

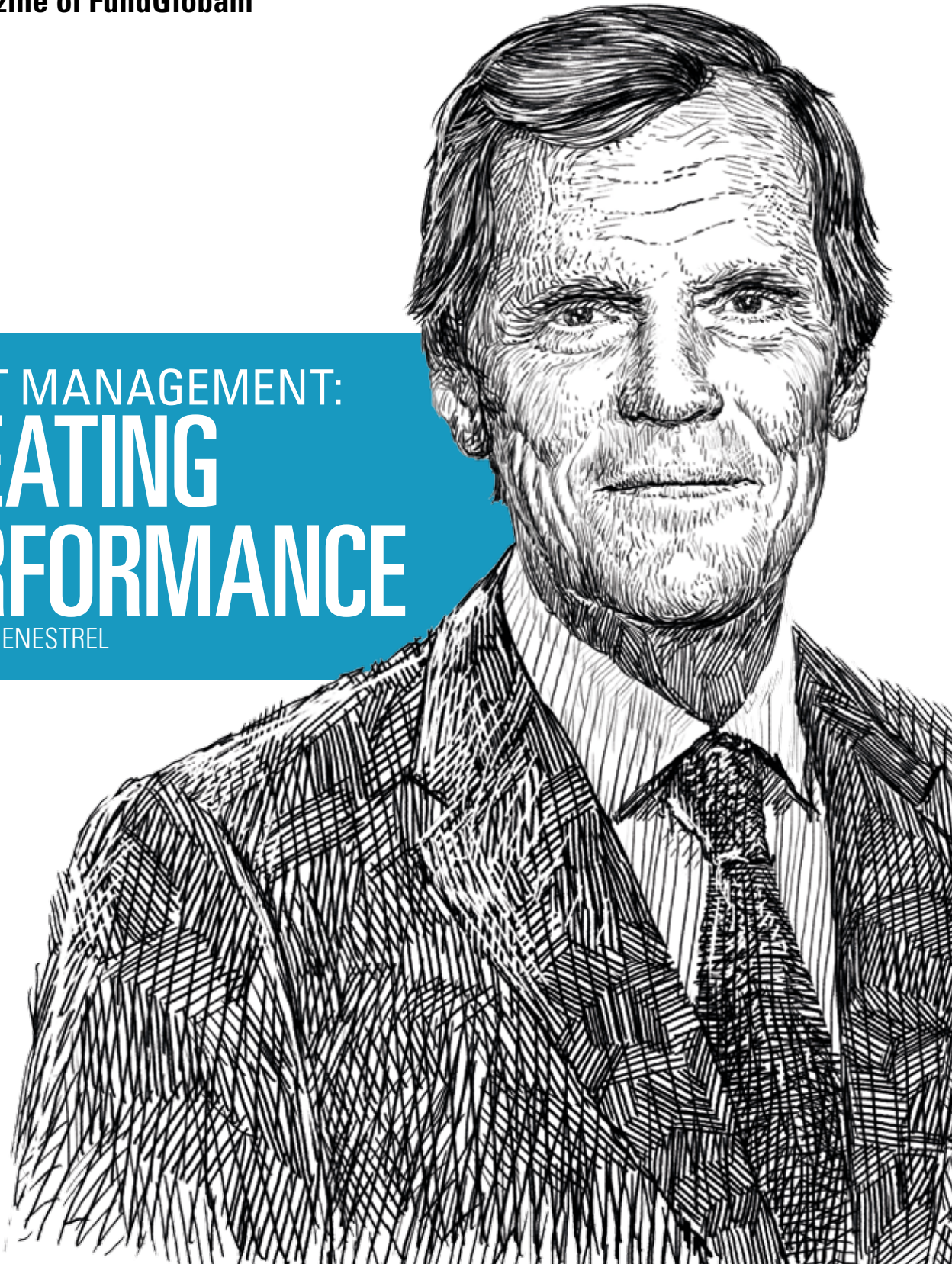
# Reaching **INVESTORS**

#2

The magazine of FundGlobam

## ASSET MANAGEMENT: **CREATING PERFORMANCE**

DIDIER LE MENESTREL





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**W**elcome to Reaching Investors#2, the magazine focusing on the investor side of the investment fund market.

The objective of Reaching Investors is to share points of view on cross-border fund distribution, market participant experiences, opportunities in a fast-changing environment and the management of the inherent risks.

The magazine aims to be the voice of asset managers, distributors and service providers who are focused on the key pillars of the fund distribution value chain to reaching investors.

Our wish in this second edition is to expand the added value provided by the magazine, and to reflect the ongoing development of FundGlobam's business and network on cross-border markets.

In this edition, our asset manager in the spotlight is La Financière de l'Echiquier, through the voice of its CEO, Didier Le Menestrel. The market focus is set on the Italian market. In addition, we are very pleased to share nine points of view on distribution topics.

Finally, we have launched a new section entitled 'Portrait' on a marketplace initiative.

We hope you enjoy this edition. In the next one, we look forward to reading your views.

With kind regards,

**Yves Tambour**

Managing Director and Partner, FundGlobam

# FUND DISTRIBUTION

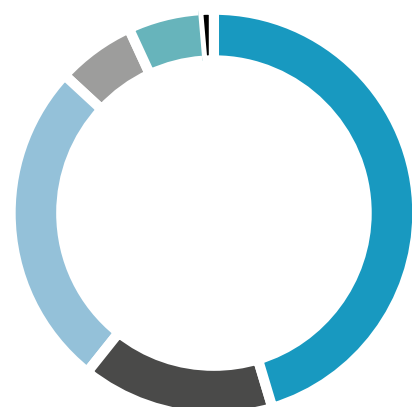
NICOLAS MULLER  
EXECUTIVE DIRECTOR, FUNDGLOBAM

## A ROADMAP TO MASTERING FUND DISTRIBUTION

RAISING CAPITAL CROSS-BORDER RARELY HAPPENS BY ACCIDENT. ALL ALONG THE FUND VALUE CHAIN, FROM THE BOARD ROOM TO THE REGISTRAR AGENT FUNCTION, FUND DISTRIBUTION DEVELOPED FROM A HOT TOPIC STATUS TO AN ABSOLUTE NECESSITY.

WHEREAS FUND REGISTRATION DONE BY THE RULES IS A MAJOR ACHIEVEMENT IN THIS FRAMEWORK, THREE ADDITIONAL ELEMENTS SHOULD CERTAINLY BE PART OF THE DISTRIBUTOR'S CONSIDERATIONS.

European Benchmark  
of CIS asset collection



■ AuM <50m€    ■ AuM 50-100m€  
■ AuM 100-500m€    ■ AuM 500-1bn€  
■ AuM 1-5bn€    ■ AuM >5bn€

Source: Broadridge

### CHOOSE THE TARGET MARKETS

46% of EU CIS collect less than 50 M€ per distributed market.

29% collect less than 10 M€ (source: Broadridge, 24 000 EU CIS in sample).

These simple statistics demonstrate that fund registration by itself does not guarantee cross-border distribution.

A solid distribution strategy should be established ahead of market entry. The strategy should be based on a robust analysis of the target market. A cost-benefit analysis permits the expected amount of assets collected to be weighed against the registration and distribution costs and risks that vary significantly from one target registration country to another.

“The strategy should be based on a robust analysis of the target market”

Nicolas Muller

### GO TO MARKET

Despite regulator to regulator enhanced collaboration and pan-European harmonization under UCITS and AIFMD, local regimes still mean that the asset manager needs to adapt to market-specific rules:

- From a cost perspective: registration fees and maintenance fees, translation fees, legal fees, requirements to appoint local agents such as paying agents, compliance with local marketing material rules are to be considered in addition to the cost of sales and promotion.
- From a risk perspective: The expansion of the distribution network implies enhanced risk including legal, regulatory, compliance, operational and tax risks for the fund and its investors as well as for the asset manager.

