

SchulteRoth&Zabel

Private Funds Regulatory

UPDATE

ESMA Comments on EU Fund Platforms

August 2020

ESMA has published a [letter](#) addressed to the European Commission and highlighting a number of areas in which the regulation of EU funds could be improved in the context of the ongoing review of the Alternative Investment Fund Managers Directive (known as AIFMD II). The letter is not itself a legislative proposal but is an important indicator of the direction of the policy debate surrounding the regulation of alternative investment funds and UCITS (a pan-EU retail fund product). One of the key observations in the letter relates to the need to tighten the requirements applicable to EU managers of platforms that delegate portfolio management activities to firms outside the EU. The letter urges the Commission to look at requiring such platforms to retain certain investment management and other functions, maintain sufficient resources locally, including sufficient staff (often referred to as “local substance”), as well as introducing further conditions on delegation aimed at curbing regulatory arbitrage.

This article appeared in the August 2020 edition of SRZ’s Private Funds Regulatory Update. To read the full Update, [click here](#).