

December 2012

A legal update from Dechert LLP

Financial Services – Update on UK and European Regulatory Developments

This update summarises current regulatory developments impacting the asset management sector in the UK and throughout the European Union.

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Part A – Regulation of Financial Markets

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
Short selling bans introduced by individual EU member states	EU	Ongoing.	<p>The European Securities and Markets Authority (ESMA) maintains a table of the short selling bans currently in force by EU securities regulators.</p> <p><i>Recommended actions:</i> Firms should monitor all short sales and ensure that net short sales do not take place in breach of restrictions.</p>	<p>Click here for ESMA's update on measures adopted by competent authorities on short selling.</p>
Mandatory central counterparty clearing of OTC derivatives	EU	<p>The European Market Infrastructure Regulations (EMIR) came into force on 16 August 2012.</p> <p>For the clearing obligation to apply, clearing houses must be authorised for clearing and classes of derivatives must be designated by ESMA as subject to the clearing obligation. Products which are currently cleared by clearing houses will be the first to be designated. We estimate the end of the second quarter of 2013 as the earliest date when the clearing obligation applies.</p> <p>The reporting obligation starts on 1 July 2013 for interest rate and credit derivatives and on 1 January 2014 for other derivative classes.</p>	<p>The Regulations introduce mandatory clearing of OTC derivatives via one or more central counterparties (clearing houses) which will be authorised by an EU regulator, and mandatory reporting of specified classes of derivatives trades to a trade repository.</p> <p><i>Recent developments:</i> ESMA submitted draft technical standards to the European Commission (the Commission) on 27 September 2012, which the Commission is expected to adopt in February or March 2013.</p> <p><i>Recommended actions:</i> Look out for announcements that transaction types have been designated for clearing and for changes in counterparty margining requirements. EMIR's impact will be significant, particularly in terms of (i) the cost of posting margin; (ii) changes to booking systems and processes; and (iii) the clearing documentation required to be put in place with each clearing member.</p>	<p>Click here for the Commission's derivatives page, including link to EMIR.</p> <p>Click here for ESMA's draft technical standards.</p> <p>Click here for the FSA's EMIR website.</p> <p>Click here for the Commission's EMIR Q&As.</p>
Short selling disclosures and restrictions	EU	<p>The Regulations on short selling of shares and sovereign debt and various sets of related technical standards came into force on 1 November 2012 and have direct effect throughout the EU.</p>	<p>The Regulations introduce: (i) mandatory disclosure of net short positions to the regulator; (ii) restrictions on naked short selling; (iii) a prohibition on uncovered positions on sovereign credit default swaps and (iv) regulator powers to impose temporary restrictions during stressed markets.</p> <p><i>Recent developments:</i> The FSA will introduce electronic reporting through an internet portal in due course. In the meantime, it has made the disclosure forms available from its website. The forms will need to be downloaded, completed and returned by email to the FSA. Short sales of shares listed elsewhere in the EU should be reported to the relevant EU regulator.</p> <p><i>Recommended actions:</i> Firms should monitor all short sales and ensure that disclosure is made in compliance with the Regulations.</p>	<p>Click here for ESMA's short selling Regulations website (including text of the Regulations).</p> <p>Click here for the FSA's short selling regulations website.</p>