The conjunction of the above factors has to be balanced with the additional revenues expected from the foreign registration country.

### GROW THE MARKET

From fund supermarkets to institutional distribution channels, Independent Financial Advisors, third party marketers and internal sales forces, there are numerous levels at which funds can meet their future investors. Selecting those entails a long term plan built with the same ingredients used to evaluate every partner or sub-contractor: market insight, reputation, due diligence and especially education.

Who needs to market your funds abroad must have a sound understanding of your investment culture and values to match supply and demand.

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# FINTECH

OLIVIER PORTENSEIGNE  
MANAGING DIRECTOR, FUNDSQUARE

## WORK TOGETHER AND CUT KYC COSTS

OLIVIER PORTENSEIGNE, MANAGING DIRECTOR, FUNDSQUARE,  
ANTICIPATES THE IMPORTANCE OF KYC IN THE FUTURE

Asset managers understand the vital importance of know your customer (KYC) procedures given the potential for reputational risk. But increasingly investors are pushing back against the cost and bother of duplicated procedures when they subscribe to different funds. Bold action is required, and mutualisation offers the prospect of better quality KYC at lower cost.

It doesn't make sense that fund servicing companies are each making their own laborious KYC checks on each investor. Similar but subtly different data and documents have to be sent by clients to a variety of industry players. Despite these efforts, the end result is a mess of overlapping point-to-point connections. Analysis made by an independent advisor\*<sup>1</sup> in Luxembourg has pointed to potential savings totalling nearly €1bn in the Luxembourg fund industry, Europe's leading cross-border domicile. The lion's share of this is due to inefficiencies in KYC and due diligence procedures.

There is a practical, achievable solution: a KYC utility hub owned and used by the industry. This would simplify procedures and cut costs, while resulting in fresher, higher quality knowledge about customers. Information on existing customers would be uploaded to a central warehouse, with data accessed by others when needed. The end-client would have to give permission before the data is accessed.

<sup>1</sup> "EUROPE'S FUND EXPENSES AT A CROSSROADS"



© DR

**“We are well placed to bring together the various actors to make a KYC utility a reality.”**

**Olivier Portenseigne**

This would have many benefits. Institutions would not need to collect this information again if it was already available. There would be less bother for investors, who would not be asked repeatedly for similar data. Standardised templates and procedures that would enable the various players to automate and streamline procedures. Information could also be drawn from a variety of sources, enabling greater cross-checking and data mining. Participants would work together to keep the information as fresh and accurate as possible. The risk of serving a black-listed individual or company would be reduced dramatically. Moreover, all this would come at a lower cost.

The market has generated a range of such utilities and FinTech specialists are working to extract value from large quantities of data. However, there is as yet no comprehensive solution for the specific needs of the European cross-border investment fund industry. This would need businesses, legislators and regulators to work together on a bold, ambitious solution.

Fund industry infrastructure specialist Fundsquare is pushing this agenda forward. For decades its high quality, neutral, innovative, mutually owned infrastructure has been contributing to the success of the Luxembourg fund industry.

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# MARKET

YVES TAMBOUR  
MANAGING DIRECTOR AND PARTNER, FUNDGLOBAM

## CROSS-BORDER FUND DISTRIBUTION IN ITALY

ONE OF THE TOP-EUROPEAN CROSS-BORDER FUND DISTRIBUTION MARKETS AT A GLANCE

Each edition of Reaching Investors highlights a distribution market. This second edition focuses on the Italian market. Italy is one of the largest markets in Europe. From the perspective of the cross-border distribution of foreign funds, the Italian market is one of the most popular markets for asset managers wishing to distribute their products on a cross-border basis.

A significant number of Italian asset managers have chosen Luxembourg as their investment fund domicile (so called “round trips”). In this respect, Italy is similar to other markets such as France and Switzerland.

### A MAJOR MARKET FOR CROSS-BORDER FUNDS

Italy has 61 million citizens with an average life expectancy of 82 years.

A total of € 1,867 bn of assets are invested in Italian funds and discretionary mandates, of which € 848 bn are invested in funds (mostly open-ended public funds).

Of the € 848 bn invested in funds, 65% is raised by asset managers of Italian origin:

- 26% in funds domiciled in Italy managed by asset managers of Italian origin
- 39% in foreign domiciled funds, mostly Luxembourg funds, managed by asset managers of Italian origin

Asset managers of non-Italian origin account for the remaining 35% of the assets raised by funds in Italy, of which 34% are raised on a cross-border basis (again, mainly Luxembourg funds).

7,019 open-ended sub-funds (1,309 umbrellas) are distributed in Italy, of which 6,082 foreign sub-funds (1,117 umbrellas) are distributed on a cross-border basis.

Finally: 152 asset managers are supervised by the Italian regulator, the CONSOB. The Italian market is definitively considered as a prime location for distributing funds on a cross-border basis.

### NOT THE CHEAPEST...

Some of the regulatory requirements applicable to cross-border fund distribution in Italy are costly, and therefore must be taken into consideration when planning to enter the Italian market.

With respect to operational and regulatory costs, the Italian market is one of the most expensive in the Eurozone – but these costs may be compensated by the high fund raising potential of the market.

An asset manager wishing to distribute foreign funds on a cross-border basis into Italy needs to appoint local agents in order to provide local facilities to Italian investors, in particular a paying agent and an intermediary (often the same entity). The paying agent is responsible for managing the whole subscription and redemption process. It must be considered a sub-transfer agent. The cost may be significant.

In addition, there must be a placing agent between the distribution network and the paying agent. The placing agent will place subscriptions and redemptions orders with the paying agent.

The structure of the Italian market makes the role of placing agent strategic: each paying agent provides full B2B service only for the placing agents which are connected to their own network. It is therefore critical to ensure that each distribution channel is connected to a paying agent through a placing agent in network. The choice of an Italian B2B/B2C platform may be judicious.



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“The Italian market is one of the most popular markets for asset managers wishing to distribute their products on a cross-border basis”

Yves Tambour

10.4%

OF THE TOTAL HOUSEHOLD FINANCIAL ASSETS OF ITALIAN CITIZENS ARE INVESTED IN FUNDS

29%

of the number of funds distributed and

34%

of assets collected are from funds managed by non-Italian asset managers”

Yves Tambour

The Italian stock exchange (Borsa Italiana) has also opened a market segment dedicated to the cross-border distribution of investment funds in Italy. Cross-border funds are listed in the specific market segment and may be subscribed to and redeemed by anyone with access to the stock exchange. However, a certain number of constraints limit the success of this initiative in the market. The major constraint is probably the remuneration model of financial intermediaries because the interests of the main distributors, bank networks, IFA... are not aligned.

### ...BUT GENERALLY WORTH IT

The Italian market is ranked in the top-5 European markets: it has high potential and there is a significant level of fund raising activity. However, Italy is a challenging cross-border distribution market to master. The operational and regulatory aspects generate costs, a significant portion of which are fixed costs which need to be taken into consideration in order to develop a successful business model for the Italian market.

