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**Over 80% of fund managers have yet to seek AIFMD authorisation**

**as July compliance deadline looms, according to new BNY Mellon survey**

LONDON, January 20, 2014 – With only six months to go until full implementation of the Alternative Investment Fund Managers Directive (AIFMD) on July 22, new research by BNY Mellon, the global leader in investment management and investment services, has found that fewer than 20 per cent of alternative investment fund managers (AIFMs) have submitted an application to their local regulator for AIFMD authorisation.

Given that securing authorisation typically takes a number of months, bottlenecks and delays are now likely to develop, putting even greater pressure on AIFMs, depositaries and services providers as they seek to implement the necessary changes in time for July’s deadline.

In a similar survey conducted by BNY Mellon in July 2013, 26% of respondents had said they planned to submit their application during 2013. With the deadline only months away, a significant number of alternative investment funds (AIFs) are yet to finalise their plans towards full compliance, with 37% saying they are unclear as to how they will address the additional requirements around regulatory reporting.

The latest BNY Mellon survey – conducted in conjunction with global business consulting firm FTI Consulting – canvassed more than 50 firms drawn from across Europe, the United States, Asia and Latin America who operate, or are considering operating, a fund that would be subject to AIFMD. The survey respondents – comprising a mix of small, medium and large fund managers – collectively hold over USD 4 trillion in assets under management, of which over $20 billion fall under AIFMD. Just over one-third of these managers operate more than five AIFs.

Key findings from the survey include:

* Only 19% of respondents submitted requests for authorisation during 2013, leaving 81% of AIFMs surveyed still to apply to their regulator. The survey also found that 41% of respondents said they plan to submit their application in Q1 2014 while a further 20% said they would do so during the final three months period prior to the July 22 deadline – irrespective of the time required for preparing and processing applications.
* Five per cent of AIFs surveyed are expected to be closed, merged or sold, potentially resulting in less choice for investors.
* The mean cost of AIFMD compliance is expected to be $300,000, consistent with the $305,000 figure posited by respondents to BNY Mellon’s previous survey six months ago. The majority of respondents believe the project/one-off costs of fulfilling AIFMD risk and compliance requirements will be at least $100,000 – and potentially over $250,000 – per institution.
* Nearly half (46%) of respondents believe additional technology will constitute the greatest increase in on-going costs in order to comply with risk and compliance requirements.
* 26% of those polled said they will pass on some of the increased costs to fulfil regulatory requirements onto the fund (impacting TER), while nearly half (46%) are still assessing how to absorb the additional cost. In the last survey, 88% of participants believed the costs of funds would increase as a result of AIFMD, which suggests the industry is questioning the need or ability to pass costs on.
* Nearly 60% of respondents have either appointed, or are in the process of appointing, an AIFMD compliant depositary service, as required under the authorisation application process. Conversely, 17% expressed an intention to use a ‘depositary lite’ service, giving flexibility to distribute non-EU domiciled funds within the EU.
* The burden of additional requirements for regulatory reporting will be undertaken by in-house teams for nearly two thirds of respondents, supported by administration providers (23%), depositary service providers (26%), while 37% are still assessing their needs. Twenty five per cent of respondents reported that hiring experienced staff is ‘very challenging’.
* In general, progress on implementing new AIFMD risk and compliance capabilities appears to be further advanced than other aspects of work:
  + Fifty-five per cent of respondents have implemented, or are close to final implementation of, a risk management framework; and 68% have completed, or are near completion of, their compliance framework.
  + The majority of respondents (70%) are building in-house systems to develop their risk and compliance monitoring processes, with 47% planning to use data from their portfolio managers.
  + Various approaches are being taken by managers around risk and compliance, with some respondents adopting multiple approaches simultaneously. Sixty per cent said they are planning a monthly suite of comprehensive reports for monitoring risk and compliance.  Fifty per cent are looking to use daily reporting, and thirty three per cent are planning to use online dashboards summarising risk and compliance reports.
  + Almost 4 in 10 (39%) have outsourced, or are considering outsourcing, their risk and compliance reporting requirements.
  + Ninety-three per cent consider the increasing costs to support risk and compliance data and reporting as being challenging.

Commenting on the survey’s findings, Hani Kablawi, EMEA Head of Asset Servicing at BNY Mellon, said: “There is a danger of a significant bottleneck developing in the application process, as many managers surveyed are yet to fully address their AIFMD requirements in time for the July deadline. Allowing for the time required by regulators to review applications, and for depositary and administrative service providers to make the relevant arrangements, there is a risk that funds will miss the application deadline. The slow progress we see around applications highlights both the uncertainties and practical challenges the industry is facing getting to grips with AIFMD. Certainly, those who have so far delayed their submissions cannot kick the can down the road any longer. Prompt action is required if managers are not to fall foul of the consequences of non-compliance, both in respect of their regulators and their investors.”

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**Notes to editors:**

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