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
Review of the Market Abuse Directive	EU	<p>The Commission published a proposal to revise the Market Abuse Directive (MAD II) on 20 October 2011. It consists of the Market Abuse Regulation (MAR) and a supplementing EU Directive on criminal sanctions for insider dealing and market manipulation (CSMAD). The UK government has for present exercised its discretion not to opt in to CSMAD.</p> <p>The EU parliament will consider the proposals in March 2013.</p>	<p>The Commission intends that the scope of the existing market abuse regime will be extended to multilateral trading facilities (MTFs) and organised trading facility (OTFs), as well as regulated markets. Also in scope are related financial instruments traded on an OTC basis which can have an effect on instruments traded on a trading venue. Under the existing regime, the market integrity and transparency rules apply to commodity derivatives markets, but not to the underlying markets. The Commission intends that MAR will govern transactions or behaviour in the underlying spot markets which are related to, and have an effect on, the financial and derivative markets which are within the scope of MAR. The trading of emission allowances will also fall within the scope of MAR.</p> <p><i>Recommended actions:</i> Prior to adoption, firms will need to identify relevant instruments in scope and undertake a full compliance review of market abuse procedures, including reporting procedures.</p>	<p>Click here for the Commission's proposal.</p> <p>Click here for the current draft of CSMAD.</p> <p>Click here for the current draft of MAR.</p>
Financial Transactions Tax	EU	<p>The Commission published a proposal for a Directive for a financial transaction tax on 28 September 2011.</p>	<p>The financial transaction tax (FTT) will apply to transactions in financial instruments between financial institutions (including UCITS and AIFs), OTC or on a market, where one of the institutions is established in the EU. Transactions in shares and bonds would be taxed at a minimum of 0.1% and derivatives at a minimum of 0.01%. Adoption of the Directive in the UK is likely to mean the end of stamp duty and SDRT, meaning benefits for entities which currently pay stamp duty on shares sales but will be outside the scope of the FTT.</p> <p>Due to the lack of EU consensus, 11 EU countries have been authorized by the "enhanced co-operation" procedure to establish their own FTT.</p> <p>If implemented, the legislation will apply from 31 December 2014.</p>	<p>Click here for the Commission's proposal.</p>

Part B – Regulation of Investment Management

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
Alternative Investment Fund Managers Directive	EU	<p>The Directive came into force on 21 July 2011. Implementation by Member States is required by 22 July 2013.</p> <p>The Commission has not yet published the detailed implementing measures underlying various parts of the Directive (the Level 2 Regulations).</p>	<p>The Directive affects all EU managers of funds other than UCITS funds, and all non-EU managers of funds seeking to market in the EU (regardless of whether the fund is based in or outside the EU).</p> <p><i>Recent developments:</i></p> <p>In the UK, the FSA published a consultation paper and draft new handbook rules on 14 November 2012. It will publish a second consultation paper in February 2013. In the Consultation Paper, the FSA stated that (i) the first date by which UK firms already managing or marketing AIFs before 22 July 2013 may submit an application for an AIFM authorisation or a variation of permission is 22 July 2013 and (ii) firms managing AIFs as at 22 July 2013 must be AIFMD compliant and have submitted an application for authorisation by 22 July 2014.</p> <p>In Germany, the government published the second draft bill implementing the Directive. It is not expected that the final act will enter into force before 22 July 2013. A one year grandfathering period until 21 July 2014 to comply with the German implementation of the Directive will apply to all existing funds and their AIFMs. According to the current draft bill, Germany will abolish private placements with immediate effect, with an exception for ongoing private placements (i.e. those started before 21 July 2013) which will be permitted until 21 July 2014. After this date a full marketing notification to BaFin for any type of distribution will be required.</p> <p><i>(continued on next page)</i></p>	<p>Click here for a copy of the Directive.</p> <p>Click here for ESMA's consultation paper "Guidelines on sound remuneration policies under the AIFMD".</p> <p>Click here for ESMA's technical advice to the Commission on implementing measures of the AIFMD.</p> <p>Click here for ESMA's discussion paper "Key concepts of the Alternative Investment Fund Managers Directive and types of AIFM".</p> <p>Click here for the FSA consultation paper.</p> <p>Click here for the Irish Central Bank Consultation.</p>