### ➤ MORE INFORMATION

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# INTERVIEW

DIDIER LE MENESTREL  
CEO LA FINANCIERE DE L'ECHIQUIER

## CREATING PERFORMANCE

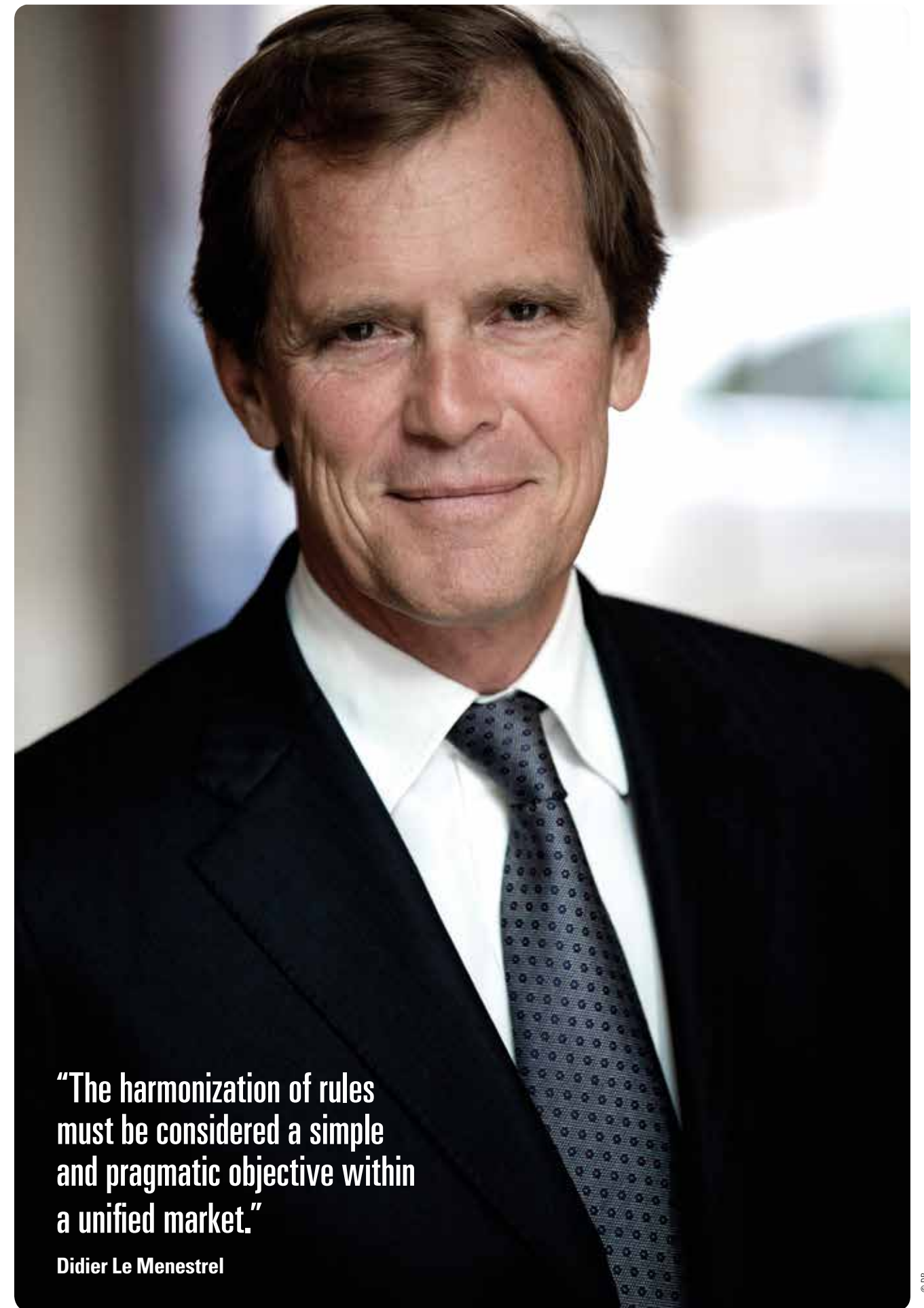
WE CONSIDER THAT FRENCH ASSET MANAGEMENT INDUSTRY  
COULD HAVE A MORE IMPORTANT PLACE IN EUROPE.

### 1. COULD YOU PRESENT LA FINANCIÈRE DE L'ECHIQUIER IN A FEW WORDS?

It is no easy task to summarize a 25 year adventure in just a few words! La Financière de l'Echiquier is one of the leading French independent asset management companies. Its core mission, and my primary motivation (at the professional level!) for getting up every morning, is creating performance for our customers and meriting their trust and confidence. Today, in numbers, this represents 100 employees, 9 countries, around 20 investment solutions covering all asset classes and €7.5 billion in assets under management for private and institutional investors. We are constantly reinventing ourselves thanks to the core ingredients underpinning our success: simplicity, innovation and an exceptional corporate culture.

### 2. WE KNOW YOU AS AN ENTREPRENEUR. FOR MORE THAN ONE YEAR YOU HAVE ALSO BEEN ON THE FRONT LINE IN PROMOTING THE FRENCH ASSET MANAGEMENT INDUSTRY. WHY HAVE YOU DECIDED TO FOCUS YOUR ATTENTION ON THESE FINANCIAL MARKET ISSUES?

The asset management industry represents a national jewel in France. I have a good knowledge of the industry and am impressed every day by its energy, freshness and vitality! It benefits from a sizable reserve of savings, brains and structures that are unique in Europe. At the same time, I am struck by the fact that it does not occupy its rightful position: the leading place. It has also given me a great deal. For that reason I wanted to give back something and quite naturally decided to contribute to the French asset management association (*Association Française de la Gestion Financière - AFG*) by spearheading the committee seeking to promote the competitiveness of Paris as a financial market.



**“The harmonization of rules  
must be considered a simple  
and pragmatic objective within  
a unified market.”**

**Didier Le Menestrel**

# INTERVIEW



### 3. WHAT IN YOUR OPINION ARE THE KEYS OF A GOOD CROSS-BORDER DISTRIBUTION?

The first area that needs to be addressed is harmonizing the rules governing the marketing and distribution of funds. At the present time, marketing a product in Europe is an extremely complicated task. For example, the British sell past performance and the lowest-load fund class while Belgians are required to show bar graphs instead of line charts. The harmonization of rules must not be considered an unrealistic objective – which is currently the case – but instead a simple and pragmatic objective within a unified market.

### 4. HOW DO YOU IMAGINE PARIS POSITION TO EVOLVE WITHIN THE EUROPEAN FUND MANAGEMENT INDUSTRY? ON WHAT LINES OF ACTIONS MUST IT FOCUS?

We believe Paris will be a pension hub for 500 million Europeans by 2020. While this might get a laugh, nothing is achieved without a strong conviction and already the lines are moving. For the first time, all the stakeholders of our ecosystem – regulators, market players, public authorities, professional associations) – have joined forces and are working together to define concrete measures designed to eliminate obstacles holding back our asset management industry. These measures were defined through a market initiative, the FROG (French Routes and Opportunities Garden) group, and by the AFG, through a white paper on the competitiveness of the Paris financial markets. Some of these measures have already been implemented, such as those relating to subscriptions and the governance of French funds; it is now possible to transform a FCP mutual fund into a SICAV, a model very much appreciated by Anglo-Saxon investors. Today we are making progress as well on subjects relating to taxation, an obstacle and a source of criticism constantly levelled against our country. These different advances are exciting and augur well for the future!

