



The International Investment Funds Association
L'Association internationale des fonds d'investissement

February 9, 2021

Sent by email to:

Mr. John Berrigan
Director General
DG FISMA – European Commission
john.berrigan@ec.europa.eu

Object: The AIFMD Review re. delegation provisions

Dear Mr. Berrigan,

In the context of the ongoing review of the Alternative Investment Fund Managers Directive (AIFMD), the International Investment Funds Association (IIFA)¹ wishes to express concerns in light of the material implications likely to derive from possible amendments to the existing rules on delegation in the AIFMD regulatory framework. We regard the possibility to delegate portfolio management and other functions, under very strict conditions, to other entities, including those located in other jurisdictions, as a key element in the international recognition of the AIFMD and UCITS regulatory frameworks, allowing investors from all over the world to access the best possible expertise available worldwide and to benefit from economies of scale. This is a well-established and widely used practice in the investment fund industry.

We acknowledge the fact that the European Commission (Commission), as part of the ongoing review process, is yet to form a view on any particular problems or concerns with the existing rules on delegation as a precondition for policy options that may need to be considered. We understand that a possible reason for analysing the existing framework is to expel any doubt about its robustness regarding the oversight and responsibility of the delegating management company over a third country delegate entity. In this regard, it is crucial to acknowledge that the AIFMD framework already today imposes an extremely comprehensive and stringent supervisory regime regarding delegation (including access rights of supervisory authorities and cooperation agreements). Consequently, amendments to existing AIFMD delegation requirements (and potentially of UCITS as well) such as curbing discretion, *inter alia* by including quantitative limits on the proportion of a single portfolio that can be delegated to third countries, or requiring a minimum list of core functions which would need to be performed by the management company itself, are neither necessary nor suitable.

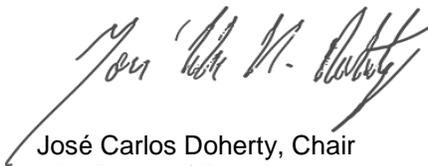
¹ The IIFA is a global organization whose members are national and regional associations representing the investment funds (mutual funds) industry. In addition, certain IIFA members represent the broader fund ecosystem, such as distributors and asset managers. The current membership comprises 38 national associations and 2 regional associations which, collectively, have funds under management of US\$53.87 trillion, as of June 2020. The secretariat of the IIFA is located within the Canadian association, The Investment Funds Institute of Canada (IFIC), which is based in Toronto.

Any such change might have severe unintended implications, affecting delegation arrangements to key financial centres across the globe and, in turn, possibly triggering similar restrictions from policy-makers in these regions. Moreover, our concerns are heightened by the fact that such considerations may be carried over to the UCITS framework as well. Such reforms risk depriving EU investors of important diversification benefits, as well as of many efficiencies, by fragmenting the global market and hindering capital accumulation over the long-term.

For these reasons, we encourage the Commission to stay the current course and clearly identify and articulate any legitimate concerns raised by the current delegation framework before considering policy options. If there were concerns about a possible uneven application of AIFMD delegation rules by EU national supervisors, IIFA strongly believes that rigorous use of the set of convergence tools already in place would address such concerns more effectively compared to changes to the current regulatory framework on delegation.

We hope these considerations are useful and we look forward to engaging with you during the review process.

Best regards,



José Carlos Doherty, Chair
IIFA Board of Directors
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cc: Mr. Ugo Bassi, Director Financial Markets, DG FISMA (ugo.bassi@ec.europa.eu)
Mr. Sven Gentner, Head of Asset Management Unit, DG FISMA (sven.gentner@ec.europa.eu)