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
Alternative Investment Fund Managers Directive	EU	<p>The Directive came into force on 21 July 2011. Implementation by Member States is required by 22 July 2013.</p> <p>The Commission has not yet published the detailed implementing measures underlying various parts of the Directive (the Level 2 Regulations).</p>	<p><i>(continued from previous page)</i></p> <p>Most German closed-ended funds (often organized as a limited partnership (e.g. as a <i>Kommanditgesellschaft</i>)) have only recently (from 1 June 2012) been required to submit marketing notifications to BaFin for their distribution in Germany and were not obliged to obtain permissions for their management companies (i.e. their AIFM). Under the bill, such funds will have to submit new marketing notifications to BaFin and apply for permissions for their AIFMs for the first time. Since notifications/applications in some cases will have to be submitted to BaFin no later than 1 January 2014 (due to applicable periods for assessment by BaFin) and that initially the process for notification and application will be time consuming, clients should start with the necessary actions as soon as possible after the new law comes into force.</p> <p>In Luxembourg, a draft bill implementing the Directive was submitted to the Luxembourg parliament on 24 August 2012. In addition to implementation of the Directive, the draft bill also covers other related changes that will have an impact on the legislation applicable to Luxembourg investment funds. The bill provides for the creation of Luxembourg AIFMs as well as for the possibility of UCITS management companies to be authorized as AIFMs. Non-UCITS management companies will be limited to managing non-AIFs and small-AIFs opting to be out of scope of the Directive. The bill will also add a new category of Professional of the Financial Sector (PSF), i.e. depositary of an AIF; introduce a Special Limited Partnership (<i>société en commandite spéciale</i>) which is similar to the English limited partnership and update the current Limited Partnership (<i>société en commandite simple</i>) and partnership limited by shares (<i>société en commandite par actions</i>) regimes. It is anticipated that the law will enter into force well before 22 July 2013.</p> <p><i>(continued on next page)</i></p>	<p>Click here for a copy of the Directive.</p> <p>Click here for ESMA's consultation paper "Guidelines on sound remuneration policies under the AIFMD".</p> <p>Click here for ESMA's technical advice to the Commission on implementing measures of the AIFMD.</p> <p>Click here for ESMA's discussion paper "Key concepts of the Alternative Investment Fund Managers Directive and types of AIFM".</p> <p>Click here for the FSA consultation paper.</p> <p>Click here for the Irish Central Bank Consultation.</p>

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
Alternative Investment Fund Managers Directive	EU	<p>The Directive came into force on 21 July 2011. Implementation by Member States is required by 22 July 2013.</p> <p>The Commission has not yet published the detailed implementing measures underling various parts of the Directive (the Level 2 Regulations).</p>	<p><i>(continued from previous page)</i></p> <p>In Ireland, the Central Bank is using the implementation of the Directive as an opportunity to redesign the current regulatory framework for Irish alternative investment funds and has issued a consultation taking the form of a draft AIF handbook replacing the existing non UCITS Notices and Guidance Notes, representing a consolidated version of the regulatory provisions governing AIFs. The key changes proposed are: (i) removal of the promoter regime; (ii) replacement of the Qualifying Investors Fund regime with an enhanced Qualifying Alternative Investor Fund regime; (iii) introduction of share class flexibility within funds or sub-funds requiring 'fair' treatment of shareholders (rather than 'equal' under current regime); (iv) replacement of Irish prime brokerage rules with the Directive's criteria; (v) enhancement of the retail AIFs regime; and (vi) elimination of the Professional Investor Fund regime.</p> <p><i>Recommended actions:</i> AIFMD will have a substantial impact on authorisation of fund managers, their structure, their operations and the manner in which their funds are run. Firms should consider whether they are in scope, which entity should be authorised as the AIFM, the required new compliance policies and procedures and the required additional regulatory capital. Firms will need to consider their marketing arrangements in the EU, whether they want to use the passport and the additional compliance burden involved.</p>	<p>Click here for a copy of the Directive.</p> <p>Click here for ESMA's consultation paper "Guidelines on sound remuneration policies under the AIFMD".</p> <p>Click here for ESMA's technical advice to the Commission on implementing measures of the AIFMD.</p> <p>Click here for ESMA's discussion paper "Key concepts of the Alternative Investment Fund Managers Directive and types of AIFM".</p> <p>Click here for the FSA consultation paper.</p> <p>Click here for the Irish Central Bank Consultation.</p>

