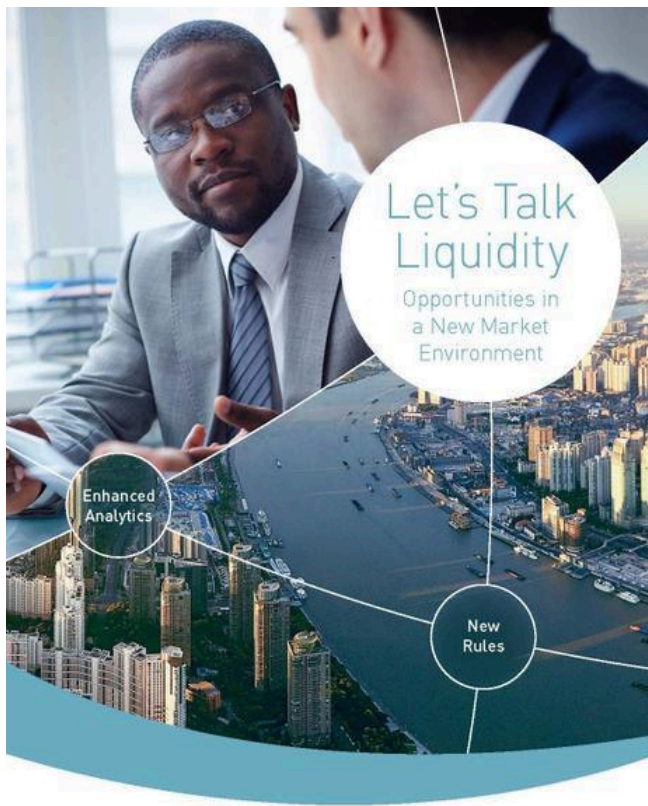
Of those polled, 58 percent of managers say that AI and machine learning will have a “medium to high” impact on the sector over the next five years. As one hedge fund manager noted in the study, “AI is going to continue to make inroads in the sector. There’s a very strong business case for replacing humans with algorithms in a lot of areas of the business.”

Seventy-four percent said they believe automated trading technologies will have at least “some impact” on hedge fund returns over the next five years. Virtually all – 94% -- fully expect technology to have an impact on competition over the next 5 years. The survey found that 32% of hedge fund managers polled are already using predictive analytics to uncover new trends and new opportunities.

However, 42% (largely smaller funds) said they are still unsure of the value and are just monitoring the industry and 27% said they don’t expect predictive analytics to play any role in their trading strategy.

As hedge funds start to rely more heavily on technology, many managers are becoming increasingly concerned about data risk. Hedge fund managers around the world are clearly worried about the safety of their most valuable data, with 83 percent of respondents ranking cyber security as an important technology capability that will attract significant investment.

Let's Talk Liquidity - Opportunities in a New Market Environment (AIMA / State Street)



Research study in partnership with AIMA



State Street Corporation in partnership with AIMA released a research report that found that nearly half (48 percent) of survey respondents say that decreased market liquidity is a secular shift that is here to stay. Regulations stemming from the 2008 financial crisis, coupled with historically low interest rates and slow rates of growth in the global economy, have constrained the ability of many banks to perform their traditional roles as market makers, which in turn has impacted broader market liquidity conditions, said the report, [Let's Talk Liquidity](#).

More than three-fifths of the survey respondents say current market liquidity conditions have impacted their investment management strategy, with nearly a third rating this impact as significant, and are reassessing how they manage risk in their investment portfolios. More broadly, they are adjusting to an environment of less liquidity in which trading roles have been transformed, new market entrants are emerging, and electronic platforms and peer-to-peer lending are changing the way firms transact their business.

Managers are adapting to the new environment by focusing their efforts in three areas:

- Rationalising the risk: The liquidity shift has ramifications for investors globally. They are seeking to develop the right strategies and tools to help them succeed in this complex new environment. This includes improving the way they measure and report on liquidity risk, and reassessing how they manage risk in their investment portfolios.
- Optimising the portfolio: Investors and managers are shifting their allocation strategies to take account of new liquidity conditions. While liquid fund vehicles such as UCITS and 40 Act funds have been gaining ground, a holistic strategy that balances risk with return across the whole portfolio is critical.
- New rules, new tools: The new market liquidity conditions are inspiring many players in the investment industry to invest in new solutions and platforms such as peer-to-peer lending that provide alternative sources of liquidity.