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# FOCUS ITALIAN MARKET

**7019**  
TOTAL FUNDS  
DISTRIBUTED IN ITALY  
(Q2/2016)

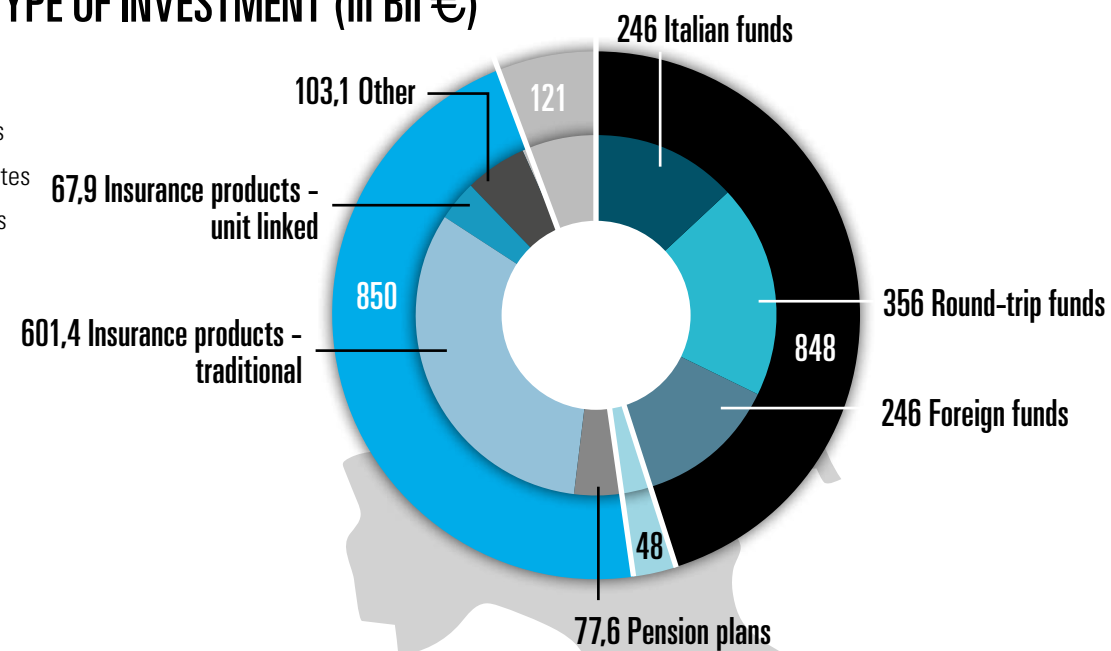
**937**  
ITALIAN FUNDS  
DISTRIBUTED  
(Q2/2016)

**4024**  
ROUND-TRIP FUND  
DISTRIBUTED  
(Q2/2016)

**2058**  
FOREIGN FUNDS  
DISTRIBUTED  
(Q2/2016)

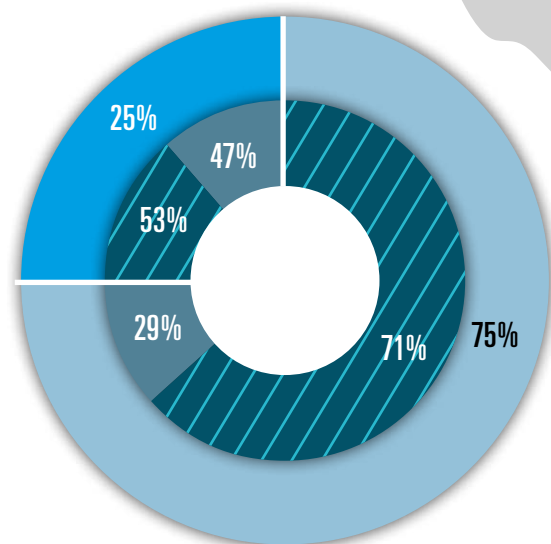
## ASSETS PER TYPE OF INVESTMENT (in Bn €)

- Open-ended funds
- Closed-ended funds
- Institutional mandates
- Individual mandates



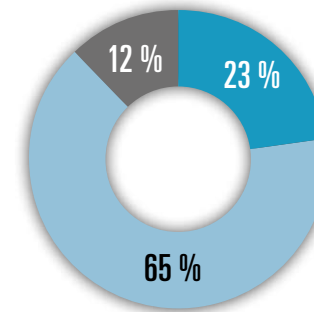
## DISTRIBUTION OF OPEN-ENDED FUNDS IN ITALY

- Bank and bank networks
- Italian Financial Advisors
- Italian and round-trip funds
- Foreign funds



## ASSETS PER TYPE OF INVESTORS

- Institutional investors
- Retail investors - direct investment
- Retail investors - indirect investment

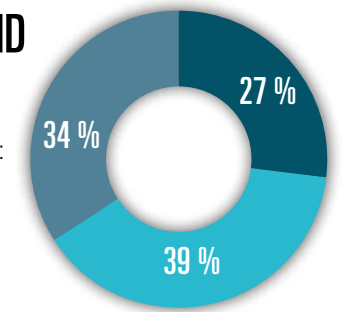


## ASSETS PER FUND DOMICILE

Total assets raised in Italy:

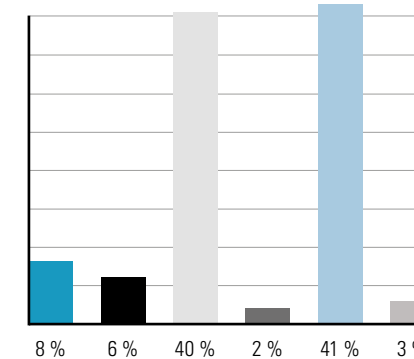
- Italian fund
- Round-trip fund
- Foreign funds

(Q2/2016)

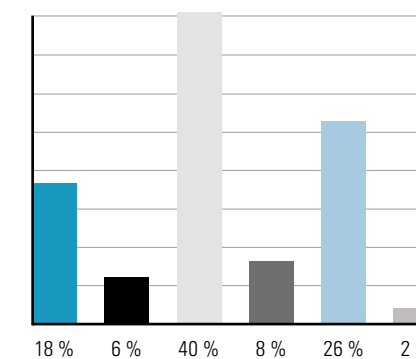


## ASSET ALLOCATION IN THE ITALIAN MARKET PER CATEGORY AND DOMICILE OF FUND

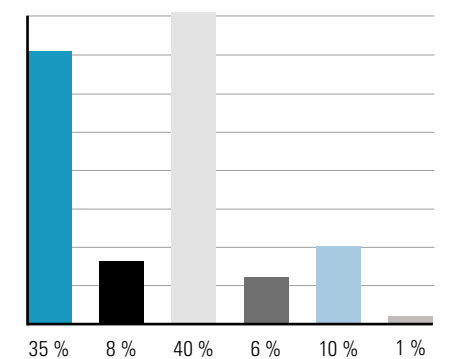
### ITALIAN FUNDS



### ROUND-TRIP FUNDS



### FOREIGN FUNDS



## TRENDS IN THE ITALIAN MARKET

	2012		Q2/2016		Growth
ASSETS	482 EUR Bn		848 EUR Bn		76%
Domestic funds	31%	149,4 EUR Bn	27%	229,0 EUR Bn	53%
Round-trip funds	43%	207,3 EUR Bn	39%	330,7 EUR Bn	60%
Total Italian groups	74%	356,7 EUR Bn	66%	559,7 EUR Bn	57%
Foreign funds	26%	125,3 EUR Bn	34%	288,3 EUR Bn	130%

## COUNTRY PROFILE

### GENERAL

Capital	Rome
Economic centers	Rome, Milan, Venice, Naples
Area	301.338 km <sup>2</sup>
Population (x 1,000)	60.964,2
Official language(s)	Italian
Other languages	-
Currency	Euro (EUR)
International dialing code	+39

### MACRO-ECONOMY

GDP	
GDP growth	1.636 Eur Bn
Inflation	0,6% (2015)
GNI per capita PPP	0,1% (2015)
Education index	\$26.158 (2013)
Human Development Index	0,881, ranking 25th out of 194
Life expectancy at birth	82,0 years
Retirement age (M/F)	66/62 years

[MORE INFORMATION](#)  
info@fundglobam.com

Sources: Assogestioni, Italian Fund Hub (IFH)

# MARKETING MATERIAL

PIERRE-THIBAUT AVELINE de ROSSIGNOL  
SENIOR REGULATORY ADVISOR, FUNDGLOBAM

## UNDERESTIMATED: TAILORING FACTSHEETS TO CROSS-BORDER MARKETS

EACH COUNTRY HAS ITS SPECIFIC LOCAL REQUIREMENTS ON MARKETING MATERIAL – BOTH EU AND NON-EU JURISDICTIONS<sup>1</sup>. FUNDS ARE REQUIRED TO COMPLY WITH THE NATIONAL MARKETING MATERIAL RULES OF EACH CROSS-BORDER JURISDICTION WHERE THEY ARE DISTRIBUTED.