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MiFID II	EU	<p>The Commission published in October 2011 a proposed directive and regulation to amend MiFID (MiFID II).</p> <p>MiFID II is currently subject to negotiation between the European Parliament and the Council of the EU. ESMA will need to produce a large number of related Level 2 measures. It is anticipated that the implementation date will not be earlier than 2015.</p>	<p>The MiFID II proposals include (i) creation of a new type of trading venue within the regulatory framework, the organised trading facility (OTF), capturing all forms of organised trading that do not match existing categories; (ii) significantly increased regulation of commodities trading, including introducing a position reporting obligation and powers for regulators to intervene in trading activity; (iii) new powers for regulators to ban or restrict types of financial products; (iv) new safeguards on algorithmic and high frequency trading activities (mainly to address market volatility); (v) a new regime for 3rd countries which abolishes the UK's overseas person exemption and replaces it with a requirement for overseas firms providing services into Europe to obtain a form of authorisation and (vi) new pre and post trade transparency rules for non-equity products, including bonds and commodities, similar to the transparency rules which apply to regulated equity markets.</p> <p><i>Recent developments:</i> The current European presidency has postponed further work on MiFID II until Ireland takes up the presidency in January 2013. The indicative date for the first reading by the European Parliament of MiFID II is 24 October 2013.</p>	<p>Click here for the current draft of MiFID II (21 November 2012).</p>
CRD IV	EU	<p>The Commission published in July 2011 a proposal for new capital requirements for credit institutions and MiFID investment firms (CRD IV). The existing Capital Requirements Directive will be replaced with a regulation and a directive: the Capital Requirements Regulation (CRR) and the CRD IV Directive.</p>	<p>Investment firms currently subject to the Capital Requirements Directive will be faced with higher capital requirements and new governance requirements.</p> <p><i>Recent developments:</i> CRD IV is currently subject to negotiation between the European Parliament and the Council of the EU. The Commission's aim was for CRD IV to come into force on 1 January 2013. In the UK, the FSA's view is that it does not appear feasible that the legislation can enter into force in line with the implementation date of 1 January 2013. The FSA has stated that it will not publish a consultation on CRD IV before the final text of the legislation has been agreed.</p> <p><i>Recommended actions:</i> The FSA has published a webpage on its approach to implementing transitional provisions in the CRR on own funds requirements, the grandfathering of capital instruments, and the application of regulatory adjustments to own funds.</p>	<p>Click here for the current text of CRD IV.</p> <p>Click here for the current text of CRR.</p> <p>Click here for the FSA statement regarding CRD IV implementation.</p>

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MiFID Remuneration Policies	EU	ESMA published a consultation paper in September 2012 on guidelines on remuneration policies and practices under MiFID. The FSA published a consultation in September 2012 on risks to customers from financial incentives paid to sales staff.	Both ESMA and the FSA have proposed rules under MiFID conflicts of interest rules principally focussed on remuneration of staff who sell financial products to the retail market. Both sets of rules are closely aligned. <i>Recommended actions:</i> The FCA (as the FSA's successor) will adopt the ESMA guidelines in Q2 2013. Firms should review compliance of their remuneration schemes for sales staff with the FSA's requirements without delay.	Click here for a link to the ESMA Consultation Paper. Click here for a link to the FSA guidance consultation.
Dodd-Frank – Commodity Futures Trading Commission exemptions from registration	US – SEC and CFTC	The CFTC has adopted final regulations on the use of exemptions from registration for sponsors of private funds.	The CFTC has adopted final regulations which modify and remove certain CFTC exemptions widely used by sponsors of private funds. The position limits rule was vacated and remanded to the CFTC in autumn 2012 for further work on the CFTC's cost-benefit analysis. <i>Recommended actions:</i> Private fund sponsors must consider whether they can rely on an exemption from registration, or register as "Commodity pool operators" (and have their registration declared effective) with the CFTC prior to 31 December 2012.	Dechert has produced a number of <i>DechertOnPoints</i> on the CFTC rules under Dodd-Frank: CFTC Changes Rules Affecting Public and Private Funds CFTC Issues No-Action Relief Extending Compliance Date for Amended Rules 4.5 and 4.13(a)(4) to December 31, 2012 CFTC Staff Releases Responses to Frequently Asked Questions Regarding Rule Amendments Affecting CPOs and CTAs.
Dodd-Frank – rules on major swap participants	US – SEC and CFTC	The SEC and CFTC have adopted final rules on "major swap participants", "major security-based swap participants", "swap" and "security-based swap".	The CFTC has adopted final rules on "major swap participants", "major security-based swap participants", "swap" and "security-based swap". <i>Recommended actions:</i> Investment managers will need to determine if they are "major swap participants", which will depend on the scale of their trading in OTC derivatives. The scope of the definition of "commodity interest" now includes many types of OTC derivatives. A fund trading OTC derivatives may be a "commodity pool" and subject to the US CFTC where it was not previously, to the extent the fund has any US investors.	Dechert has produced a number of <i>DechertOnPoints</i> : CFTC Finalizes Futures and Swaps Position Limit Rules CFTC Finalizes Swap Data Recordkeeping and Reporting Requirements CFTC Adopts Customer Property Segregation and Other Swap Regulations, Proposes Volcker Rule Impact of CFTC Swap Regulations on Structured Finance Industry.

