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European Commission Publishes Proposed Amendments to the Alternative Investment Fund Managers Directive

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On 25 November 2021, the European Commission (the "**Commission**") published a legislative proposal with targeted amendments to Directive 2011/61/EU ("the "**AIFMD**") and (to a certain extent) the UCITS Directive ("**AIFMD Proposals**"). The AIFMD Proposals form part of four proposals whereby the Commission aims to deliver on several key commitments in the European Union's 2020 Capital Markets Union action plan.

The Commission acknowledges that the AIFMD has generally worked well in terms of introducing a harmonized, supervisory framework for alternative investment fund managers ("**AIFM**"s). However, the AIFMD Proposals set out certain key proposed amendments to the AIFMD including, (but not limited to, the following topics):

- **Delegation:** increased scrutiny of delegation arrangements, particularly where the AIFM delegates alternative investment fund ("**AIF**") management activities to third-countries;
- **NPPRs:** No availability of national private placement regimes ("**NPPR**s") for non-EU AIFs or non-EU AIFMs in certain high-risk or non-tax-co-operative jurisdictions;
- **Liquidity management:** Liquidity risk management tools to be made available and used by managers of open-ended AIFs and UCITs;
- **Regulatory reporting:** Streamlining data reporting requirements;
- **Loan Funds:** Proposals aimed at introducing harmonized requirements for loan funds; and
- **Depositaries:** broadening the depositary market to enhance competition while upholding EU standards in relation to depositary services.

Next steps and timing:

The AIFMD Proposals are still at an early stage – they are now under review by the EU Parliament and the Council of the EU and it is anticipated that agreement could be reached in mid-to-end 2022. This would lead to publication in the EU Official Journal in early 2023 and entry into application of the AIFMD Proposals in early 2025. AIFMs and other market participants should, therefore, continue to monitor these developments and engage in industry discussion.

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