



29 January 2021

Attn Mr Sven Gentner
DG FISMA
European Commission
1049 Bruxelles
Belgium

Dear Mr Gentner,

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to respond to the consultation on the review of the alternative investment fund managers directive (AIFMD).

Our principal recommendation is that changes to the AIFMD framework should be designed to deliver choice and efficiency that will benefit European investors. Consistent with the EU's G20 commitments, this can be achieved by further encouraging an open, transparent and stable system for managers of alternative investment funds (AIFs).

We provide comments on several specific issues below. We have not answered all of the questions in the consultation but have instead focused on the items that, in our view, are of the most material significance.

Delegation

The ability for EU AIFMs to delegate certain functions, for example portfolio management, to entities with the appropriate expertise both inside the EU and outside the EU to third countries is important to delivering investor choice and improving operational efficiencies that lower costs for investors. The AIFMD's current delegation rules allow AIFMs to take advantage of flexibility and operational efficiencies that delegation arrangements can bring, whilst managing the risks involved in appointing delegates. EU-based AIFMs retain sufficient responsibility for delegated activities and the EU can rely on equivalent supervision by home country supervisors. The addition of either quantitative criteria or a list of core or critical functions risks adversely impairing existing business models, which deliver investor choice, and efficiency by impacting the flexibility and competitiveness of EU AIF firms. At a time when interest rates are low, and EU policy initiatives are focused on improving capital market participation and the international role of the Euro, aligning AIF reforms to ensure investor choice and improve options for diversification seems important.

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It is for the EU's policymakers to make judgments about whether the AIFMD delegation rules are adequate to ensure (i) the EU's NCAs have the ability to adequately supervise the activities of AIFMs effectively and (ii) AIFMs are themselves appropriately supervising their delegates. But the goal of providing the EU's investors with choice is worthy. Ensuring the benefits of the global financial system remain available to the EU's investors is one that should be capable of relying on judgements about regulatory equivalence applying to delegates in third countries. This is the way the AIFMD was framed. The EU can also expect to attract additional investment from third countries via the principle of reciprocity. These are the important principles endorsed by the G20 - to ensure an open, transparent and safe global financial system.

Reporting / Annex IV

Additional clarity of some fields in Annex IV of the Commission Delegated Regulation (EU) No 231/2013 as amended (AIFMR), as well as in the reporting guidelines, would be useful. Our work with AIFM clients (authorised and sub-threshold) suggests that a lack of clarity results in considerable extra time and resource being devoted to complying with the AIFMD regulatory reporting requirements. The calculation of the assets under management for the de minimis exemption and the calculation of leverage (the gross and the commitment calculation methodologies) could also benefit from additional clarity. We would be happy to provide specific examples of items that we think are worth clarifying. While it is for the EU's policymakers to decide whether Annex IV reporting is serving the purpose that it was designed for, any further amendments (beyond straightforward clarifications) to these requirements risk additional costs that could make the domestic EU industry uncompetitive, or otherwise ultimately be passed on to EU consumers and investors.

Harmonisation of UCITS and AIFMD regimes

While both the UCITS and AIFM directives relate to investment funds, there are fundamental differences between the regimes: the UCITS Directive being a product focused framework, while the AIFMD regime focuses on the requirements applicable to the fund manager. Creating a single rulebook runs the significant risk of producing unintended consequences, potentially making one or other regime overly permissive or restrictive, or necessitating a highly complicated rulebook with multiple carve outs and exceptions. Both the UCITS Directive and the AIFMD seem to work well, independently – the UCITS Directive has developed a strong, global brand for retail fund regulation, and the AIFMD is increasingly recognised by professional investors. Investors, fund managers, investment advisers and other market participants are very familiar with both regimes now, which supports the global competitiveness of the EU funds industry. Changing from a successful global branding risks confusion and costs which could easily outweigh any gains from regulatory harmonisation.

Further reforms to AIFMD

The AIFMD framework is generally working well. We note that changes have already been adopted to improve certain aspects of the AIFMD framework, including the proposed Cross-border Distribution of Funds Regulation, which has yet to come into effect. In addition, the Regulation on sustainability-related



disclosures in the financial services sector will come into effect from 10 March 2021. It would be prudent to allow these changes to take effect, in order to judge the benefits case for making further changes.

We would be happy to discuss this further with you. If you have any questions regarding our response please contact Steve Libby, EMEA Asset & Wealth Management Leader at steven.libby@pwc.com or Robert Mellor at robert.mellor@pwc.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'mstewart'.

Michael Stewart
Global Leader, Corporate Affairs and Communications

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