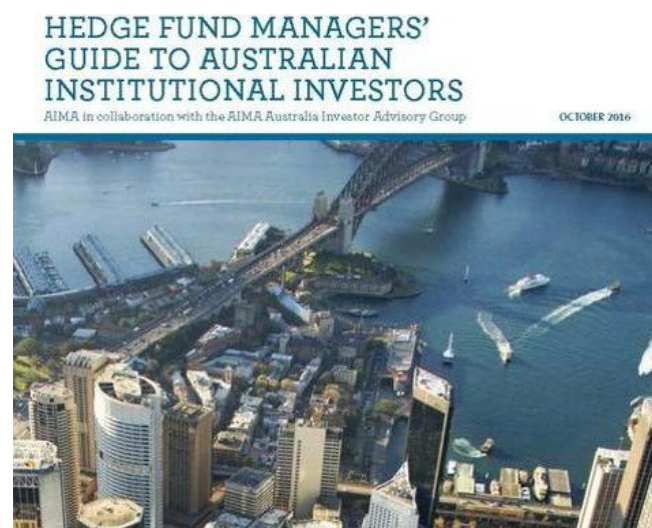
Made to Measure: Understanding the use of leverage in alternative investment funds (AIMA / CAIA)



Adding leverage to an alternative investment fund does not necessarily increase the risk, according to a study by AIMA and the CAIA Association.

Made to Measure suggests that there is no direct relationship between hedge fund leverage and the volatility and downside risk of fund performance. For example, funds that typically have the highest leverage ratios of all hedge funds – those using relative value or arbitrage strategies – have lower volatility on average and have suffered smaller losses during crises and other periods of market stress over the last 20 years. Equally, funds that typically employ lower leverage, such as long/short equity funds, have experienced marginally higher volatility and drawdowns since 1996. The authors said this suggested that a fund's risk profile is influenced more by the nature of the underlying investments than the use of leverage alone. The report also highlighted the different impacts of the three forms of leverage - financial leverage, derivatives leverage and portfolio leverage. In many cases, adding particular types of leverage minimises or controls portfolio risk.

Hedge Fund Managers' Guide to Australian Institutional Investors (AIMA / AMP Capital)



The AIMA Australia Investor Advisory Group published a guide to the Australian superannuation institutional market. It seeks to provide guidance for international hedge fund managers who plan to market their funds to Australian superannuation investors. A 'cheat sheet' about how to raise capital in Australia is also included. The paper was produced with AMP Capital.



Events review

Events review

This year we held more than 200 events across EMEA, North America and Asia-Pacific, with around 12,000 attendees combined. These addressed relevant and topical subjects as well as providing a wealth of peer-to-peer knowledge sharing.

Events ranged from our large conferences, including the Global Policy and Regulatory Forum, the AIMA Australia Annual Forum, the AIMA Canada Investor Forum and 'AIMA in Asia 2016', to smaller networking events, briefings and seminars. And as the photograph introducing this section alludes to, we also hosted events in the UK Houses of Parliament.

Events in Asia-Pacific: 77 Total attendees: 4,600



Professor KC Chan, Secretary for Financial Services and the Treasury, Hong Kong, delivers the opening keynote at AIMA in Asia 2016

Our largest APAC events in 2016 were:

1. AIMA in ASIA 2016 - Hong Kong - 380 attendees
2. AIMA Australia Annual Forum 2016 - Sydney - 370 attendees
3. AIMA Hong Kong Networking Drinks (September) - Hong Kong - 202 attendees
4. AIMA Hong Kong Networking Drinks (October) - Hong Kong - 177 attendees

5. AIMA Singapore Forum 2016 - Singapore - 136 attendees
6. AIMA Hong Kong Networking Drinks (April) - Hong Kong - 125 attendees
7. AIMA Singapore Networking Drinks (April) - Singapore - 104 attendees
8. AIMA Japan Forum 2016 - Tokyo - 100 attendees
9. AIMA Australia 15th Anniversary Celebration - Sydney - 99 attendees
10. The New Wave of Enforcement - Hong Kong - 98 attendees