<sup>1</sup> IN THE EUROPEAN ECONOMIC AREA, CERTAIN BASIS REQUIREMENTS ARE LAID DOWN IN EUROPEAN UNION DIRECTIVES WHICH ARE TRANSPOSED INTO NATIONAL LEGISLATION IN ADDITION TO THE LOCAL MARKETING RULES



For asset managers, complying with local marketing material rules of each jurisdiction means:

- A significant regulatory and compliance risk for asset managers
- Potentially significant costs of compliance

### WHAT'S IN SCOPE?

Any marketing material used by the fund, the asset manager, a distributor or a third party must comply with the specific local requirements. Marketing material includes, for example, factsheets, advertisements, websites and may include materials provided to investors and potential investors at events. The local rules apply independently of the marketing medium used – paper, email, radio, TV, billboard, etc.

Marketing material made available to retail investors is always in scope and for many jurisdictions, marketing material for professional investors is also in scope.

### KEY CHALLENGES TO MAKE FACTSHEETS COMPLIANT

Local marketing material rules applicable to fund factsheets cover for example:

- Minimum content to be disclosed
- Past performance disclosure
- Simulated and future performance disclosure, where permitted
- Risk indicators and risk disclosures
- Warnings statements
- Layout of text and graphs
- The website

Specific rules apply to marketing material of specific types of funds such as high volatility funds, feeder funds and structured funds.

### SOME ILLUSTRATIVE EXAMPLES MAY BE:

- Cumulative past performance cannot be presented in Germany
- Specific warning statements must be included in Sweden and Ireland
- In Italy, an award to a fund/sub-fund may not be disclosed where the management team has changed

**“We recommend reviewing compliance with local marketing material rules.”**

**Pierre-Thibault Aveline de Rossignol**

### WHAT SHOULD YOU DO IN PRACTICE?

The local consumer protection regime, the financial promotion regime and the specific rules for investment products taken together typically range from 20 to 100 pages. The texts are written in the local language and often not translated into English. Furthermore, local regulations are subject to change, so asset managers need to ensure that they are kept up to date.

To implement these rules, asset managers need to understand the local marketing material rules and distinguish the common requirements from specific local requirements. Many texts need to be interpreted. Marketing material must then be tailored to meet the specific local rules. This could mean, for instance, that past performance, risk or cost information must be presented in different manners in different distribution markets. We recommend to review compliance with local marketing material rules.

The local competent authorities of certain Member States, such as Belgium, required factsheets to be submitted for approval prior being made available to investors while others required marketing material to be submitted but do not approve them.

Finally, marketing material must be kept up-to-date. Factsheets must therefore be reviewed on a regular basis.

**➤ MORE INFORMATION**

**[www.fundglobam.com](http://www.fundglobam.com)**

ME AURÉLIEN CHRIS HOLLARD  
SENIOR ASSOCIATE, FELTEN & ASSOCIÉS

## SURVIVAL UNDER PRIVATE PLACEMENT REGIMES: MAJOR CHALLENGE FOR non-EU AIFMs

THE AIFM DIRECTIVE WAS TO PROVIDE A LEVEL PLAYING FIELD IN THE EUROPEAN ALTERNATIVE INVESTMENT FUND MARKET, BY INTRODUCING IN PARTICULAR MANAGEMENT AND DISTRIBUTION PASSPORTS FOR BOTH EU AND NON-EU AIFMS MARKETING AIFS IN THE EUROPEAN UNION.

**“Marketing strategies should be carefully addressed well in advance to respond to the challenges.”**

Me Aurélien Chris Hollard

This was to be articulated around two milestone dates: 2013 when such passports became available to EU AIFMs marketing EU AIFs and 2016 when such passports were to become broadly available to all AIFMs, whether EU or non-EU based, willing to market within the EU either EU or non-EU domiciled AIFs.

### LIFE EXPECTANCY OF PRIVATE PLACEMENT?

While the objectives of the “2013 milestone” turned out to be rather successfully achieved, 2016 is now behind us and the promised level playing field for non-EU AIFMs is pretty much a minefield.

For these players, national private placement regimes (NPPRs) remain a daily reality when it comes to distribution within the EU, implying a cumbersome country-by-country analysis.

Far from being waived forever – as initially contemplated for 2018 – NPPRs will probably subsist for a while.

### THE GROUND RULES TODAY

Without elaborating on country specific NPPRs, it is worth noting that the AIFM Directive already provides for a common framework when it comes to marketing under NPPRs, leaving however each Member State the freedom to impose stricter rules.



This triggers certain requirements towards the local financial authority of the European country where the AIF is to be marketed, such as (i) the provision of an annual report, (ii) the disclosure of some information to investors as well as (iii) specific reporting requirements.

Those minimum requirements have an impact on the documentation to be produced to potential investors and must be addressed carefully.

In addition, appropriate cooperation arrangements must be in place between the European country where the AIF is to be marketed and, depending on the situation, the country of residence of the non-EU AIF and/or of the non-EU AIFM.

Some additional requirements may also apply when the AIF is following private equity strategies, in case it acquires control over non-listed companies.

Meanwhile, some Member States have developed dedicated procedures in such marketing scenario, as for instance a prior notification requirement before starting any marketing activities. Others have simply banned any kind of marketing.

### OPPORTUNITIES IN UNCERTAINTY

Distribution within the EU remains therefore a tricky issue for (i) non-EU AIFMs willing to market EU or non-EU AIFs within a Member State but also, to some extent, for (ii) EU AIFMs willing to market non-EU AIFs.

This uncomfortable situation will continue as long as the objectives of the “2016 milestone” remain pending... and current political developments (notably Brexit) are not calling for a rapid change in this respect.

For these players, marketing strategies should be carefully assessed well in advance in order to appropriately respond to the challenges raised by NPPRs in the various Member States – but fortunately, solutions exist!

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# INVESTORS

YANN POWER  
HEAD OF MARKET INSIGHT, FUNDGLOBAM

## MEETING YOUR INVESTORS' OBJECTIVES

SUCCESSFULLY TARGETING INVESTORS IS ABOUT RESPONDING TO THEIR SPECIFIC NEEDS, AND UNDERSTANDING THEIR CONSTRAINTS.

Fundamentally, investors are all looking at the risk-return profile of each investment and the impact of this allocation on their own overall risk profile. However, each type of investor is making this assessment in a different manner.

As competition is increasing, asset managers are manufacturing their products in a more tailored manner in order to meet the specific needs of investors.

We focus here on two types of professional investors – insurers and funds as investors – as well as individuals investing on their own initiative but based on professional investment advice.

### INSURERS

In the world of insurance, fund managers should consider:

- Insurers investing on their own account
- Insurers offering unit-linked products to policyholders

An insurer must invest according to the prudent person principle and fully understand each investment from a risk perspective. The risks inherent to each investment must be taken into account in the assessment of the overall solvency needs of the insurer.

In order to optimise the Solvency Capital Requirement ('SCR'), insurers prefer to invest in funds which:

- Invest mainly in assets that are subject to lower risk weights
- Offer them full transparency on the underlying portfolio enabling them a look-through visibility to the underlying exposures

Unit-linked products are wrappers for funds. In most cases, the policyholder bears the investment risk of a unit-linked product. Typically, unit-linked products offer the policyholder exposure either directly to UCITS or to internal funds managed by the insurance undertaking which may, in turn, invest in other funds. Each jurisdiction has its own national regime and rules for unit-linked products, so the specific investment rules vary from one jurisdiction to another.

