

## Only 22% of Hedge Fund Managers Are Compliant with Forthcoming AIFMD Regulations

**40% of hedge fund managers surveyed by Preqin are waiting for the finalization of regulations before taking action**

Preqin's recent survey of 220 hedge fund managers around the world reveals that there is still uncertainty surrounding the Alternative Investment Fund Managers Directive (AIFMD) among many managers, with 40% of managers that will be impacted by the AIFMD waiting for finalizations of regulations and further advice from their local regulators before taking action.

These interviews also revealed that North American hedge fund managers that will be affected by the AIFMD are less prepared than their European counterparts, with 51% of North America-based respondents looking to market their funds to European investors already compliant or will be compliant by July 2014 compared to 64% of respondents based in Europe that will be impacted by the regulation.

### Other Key Facts:

- 22% of hedge fund managers interviewed by Preqin that will be impacted by AIFMD are already compliant, and 3% of those affected feel they will not be compliant by the July 2014 deadline.
- 72% of hedge fund managers interviewed will be impacted by the AIFMD; 28% will not be affected, either because they do not market within the EU or they have no active funds.
- 65% of all North America-based hedge fund managers interviewed stated that they will be affected by AIFMD.
- 44% of North America-based managers affected by the AIFMD are waiting on further advice from legislators in their jurisdiction.
- Larger hedge fund managers that will be impacted by the AIFMD are the most prepared – 65% of those fund managers interviewed with assets under management over \$1bn are either already compliant or will be by July 2014, compared to just 31% and 54% of those in the \$500-999mn and the \$100-\$499mn brackets respectively.
- There is mixed sentiment from investors over the impact of regulation launched in the industry, with 35% feeling regulations will be positive and 22% thinking the opposite. Many investors are unsure of the impact regulations will have.

**For more information and analysis, please see the factsheet that follows.**

### Comment:

“With the imminent launch of the AIFMD, the majority of hedge fund managers still have work to do in ensuring their funds are fully compliant with the regulations. Based on Preqin's survey of hedge fund managers based around the world, Europe-based managers seem better prepared than their North American counterparts at this stage. The phased compliance period for non-EU managers means that a number of North American funds are choosing to wait and see the initial impact of the regulations in Europe before altering their processes.

Many institutional investors have yet to be convinced about the benefits of regulation in the hedge fund industry and they will be watching closely to see the effect that the AIFMD has on the fund management industry. However, with over a third of investors believing that regulation is positive for the industry, the potential is the AIFMD “brand” could lead to greater inflows into hedge funds as investors seek out the regulator's seal of approval. With uncertainty still surrounding the impact of the directive, it may not be possible to assess the full impact of the AIFMD on the hedge fund universe before 2014.”

**Amy Bensted, Head of Hedge Fund Products**

### More information about the AIFMD:

Following years of discussion and changes, the Alternative Investment Fund Managers Directive (AIFMD) will be implemented into national law by EU member states on 22 July 2013. New Alternative Investment Fund Managers (AIFMs) will be required to comply with the directive going forwards, although existing AIFMs will have until 22 July 2014 to apply for authorization to their regulator. The directive is aiming to provide harmonized regulatory standards across all alternative investment managers and, more

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specifically, it requires hedge fund managers to obtain authorization, meet on-going reporting conditions and comply with transparency requirements in order to manage and market hedge funds within the European Union.

**Note to Editors:**

- This press release draws on the results of a survey of over 220 hedge fund managers from around the world during July 2013. Of the fund managers interviewed, 61% were based in North America, 28% in Europe, 8% in Asia-Pacific, and 3% in Rest of World.
- This press release also draws on the results of a survey of 96 institutional investors from around the world during June 2013. Of the investors interviewed, 51% were based in North America, 36% in Europe, 10% in Asia and 3% in Rest of World.
- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

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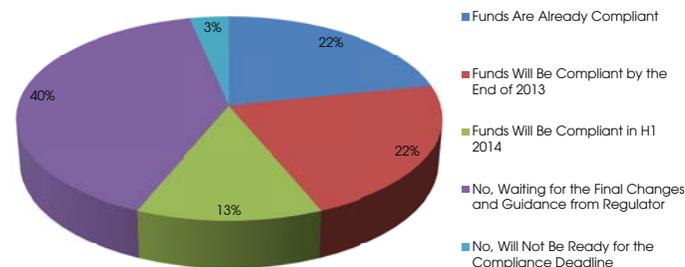
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# Are Hedge Fund Managers Ready for the Alternative Investment Fund Managers Directive (AIFMD)?