Attendees enjoy the AIMA in Asia 2016 drinks reception in Hong Kong

Events in the Americas: 79 Total attendees: 2,800

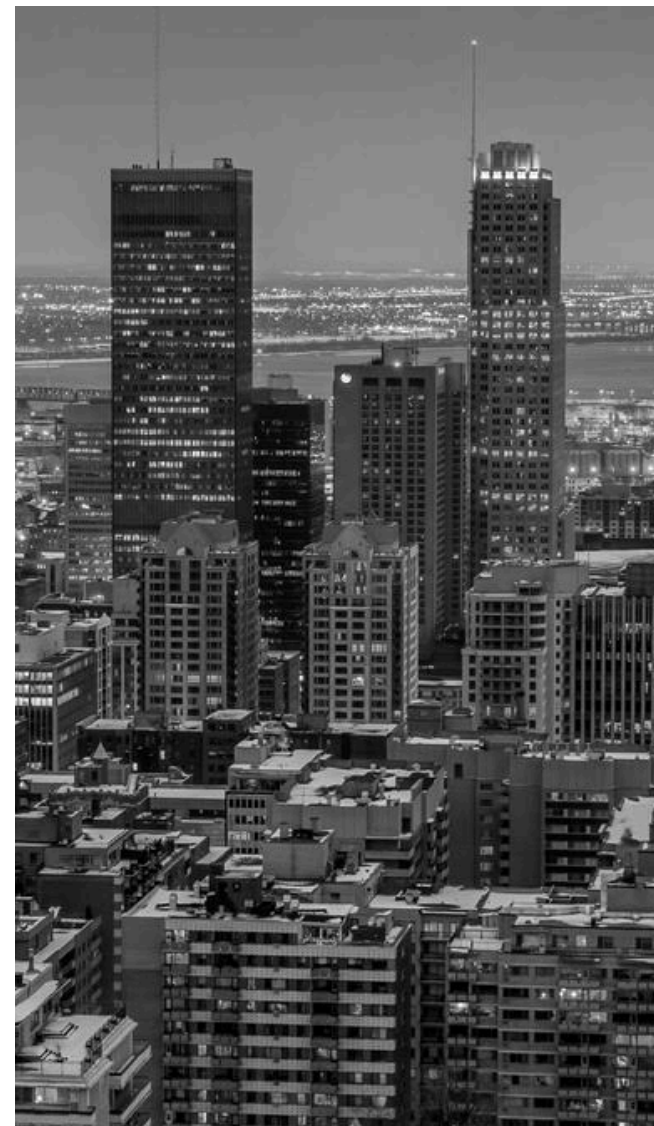


AIMA Canada Chair Michael Burns (BLG LLP), Olympic Gold Medallist (2010, 2014) Alex Bilodeau, Legal & Finance Committee member Peter Hayes (KPMG LLP) and AIMA Canada COO James Burron at the 2016 AIMA Canada Investor Forum

Our largest events in the Americas were:

1. The Department of Labor's new "conflict of interest rule" (webinar and in-person) -

- New York - 210 attendees
2. AIMA Canada Investor Forum 2016 - Montreal - 185 attendees
3. AIMA/CFA Multi-Assets: Investing Through Complexity - Montreal - 180 attendees
4. AIMA Luncheon at GAIM Ops Cayman - Cayman Islands - 175 attendees
5. Career Panel - Montreal - 113 attendees
6. What Graduates Need to Know About the Canadian Hedge Fund Industry - Toronto - 90 attendees
7. Responsible Investments for Institutional Investors In Hedge Funds - New York - 80 attendees
8. Institutional Perspectives on Managed Futures - Toronto - 77 attendees
9. AIMA US Briefing and Regulatory Update - New York - 76 attendees
10. What to Expect When You're Expecting a Compliance Audit - Toronto - 70 attendees



Total events in EMEA: 61
Total attendees: 4,400



The Rt. Hon. The Lord Darling of Roulanish speaks at the AIMA Global Policy & Regulatory Forum 2016

Our largest events in EMEA in 2016 were:

1. AIMA Global Policy & Regulatory Forum 2016 - London - 450 attendees
2. AIMA Spotlight 2016 - London - 400 attendees
3. Launch of GSP for Operational Risk Management - London - 180 attendees
4. AIMA Next Generation Manager Forum

- London - 167 attendees
5. Payment for Research: Solving the MiFID II Conundrum - London - 122 attendees
6. AIMA Breakfast Briefing on MAR - London - 112 attendees
7. The Changing Prime Brokerage Landscape: A hedge fund perspective - London - 100 attendees
8. UK Launch of AIMA's Investor Relations Guide to Sound Practices - London - 91 attendees
9. UK launch of 'In Concert' paper - London - 80 attendees
10. AIMA Global Policy & Regulatory Pre-Forum Dinner 2016 - London - 76 attendees