“Leading asset managers are tailoring their products to the specific needs of investors.”

Yann Power

### FUNDS AS INVESTORS

A fund may invest into a target fund if its risk-return profile is aligned with:

- The investment objectives of the fund
- The overall and specific risk limits of the fund

UCITS funds are subject to detailed eligible assets requirements and investment limits. The limits focus on, inter alia:

- Maximum exposure to a single fund
- Aggregate exposure to funds
- Significant holdings in a fund

The investment limit levels depend on the type of target fund: UCITS, an open-ended alternative investment fund ('AIF'), a listed closed-ended AIF or an unlisted closed-ended AIF.

### INDIVIDUAL INVESTORS

Individual investors are not subject to any restrictions on their investments into investment funds.

However, an intermediary in the transaction, such as a bank or an investment firm providing investment advice or execution of transactions is subject to detailed requirements such as those on:

- Obtention of information from the client to develop a client profile
- Assessment of the suitability and appropriateness of the fund for the client as well as ongoing monitoring
- Provision of information to the client before he invests
- Ongoing reporting to the investor

➤ MORE INFORMATION

[www.fundglobam.com](http://www.fundglobam.com)

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LL.M. (TAXATION), LAWYER, WARTH & KLEIN GRANT THORNTON AG

## THE REFORM OF THE GERMAN INVESTMENT TAX ACT

AT THE END OF JULY 2016, THE GERMAN LEGISLATOR ADOPTED THE REFORM OF THE GERMAN INVESTMENT TAX ACT, WHICH WILL COME INTO EFFECT ON 1 JANUARY 2018.

The determined amendments in the recent law will cause a fundamental systematic change.

The current Investment Tax Act foresees a transparent tax system for investment funds. The income at the level of the funds remains tax-free and a taxation merely occurs at the level of the investors.

### FORTHCOMING TAX REGIME

According to the adopted reform investment funds will instead be subject to corporate income tax in the amount of 15% plus 5,5% solidarity surcharge. The tax liability applies uniformly for both domestic and international funds, but only to:

- **Income from domestic holdings** and therewith particularly domestic dividends, but not gains from the sale of shares
- **Income from domestic real estate**, which includes both current income as well as capital gains
- **Other domestic income** that comprises trade income

Interests, gains from futures and the disposal of securities as well as foreign dividends and foreign real estate income will continuously remain tax-free at the level of the funds.



Juliette Gill



Philippe Lanciers

As before, fund dividends and capital gains from the sale of fund shares will be taxed at the level of the **investor**. Instead of the current deemed distribution income the recent law foresees a so-called pre-determined tax basis. In order to avoid or rather reduce a double taxation of the same income at the fund level as well as at the investor level, the investment income will be partially exempted at the investor level. The amount of this partial exemption depends on both the fund category (stock, mixed, real estate or other funds) and the type of investor (private individual, business investor or corporation). The exemption ranges from 15% to 80%. No exemption will be granted for investments in other funds.

### NEXT STEPS

- The recent law creates a **fictive sale** of all fund shares on December, 31st 2017 and their subsequent repurchase on January, 1st 2018. It should be considered whether an actual sale prior to this date would be advantageous.
- The partial tax exemption for the investors requires that the fund category is implemented in the **investment guidelines** of the funds. Therefore, a potential adjustment of the guidelines should be performed before January, 1st 2018.
- Foreign investment funds with domestic dividend income or domestic real estate income should ensure that they will be able to meet their **declaration obligations** in Germany from January, 1st 2018 onwards.
- Comparative calculations show that the adopted reform does not inevitably leave the investors worse off. Indeed, the recent law may be a positive surprise for some investors.

### NEED FOR A CASE-BY-CASE ANALYSIS

**Customised comparative calculations** would demonstrate the tax implications in each individual case.

➔ MORE INFORMATION  
[www.wkgt.com](http://www.wkgt.com)

**“The current investment tax act foresees a transparent tax system for investment funds.”**

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# PORTRAIT



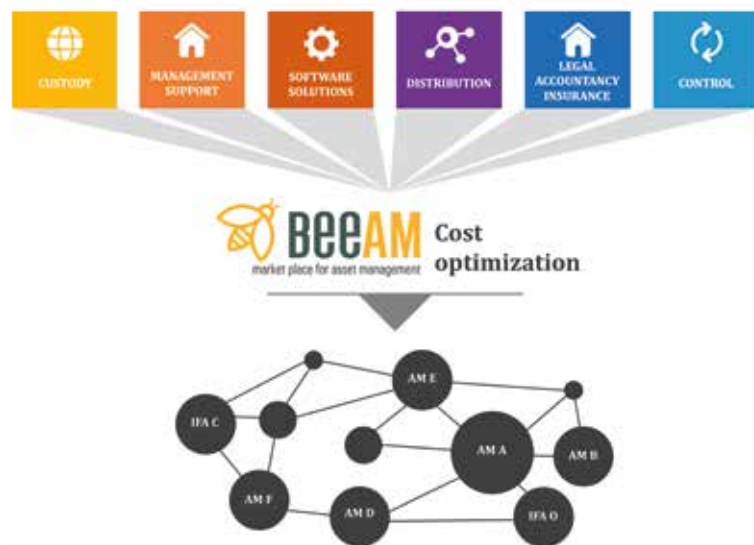
## COMPANY PORTRAIT: BEEAM

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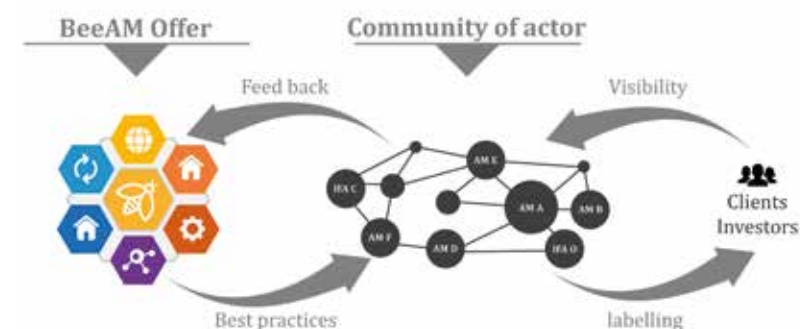
JEROME COIRIER

BEEAM IS A SERVICE COMPANY DEDICATED TO ASSET MANAGEMENT PROFESSIONALS. WE AGGREGATE ALL THE OUTSOURCED SERVICES REQUIRED FOR THESE ACTORS.

Our clients are existing management companies and new Fintech players, new entrants on this market. Our offer combines several services such as custodian, evaluation, data provider, information system, IT technology, control, marketing and soon distribution support notably with our FundGlobam partner. Our support aims the effectiveness of a platform with about twenty french and foreign partners that we put in the best integrated chain. Our customers save time, money and are equipped for their development.