Part C – Regulation of Investment Funds

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
US FATCA	US	<p>The US Foreign Account Tax Compliance Act became law in March 2010. The deadline for FFIs to enter into an agreement, or register as deemed compliant, with the IRS, is 31 December 2013, to avoid withholding beginning on 1 January 2014 (for withholding on US source dividends and interest) and 1 January 2017 (for withholding on US source income and gross proceeds). Withholding on non-US source passthru payments will not occur before 2017. New account opening procedures generally must be implemented by 1 January 2014.</p>	<p>FATCA is a new reporting and withholding regime intended to prevent US investors from evading tax by investing through foreign entities. FATCA requires foreign financial institutions (FFIs) which opt in to this regime to report information to the US IRS regarding their US account holders.</p> <p><i>Recent developments:</i> The UK government has signed an inter-governmental agreement (IGA) with the US government to allow “Reporting UK Financial Institutions” to fulfil their reporting obligations on US account holders by reporting directly to the UK Revenue. The IGA also confirms which types of accounts are within scope and the types of UK regulated entities which are “deemed compliant” FFIs and not subject to the requirements.</p> <p><i>Recommended actions:</i> Managers will need to determine whether their funds fall within any “deemed compliant” category, and will need to determine the extent of their reporting or withholding responsibilities and amend account opening procedures as necessary to comply with FATCA.</p>	<p>Click here for DechertOnPoint ‘Final Proposed FATCA Regulations Issued’</p> <p>Click here for a copy of the US-UK IGA.</p>
UCITS V and VI Directives	EU	<p>The Commission published the final version of its proposed UCITS V Directive on 9 July 2012. Separately, the Commission has published a consultation paper on further changes to the UCITS regime (UCITS VI). The FSA will publish a consultation paper on UCITS V by the end of 2012. The Commission has indicated that UCITS V will apply by the end of 2014. The Commission may adopt its legislative proposal for UCITS VI by the end of the first quarter of 2013.</p>	<p>In relation to UCITS V, the Commission’s key proposals relate to the UCITS depository function, remuneration and sanctions for breach of the rules. The rules relating to the depository function are similar to the equivalent provisions in the AIFM Directive. The remuneration requirements relate to the implementation of remuneration policies by UCITS managers and disclosure of total remuneration amounts, and are intended to be consistent with the equivalent provisions of the AIFM Directive.</p> <p><i>Recent developments:</i> AIMA published a position paper on 22 October 2012 in which it highlighted some concerns on the Directive. The European Parliament’s ECON committee published a draft report on 9 November 2012 which sets out suggested amendments to the Commission’s proposals.</p> <p>In relation to UCITS VI, the topics which the Commission is consulting on include eligible assets and use of derivatives, efficient portfolio management (EPM) techniques, the use of OTC derivatives, extraordinary liquidity management tools, passporting rights for UCITS depositories and money market funds.</p>	<p>Click here for the final version of the UCITS V proposal and here for Commission FAQs.</p> <p>Click here for AIMA’s position paper on UCITS V.</p> <p>Click here for the Commission’s consultation on UCITS VI.</p> <p>Click here for the ECON draft report.</p>

