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FCA Proposals to extend reporting requirements for non-EU AIFMs

The FCA recently released its [Quarterly Consultation Paper](#) (No. 13), which is published to consult on amendments to the FCA Handbook. One of the proposed changes relates to the transparency reporting requirements for alternative investment fund managers (“AIFs”), which it states is intended to reduce information gaps and allow effective monitoring of an AIF’s risk-taking activities. These changes will be relevant to above threshold non-EU fund managers, who market funds in the UK.

Currently, above-threshold non-EEA alternative investment fund managers (“AIFMs”) complete the Article 24 reports for their feeder-AIFs only. Under the FCA’s proposal, they would be required to submit transparency returns for their respective master-AIFs as well. The FCA’s proposals gold-plate ESMA’s opinion¹ by further extending the requirement to include cases in which the master-feeder or AIF are managed by a group AIF.

The current proposals apply to non-EU AIFMs who report on a quarterly basis, and, therefore, AIFMs subject to half-yearly reporting would not be affected by the proposed change. Belgium, Luxembourg and the Republic of Ireland have already implemented the extended reporting that the FCA is proposing. Therefore, to the extent non-EEA AIFMs impacted by this proposal are already submitting an equivalent Article 24 return for those master-AIFs to one of the EEA jurisdictions that have already implemented these

proposals, arguably, this would not result in any material additional expense in collating the data for the FCA AIF002 transparency report.

The FCA’s cost benefit analysis estimates the actual cost associated with its proposals, to represent a figure of £0.3m to £0.4m for non-EEA AIFMs. The rationale for this amount is based on the FCA’s internal analysis that around 70% of above-threshold non-EEA AIFMs captured by this proposal currently, also provide data to the U.S. SEC through their Form PF report. The cost of a Form PF submission is estimated to be broadly the same as the cost of an AIF002 submission. If an AIFM is submitting Form PF to the SEC, the assumption is that the costs incurred by the AIFM for providing the AIF002 return for the same AIF to the FCA would be around 15% of the cost incurred in a Form PF submission. In the FCA’s view, this estimate results in total incremental costs incurred to be between £0.3 million and £0.4 million per year.

The FCA invites responses to the proposals, until 12 August 2016. Therefore, any response to the FCA that is able to determine likely additional costs caused by its proposals would be particularly useful to the regulator in terms of deciding whether to adopt the proposals. If the proposals go ahead, the changes will be relevant for the 2017 reporting cycle, and the information would be reported on an amended Form AIF002.

¹ [ESMA’s Q&A on the application of the AIFMD.](#)



London Office Your Partner Contacts

60 Ludgate Hill | London EC4M 7AW | +44 20 3201 1500



email: firstname.surname@ropesgray.com

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**FINANCIAL REGULATION /
INVESTMENT MANAGEMENT**

	Monica Gogna <i>Partner</i> +44 20 3201 1630
	Michelle Moran <i>Partner</i> +44 20 3201 1638

PRIVATE INVESTMENT FUNDS

	Anand Damodaran <i>Partner</i> +44 20 3201 1627
	Matthew Judd <i>Partner</i> +44 20 3201 1633