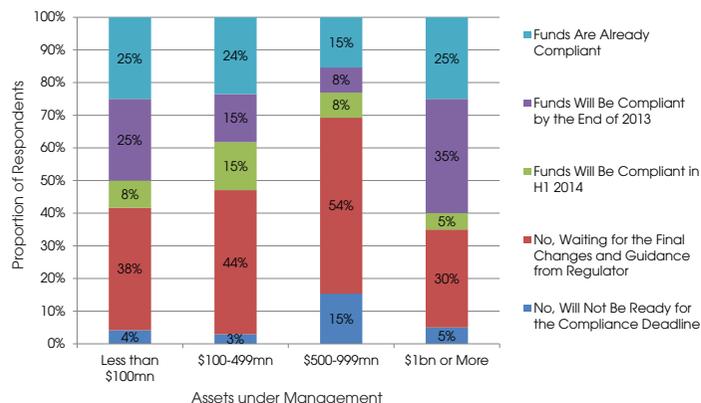
July 2013

Fig. 1: Are Hedge Fund Managers Ready for the AIFMD?\*



Source: Preqin Hedge Fund Manager Interviews, July 2013

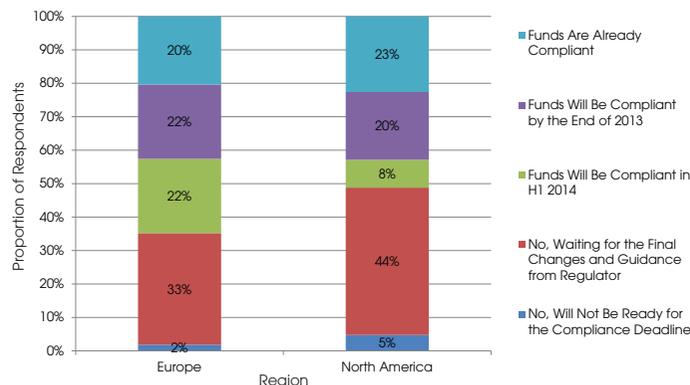
Fig. 3: Are Hedge Fund Managers Ready for the AIFMD?: Breakdown by Assets under Management\*



Source: Preqin Hedge Fund Manager Interviews, July 2013

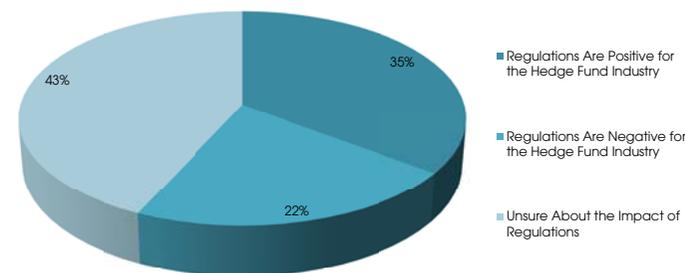
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Fig. 2: Are Hedge Fund Managers Ready for the AIFMD?: North America vs. Europe\*



Source: Preqin Hedge Fund Manager Interviews, July 2013

Fig. 4: Hedge Fund Investor Perceptions of Regulations Launched in the Industry



Source: Preqin Hedge Fund Investor Interviews, July 2013

- 65% of all North America-based hedge fund managers interviewed stated that they will be affected by AIFMD.
- 44% of North America-based managers affected by AIFMD are waiting on further advice from legislators in their jurisdiction.
- Larger hedge fund managers that will be impacted by the AIFMD are the most prepared – 65% of those fund managers



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*\*These charts analyze data from those respondents which stated that they would be affected by the AIFMD and exclude those which stated they will not be impacted.*

- interviewed with assets under management over \$1bn are either already compliant or will be by July 2014, compared to just 31% and 54% of those in the \$500-999mn and the \$100-\$499mn brackets respectively.
- There is mixed sentiment from investors over the impact of regulation, with 35% feeling regulations launched in the industry will be positive and 22% thinking the opposite. Many investors are unsure of the impact regulations will have.