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FSA's Retail Distribution Review	UK – FSA	The FSA has adopted changes to the COBS sourcebook relating to the distribution of certain retail investment and group personal pension products within the UK. The changes are effective on 31 December 2012.	<p>The FSA has adopted changes to the COBS sourcebook relating to the distribution of investment and personal pension products to retail investors in the UK. The most significant reform introduced by the RDR is the ban on commission paid by product providers to advisers in exchange for distributing their financial products.</p> <p><i>Recommended actions:</i> These rules apply to any investment manager or fund paying commission to FSA authorised advisers of UK retail clients, and come into effect on 31 December 2012. Many firms have created “RDR ready” share classes, which typically carry a management fee at half the rate of the existing management fee, reflecting that no commission is now paid out of the management fee to advisers. Firms should check the terms of their distribution agreements with retail financial advisers to ensure they are compliant with the RDR.</p>	<p>Click here for the FSA's RDR page.</p> <p>Dechert has published a <i>DechertOnPoint</i> on RDR: The FSA's Retail Distribution Review – Its Impact on Investment Fund Managers.</p>
Proposed EU regulation of packaged retail investment products	EU	<p>The Commission published a proposal for a Regulation on key information documents for packaged retail investment products (PRIIPs) in July 2012.</p> <p>The proposal will be considered by the European Parliament and the Council of the EU in 2013. The Regulation is not likely to apply before the end of 2014.</p>	<p>PRIPs are all types of investment products “where the amount repayable to the investor is subject to fluctuations because of exposure in reference values or to the performance of assets which are not directly purchased by the investor.” This covers insurance based products, structured term deposits and virtually all investment funds.</p> <p>The Commission has proposed a requirement to provide a “key information document” (KID) when the product is made available to retail investors, applying the same principles in the UCITS Directive's KIID.</p>	<p>Click here for the current draft of the Regulation.</p>
FSA proposal to restrict retail distribution of unregulated collective investment schemes	UK – FSA	The FSA published a proposal on 22 August 2012 to restrict the promotion by authorised firms of unregulated collective investment schemes to retail investors in the UK.	<p>The FSA is proposing to remove the ability of intermediaries to promote unregulated collective investment schemes on the basis of a “suitability check” on the investor, and various other exemptions in the table in COBS 4.12.</p> <p>All non-UCITS funds will be subject to the new restrictions.</p>	<p>Click here for the FSA proposal.</p>

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
Repeal of promoter concept	Luxembourg – CSSF	The CSSF has issued a circular which repeals the promoter concept for Luxembourg UCITS management companies and self-managed investment companies.	<p>The CSSF issued on 24 October 2012 a circular on the authorization of Luxembourg UCITS management companies and self-managed investment companies which deals with the governance and substance requirements of such entities.</p> <p>The CSSF has confirmed that the promoter concept will be repealed (i) with respect to UCITS that have appointed a management company that complies with the circular and (ii) with respect to UCITS self-managed investment companies that comply with the circular.</p> <p>As the date for compliance is 30 June 2013, there will be no promoter requirement from 1 July 2013 or any earlier date for the UCITS mentioned under (i) and (ii) above.</p> <p>It is expected that the CSSF will also consider that Luxembourg UCITS that have appointed a non-Luxembourg UCITS management company will also not require a promoter.</p> <p>Funds that are subject to part II of the law of 2010, i.e. non-UCITS retail funds, still require a promoter although this position will be revisited once the AIFMD is implemented into Luxembourg law.</p> <p>It is expected that self-managed investment companies that pay fees to a third party co-promoter will want to comply as soon as possible with the circular so as to avoid the requirement to pay such fees.</p>	
New corporate structure for Irish funds (SICAV)	Ireland	The Irish Minister for Finance has approved, in principle, legislative proposals for a new corporate structure for Irish funds to complement the existing range. The proposed legislation is likely to be enacted towards the end of 2012/beginning of 2013.	The SICAV will meet US 'check the box' taxation requirements (to be treated as a partnership for US tax purposes) and reduce administrative costs on funds by removing the need for compliance with various requirements of Irish company law.	

Development	Jurisdiction	Stage and Timing	Impact and Considerations	Current Key Documents and Further Guidance
<p>Update on filing of UCITS IV Business Plans for self-managed investment companies (SMICs)</p>	<p>Ireland</p>	<p>The Central Bank will accept Business Plans for SMICs in three tranches; end-January 2013, end-March 2013 and end-May 2013.</p> <p>Legal advisers are being asked to submit one third of their clients' Business Plans in each tranche.</p>	<p>Following industry feedback, the Central Bank's position on UCITS IV Business Plans for SMICs has now been finalized.</p> <p>SMICs are subject to the same basic organizational requirements (administrative, accounting, internal control, record keeping, complaints handling, electronic data processing procedures) as UCITS management companies. However SMICs may apply the '<i>nature, scale and complexity</i>' concept to the requirements given they are a less complex business model.</p> <p>The Central Bank has agreed that SMICs are not required to establish a permanent compliance function or a permanent internal audit function.</p> <p>Collective responsibility for the key management functions is no longer permissible and these functions must be assigned to individual directors.</p>	



