Institution	Proposal	Description	Timetable
6 ALTERNATIVE INVESTMENT FUNDS			
A. EU B. USA C. Singapore			
A. EU			
EU Commission	Draft Directive of the European Parliament and of the Council on Alternative Investment Fund Managers ("**AIFM**") (October 2010)	• Aims to create a comprehensive and effective regulatory framework for AIFMs, as the managers of collective investment vehicles, other than UCITS (undertakings for collective investments in transferable securities) within the EU. The main targets are private equity and hedge funds but the effect will be much broader. • Key proposals include: – AIFMs to obtain authorisation (subject to a de minimis threshold of €100m or €500m where the fund is unleveraged and does not grant investors redemption rights for at least five years); – marketing and passporting is permitted for EU AIFMs, non-EU AIFMs and for both EU Alternative Investment Funds ("**AIFs**") and non-EU AIFs where certain conditions are met; – an AIFM must appoint a single depositary in respect of each AIF it manages; – investors are to be provided with a minimum level of services and information; – specific requirements on the use of leverage at the fund level;	• The EU Parliament and the EU Council agreed the text of the Directive in October 2010. It was approved by the EU Parliament in November 2010 and is expected to be approved by ECOFIN, on behalf of the EU Council, in **Q1 2011**. • It is anticipated that implementation by EU Member States may be required by **Q1 2013**. • It is anticipated that the Directive will be reviewed not earlier than **2017**.

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		– specific requirements for AIFMs acquiring control of stakes in companies; – conduct of business requirements (e.g. treating investors fairly and conflict management provisions); – capital requirements: own funds of €300K (self-managed) or €125K (externally managed) plus 0.02% of the amount by which the value of the portfolio exceeds €250m (sum of the initial and additional capital requirements subject to a cap of €10 million). However up to 50% of the additional amount is not required if the AIFM benefits from a guarantee from a bank or insurer. In addition, capital requirements under the Capital Adequacy Directive must be complied with (typically ¼ of its preceding year's fixed overheads). Further, AIFMs must either have professional indemnity insurance or have additional own funds appropriate to cover risks arising from professional negligence; – restrictions on delegations of functions; – remuneration requirements; – certain organisational requirements, subject to proportionality (e.g. for each AIF the appointment of a depositary and valuator); and – ESMA given broad powers over approximately 11 different areas, including responsibility for supervising a competent authority's authorisation and supervision of a non-EU AIFM. For access to the Linklaters dedicated client website on the AIFM Directive with further details of the issues click *here*.	

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B. USA			
US Government	Dodd-Frank Wall Street Reform and Consumer Protection Act (July 2010)	• Title IV of Dodd-Frank, known as the "Private Fund Investment Advisers Registration Act of 2010", is designed to enhance regulatory oversight and rule-making authority with respect to the private funds industry. Like much of Dodd-Frank, Title IV establishes general principles and relies upon regulators to engage in significant supplemental rule-making. • The Act provides for the substantial elimination of the "private adviser exemption" hitherto incorporated in Section 203(b) of the US Investment Advisers Act of 1940 (the "**Advisers Act**") by distinguishing private funds relying upon the exception to registration under sections 3(c)(1) and 3(c)(7) of the US Investment Company Act of 1940, as amended, and looking to the assets under management in such products and the number of US persons investing in such funds. Consequently, the Act will require numerous previously exempt US and non-US investment advisers to register with the SEC as investment advisers. In addition, numerous other advisers will be required to register as investment advisers in the states in the US in which they conduct business. • Title IV of Dodd-Frank extends the exemption from registration under the Advisers Act for investment advisers that are registered with the CFTC as commodity trading advisers to commodity trading advisers that advise private funds (unless their business becomes "predominately" (sic) the provision of securities-related advice).	• Unless otherwise indicated, these provisions will become effective **one year** from the date of enactment.
		• The Act exempts from Advisers Act registration investment advisers that act *solely* as advisers to private funds *and* have assets under management in the United States of less than US$150 million.	• The SEC has issued a proposed rule on a US $150 million assets under management ceiling for exemption from Advisers Act (November 2010).