Networking opportunities during the AIMA Global Policy & Regulatory Forum 2016



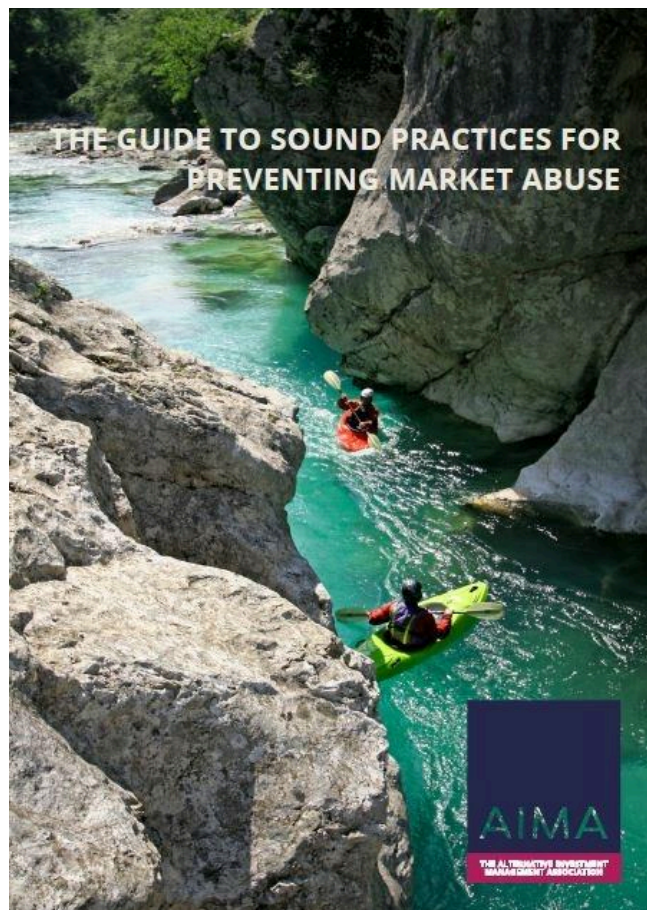
2017: A look ahead



What's ahead in 2017

In this final section of the Review of the Year, we summarise some of the key projects and initiatives that AIMA intends to undertake during 2017.

Sound practice guides, DDQs



- Preventing Market Abuse
- Liquidity Risk Management

- Selecting and Assessing Fund Administrators
- Modular DDQ for Alternative Investment Fund Managers
- Guide to Expense Allocations

**Other guides and DDQs will be confirmed during the year*

Regulatory guides

- MiFID 2/MiFIR: Series of guides for fund managers

**Additional guidance will be confirmed during the year*

Research reports and educational papers

- DNA of a successful alternative investment fund manager
- Financing the Economy 2017 - an annual survey of alternative credit and private debt funds
- Educational paper for trustees about

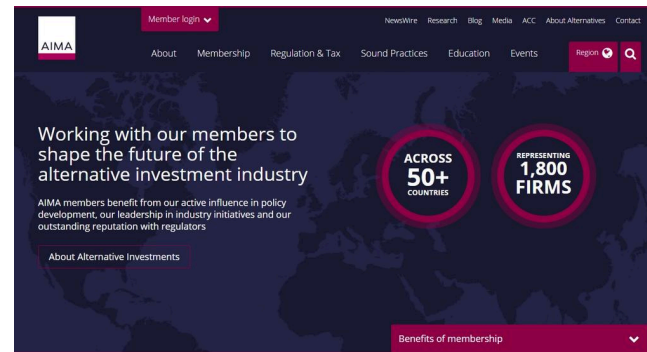
- market liquidity and fund liquidity
- **Primer on managed futures funds**
- **The role of emerging managers**
- **Charting the future course for the industry**

**Other reports will be confirmed during the year*

Flagship events

- **AIMA APAC Annual Forum 2017** - Hong Kong, 19 January 2017
- **AIMA Global Policy and Regulatory Forum 2017** - Paris, 4 April 2017
- **AIMA Japan Forum 2017** - Tokyo, 8 June 2017
- **AIMA Australia Forum 2017** - Sydney, 12 September 2017
- **AIMA Canada Investor Forum 2017** - Montreal, 25-26 September 2017
- **AIMA Singapore Forum 2017** - Singapore, timing to be confirmed
- **AIMA Spotlight 2017** - London, autumn

Communications



The home page of the new AIMA website, which is due to be launched in January

- **New AIMA website**
- **Social media:** Increased activity on Twitter, LinkedIn and other social media channels





Contact us

[Click here for your local AIMA office](#)

London (Head Office)

167 Fleet Street, London EC4A 2EA, UK

+44 20 7822 8380

info@aima.org

New York City

230 Park Avenue, 10th Floor, New York, NY 10169, US

+1 646 397 8411

mnoyes@aima.org

Hong Kong

Unit 1302, 13/F, 71-73 Wyndham Street, Central, Hong Kong

+852 2526 0211

apac@aima.org

Toronto

120 Adelaide Street West, Suite 2500, Toronto, Canada

+1 416 364 8420

jburron@aima-canada.org

Singapore

12 Marina View, #21-01 Asia Square Tower 2, Singapore 018961

+65 6535 5494

apac@aima.org

Shanghai

Suite A10, 28th Floor SWFC, No. 100 Century Avenue, Pudong, Shanghai

200120, China

+86 136 1191 9817

apac@aima.org

Sydney

Tel +61 (0) 412 224 400

apac@aima.org

Japan network

Contact AIMA Japan at apac@aima.org

Cayman Islands

cayman@aima.org

Bermuda

info@aima.org

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Review of 2016

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