BeeAM was created two years ago, based on the experience of its founders Jérôme, Grégory and André, who together have more than seventy-five years of experience in finance, including many years supporting the development of asset managers companies. We currently have about ten clients, existing management companies and projects. Our first clients are French, we also open projects in Switzerland and the UK. We have stepped up our sales-oriented activities. Today, two offers are clearly highlighted: BeeAM RISK, which is a solution for the outsourcing of the management and control of market risks and BeeSMART which is an offer of global evaluation of the company (Operational, governance, marketing), with two of our partners. This policy must lead us to rapidly increase our number of clients. We are always attracting new players in the field of projects, particularly real estate's ones. Finally, we strengthened our team with the arrival of Anthony, specialized and dedicated to the BeeAM Risk solution



The momentum for the creation of asset management companies has been declining over the past two years. We believe that future projects will require flexible, rapid means based on hosting solutions. The modular structure of BeeAM is an answer to this evolution. To assist our clients abroad and capture new projects, we will soon open an office in Luxembourg. The BeeAM ecosystem promotes closer links between the different actors, what we call "Market Place". The ESG criterias will reinforce the manager, the promoter, to bring more visibility from his mode of operation. Our quality approach meets the needs of investors by providing greater transparency on operational risks. This capacity of sourcing with the investors will allow us to raise funds in seed money to increase our ability to develop the attractiveness of our Market Place. BeeAM act as a trusted third party for the investors, allowing them to widen the scope of their innovative investments

[MORE INFORMATION  
www.beeam.fr](http://www.beeam.fr)

**"We will  
soon open  
an office in  
Luxembourg"**



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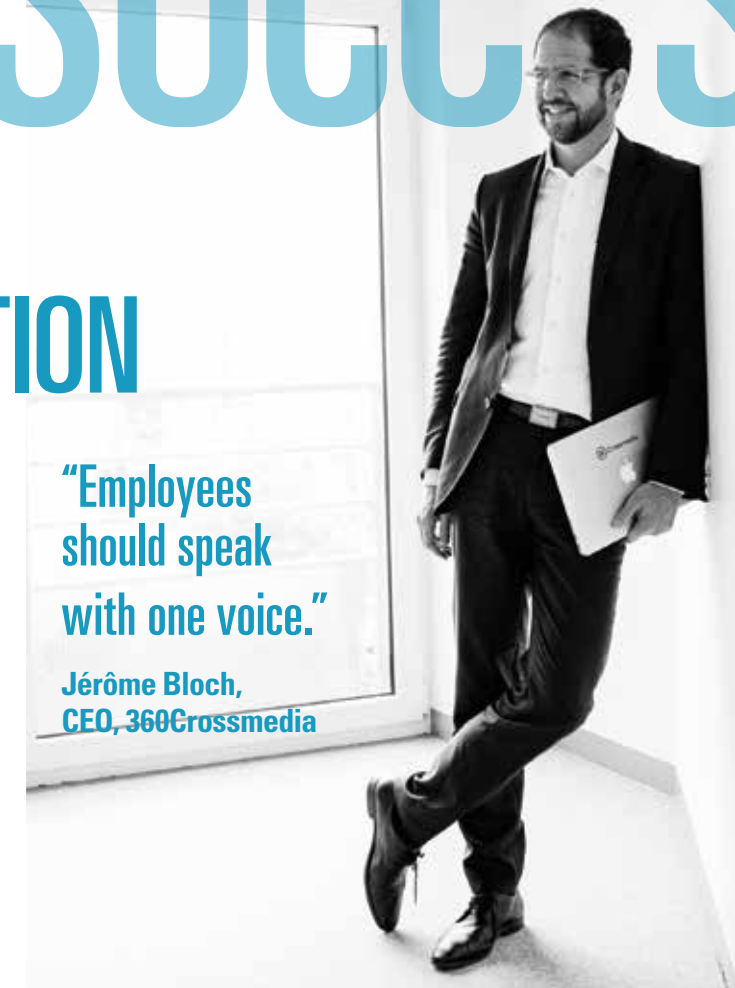
# SUCCESS

## ILLUSION OF SIMPLICITY COMMUNICATION & FINANCE

BANKERS, LIKE DOCTORS AND TEACHERS, HAVE BENEFITED FROM AN AURA FOR A LONG TIME. TIMES HAVE CHANGED. THEIR APPROACH TO COMMUNICATION HAS TO CHANGE. AN INTERVIEW WITH JÉRÔME BLOCH, CEO OF 360CROSSMEDIA AND AUTHOR OF "ILLUSION OF SIMPLICITY".

**"Employees should speak with one voice."**

**Jérôme Bloch,  
CEO, 360Crossmedia**



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### WHAT HAS CHANGED IN FINANCIAL COMMUNICATION?

Everything has changed in the past 10 years. We have moved from an attitude where "To be happy, we live hidden lives" in which only performance counted, to a system of forced transparency where the growth of an investment is only one factor among numerous others. Moreover, since the Madoff affair, a high performance level can seem suspicious. These elements give rise to a crisis of trust that is very visible in some bank advertisements – in particular Commerzbank in Germany or CIC in France – which make a mockery of the profession. One of the paradoxes of the banking system is that it relies heavily on trust at all levels. In a period when there is a crisis of trust, communication remains the most effective solution.

### WHAT GOOD PRACTICES SHOULD BE IMPLEMENTED?

Financial industry professionals of all sizes often lack experience in the area of communication. They tend to launch into their first press conference to the sound of drums and trumpets which journalists consider to be arrogance and reinforces the general public's poor impression. To avoid this, I have two pieces of advice: first of all, they should focus their efforts internally before issuing an external message. Employees should speak with one voice when communicating with each other, but also on social media, during meetings and sometimes in the press. To illustrate the second point, I often quote Alain Berwick, the CEO of RTL Luxembourg: "As far as the press is concerned, much should be given and little taken". Only the implementation of a plan that feeds journalists, the internet and social media on a regular basis and in the long term will foster privileged relationships that are indispensable to achieve a performance worthy of its name.

### A BRIEF COMMENT ON YOUR BOOK "ILLUSION OF SIMPLICITY"?

The main theme is that in a world of hyper-information, a good attitude can make you hyper-effective. I recommend implementing simple rules to make employees and businesses more productive. This is done by formulating short, clear messages that are easy to memorise and by instilling a business culture based on brief communications: emails of a few lines, 1 pagers, and speeches focusing on three points at the most. This method allows us to produce press releases in less than one hour and magazines in three hours, which can be fully funded by advertising. At the speed at which the world is changing, I think that to remain current this change is an indispensable one.

### ▶ MORE INFORMATION

[www.jeromebloch.com](http://www.jeromebloch.com)  
[www.360Crossmedia.com](http://www.360Crossmedia.com)  
[www.illusionofsimplicity.com](http://www.illusionofsimplicity.com)

# UPDATE

THE FUNDGLOBAM MARKET INTELLIGENCE TEAM

## AIFM DIRECTIVE: EXTENSION OF THE MARKETING PASSPORT TO THE EEA

IN SEPTEMBER 2016, THE EEA JOINT COMMITTEE ADOPTED A DECISION INCORPORATING THE ALTERNATIVE INVESTMENT FUND MANAGERS ('AIFM') DIRECTIVE AND THE RELATED IMPLEMENTING REGULATIONS INTO THE EUROPEAN ECONOMIC AREA ('EEA') AGREEMENT. WE BELIEVE THAT IT IS IMPORTANT TO HIGHLIGHT THIS UPDATE ON THE EEA MARKETS IN THIS SECOND EDITION OF REACHING INVESTORS.



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### NEW EEA FRAMEWORK FOR AIFMS AND AIFS

Under the AIFM Directive, authorised EU AIFMs are permitted to market the EU AIFs they manage to professional investors in any EU Member State following submission of a notification to their host Member State competent authority. The incorporation of the AIFM Directive into **the EEA Agreement formalises the rights of authorised EU, Icelandic, Liechtenstein and Norwegian AIFMs to market the AIFs they manage to professional investors across the whole EEA.** The incorporation of the AIFM Directive into the EEA Agreement does not impact the marketing of AIFs to retail investors. There is no passport for the marketing of AIFs to retail investors. The marketing of AIFs to retail investors is subject to the national regime of each EEA Member State.