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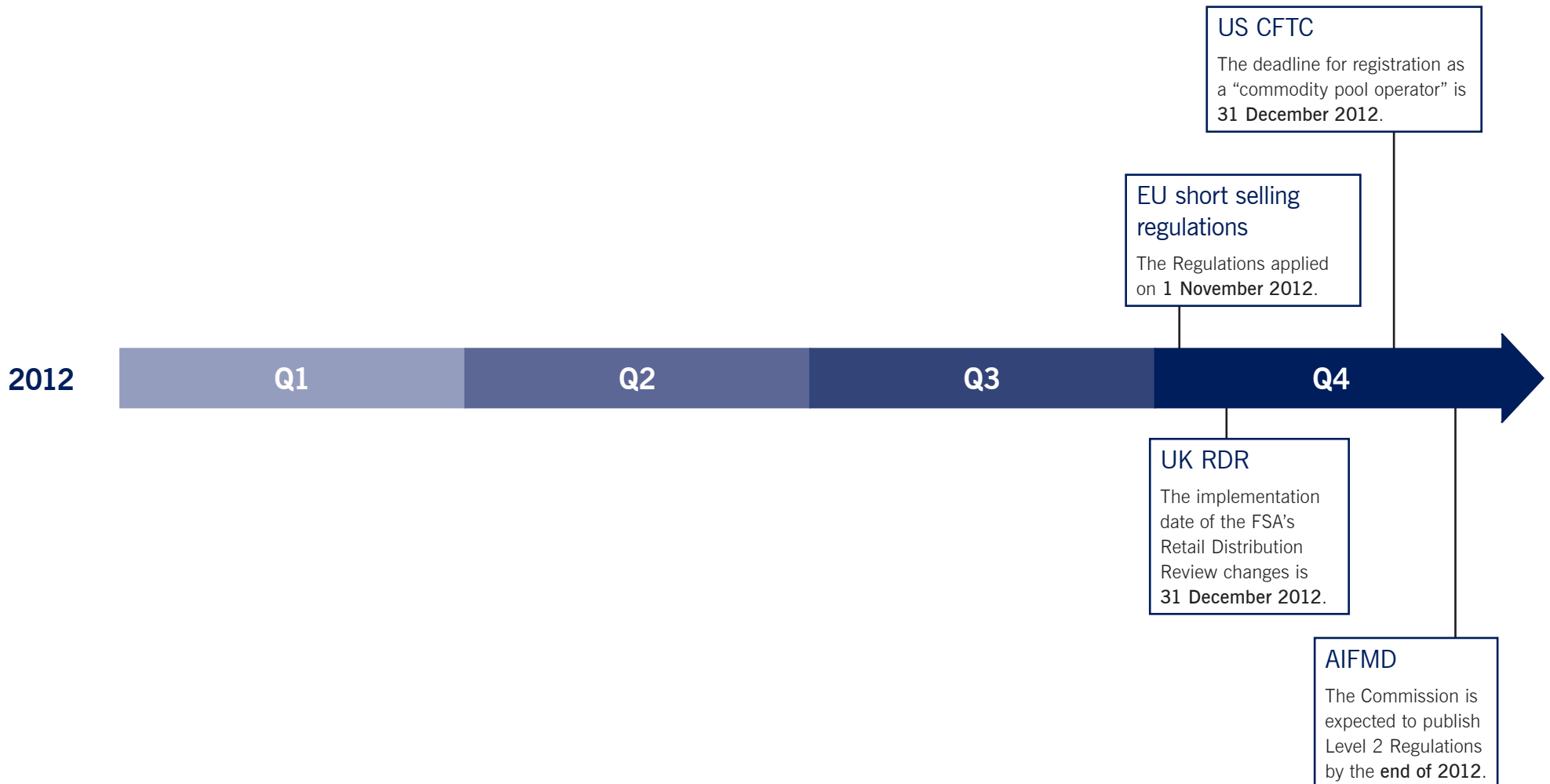
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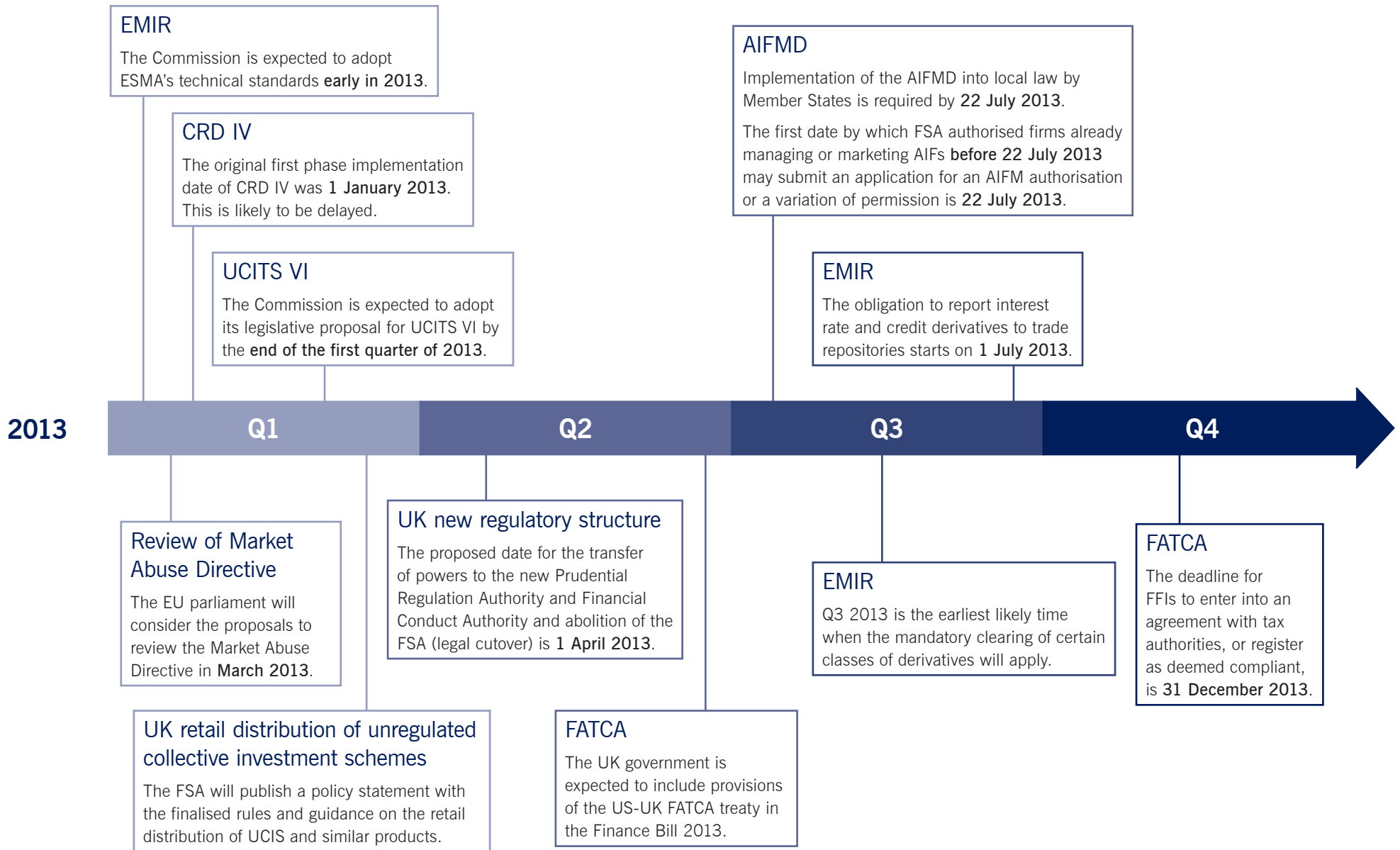
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Regulatory Calendar – Key Milestones



REGULATORY CALENDAR – KEY MILESTONES (cont'd)



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