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		• The Act allows the SEC to distinguish between private fund advisers based upon their assets under management (i.e. advisers to mid-sized private funds) and perceptions of the level of systemic risk posed by such funds.	
		• The Act excludes "family offices" from the definition of "investment adviser" under the Advisers Act.	• The SEC has issued a proposed rule on the family office definition (October 2010).
		• The Act exempts from Advisers Act registration foreign private advisers that: (i) do not hold themselves out to the public in the US as investment advisers; (ii) have no place of business in the US; (iii) have fewer than 15 clients in the US (including US investors in private funds advised by the adviser); and (iv) have less than US $25 million in assets under management attributable to US clients.	• The SEC has issued a proposed rule to clarify the application of the foreign private adviser exemption (November 2010).
		• The Act exempts from Advisers Act registration investment advisers that act solely as advisers to "venture capital" funds (as defined pursuant to subsequent rules and regulations), subject to continuing record-keeping obligations and regulatory oversight.	• The SEC has issued proposed rule defining venture capital funds (November 2010).
		• The Act increases for the four year period commencing upon the enactment of Dodd-Frank the "accredited investor" net worth threshold for individuals under the Securities Act of 1933 to US$1 million (excluding the value of such individuals' primary residence), and requires US regulators to conduct periodic reassessments of the "accredited investor" thresholds going forward.	• Exclusion of value of primary residence from net worth required to satisfy "accredited investor" threshold effective upon date of enactment. (21 July 2010.) • The SEC has **four years** from the date of enactment to review the accredited investor definition and make adjustments and must conduct subsequent qualification threshold

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			determinations on a five year cycle thereafter.
		• The Act requires the SEC to periodically adjust for inflation any dollar threshold used in the determination of "qualified client" status under the Advisers Act. (Investment advisers currently, and under the revised Act, are only allowed to receive performance-based compensation from investors that satisfy the "qualified client" definition.)	• The SEC has **one year** from the date of enactment to review qualified client definition and make adjustments and must conduct subsequent qualification threshold determinations on a five year cycle thereafter.
		• The Act grants the SEC significantly enhanced power to impose extensive reporting and record-keeping obligations on investment advisers to private funds and authorizes additional regulatory oversight, but also imposes certain limitations on the disclosure of information so provided, including exemption from US Freedom of Information Act requests.	• The SEC has issued a proposed rule on new reporting requirements for advisers solely to one or more venture capital funds, and for advisers solely to private funds with assets under management in the US of less than $150 million (November 2010). Such advisers will be required to complete and file an amended version of Form ADV, the first of which is due no later than **20 August 2011**.
		• The Act codifies the SEC's authority under the Advisers Act to regulate the custody by registered investment advisers of client assets. • Other provisions of Dodd-Frank will affect alternative investment funds in other ways. For example, the Volcker Rule limits the ability of banks and systemically important nonbanks to sponsor and invest in such funds.	

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C. Singapore			
MAS	Response to the Consultation Paper on the Review of the Regulatory Regime for Fund Management Companies and Exempt Financial Intermediaries (September 2010) and the related Consultation Paper (April 2010)	• Fund management companies with activities of limited scale and impact may continue to operate under a notification regime (similar to the existing exempt fund manager regime). • Companies who serve retail investors and/or manage or advise on a larger portfolio of assets have to be licensed. • All fund management companies will be required to meet business conduct as well as capital requirements. • Three categories of fund management companies will be established. Different levels of regulatory and capital requirements will be imposed on different categories of company, based on the size and complexity of its business, the sophistication of its clientele base, and its potential market impact.	• MAS will consult on draft legislative amendments before putting them into effect in the **second half of 2011**. • There will be a six-month transitional period after the new legislation becomes effective.