### IMPLICATIONS FOR EU AIFMS: MARKETING IN EEA JURISDICTIONS

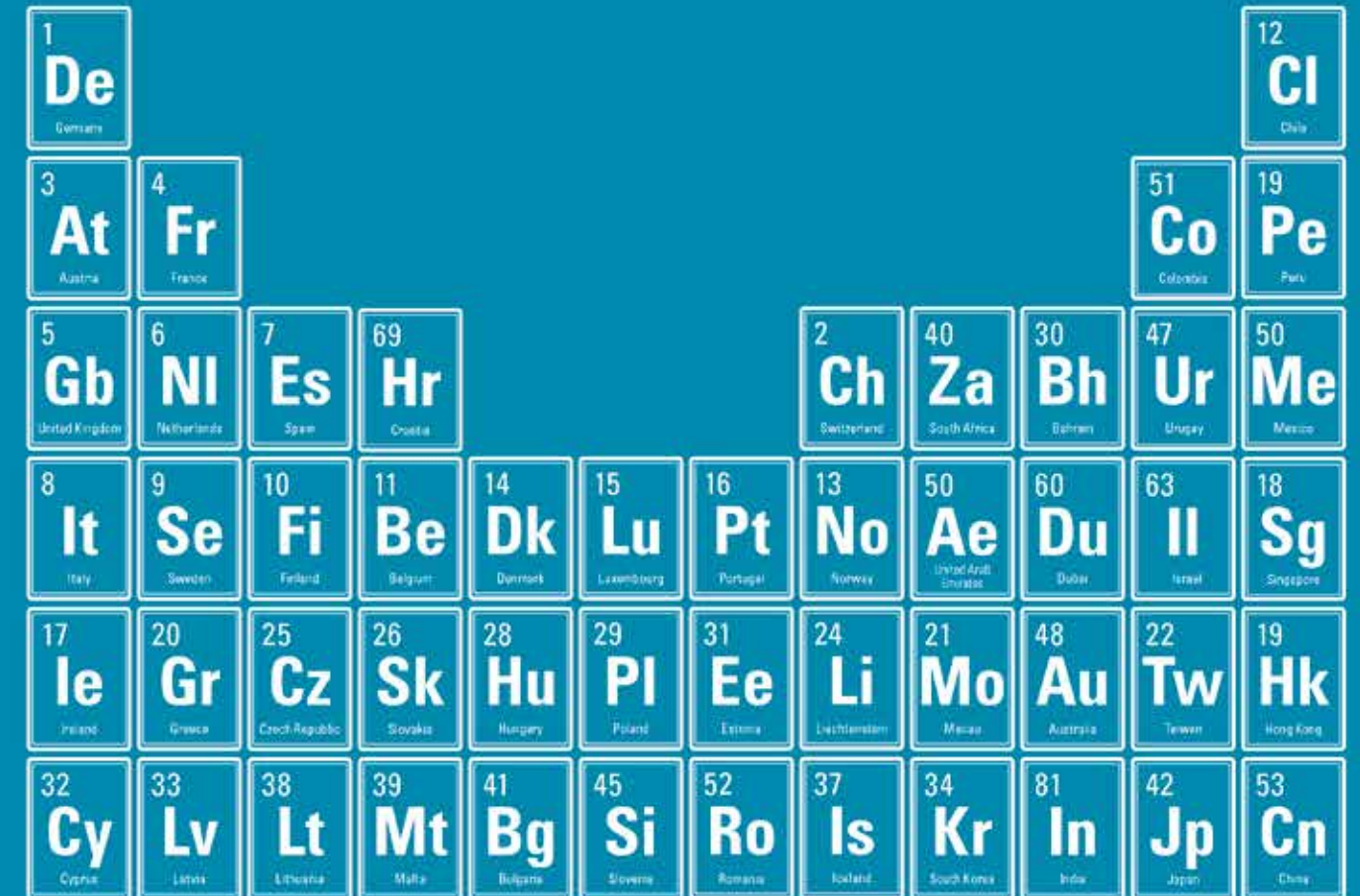
Following the incorporation of the AIFM Directive into the EEA Agreement, EU AIFMs officially benefit from the AIFM Directive passport to market the AIFs they manage to professional investors in Iceland, Liechtenstein and Norway following submission of a notification to their home Member State competent authority. The incorporation of the AIFM Directive into the EEA Agreement also formally permits EU AIFMs to manage AIFs in Iceland, Liechtenstein and Norway.

### IMPLICATIONS FOR EEA AIFMS: MARKETING IN THE EU

In practice, a number of Member States, such as Denmark, Finland, and the UK, already permitted EEA AIFMs to market the EEA AIFs they manage to professional investors in the EU with a passport. The incorporation of the AIFM Directive into the EEA Agreement formalises the rights of authorised Icelandic, Liechtenstein and Norwegian AIFMs to market the AIFs they manage to professional investors in any EU Member State, following implementation in each jurisdiction of the AIFM Directive. Icelandic, Liechtenstein and Norwegian AIFMs are therefore not subject to any restrictions on the marketing of the AIFs they manage to professional investors in any EEA Member State, following submission of a notification to their home Member State competent authority. The incorporation of the AIFM Directive into the EEA Agreement also formalises the rights of EEA AIFMs to manage AIFs in the EU.

30 September 2016  
The FundGlobam fact files – Email alerts

# Do you master the key elements of cross-border fund distribution?



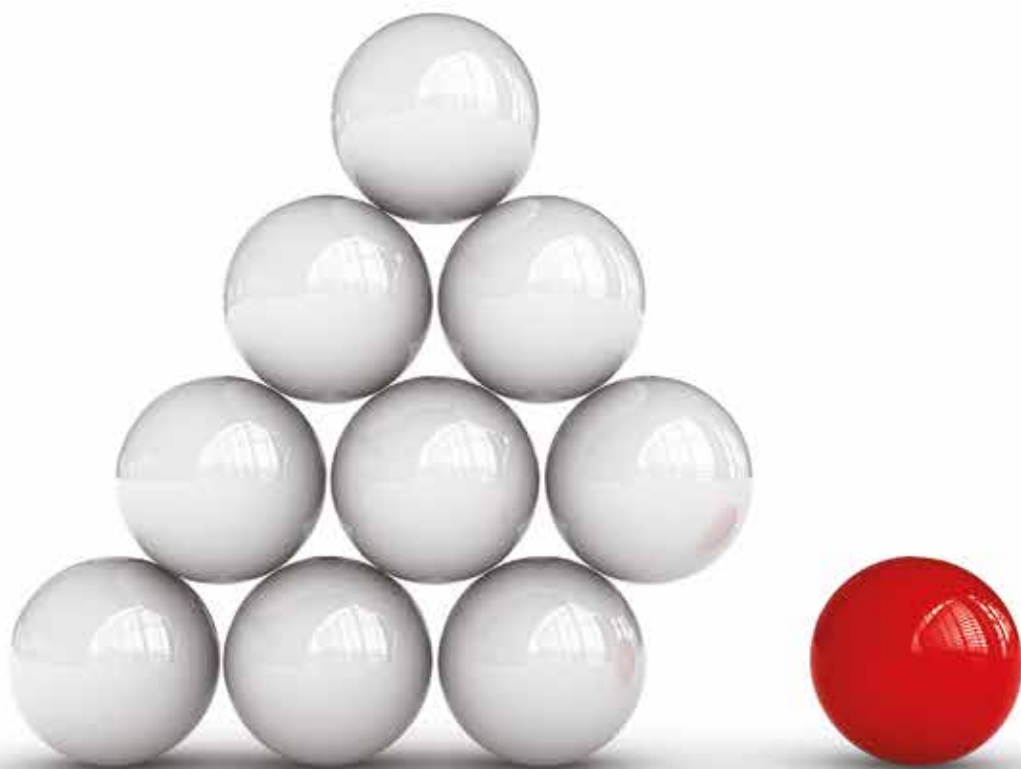
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