London Hedge Fund Services 2012

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Despite all the doom and gloom surrounding the Eurozone and the ever-challenging capital raising environment, 2011 was a good year for London hedge fund launches with one prime brokerage executive pointing out that somewhere in the region of “150 to 200 new funds” launched. Avantium Investment Management and Carrhae Capital were just two of a number of high profile launches, established by star traders Kay Haigh, the former head of global macro

Given London’s mantle as Europe’s leading hedge fund centre, it perhaps comes as a surprise that last year’s best performing UK hedge fund wasn’t based there at all, but rather a city more famous for its sleepy spires and cloistered colleges: Oxford.

According to Bloomberg Markets’ latest 100 Top-Performing Large Hedge Funds report, OxFORD Asset Management’s OxAM Quant Fund, managed by Andre Stern, Steve Mobbs and Steven Kurlander generated an impressive 16.4 per cent in 2011, placing them 12th in the list. Of course, the vast majority of UK hedge funds are based in the capital, but OxFORD Asset Management serves as a reminder that not all the best and brightest minds choose to locate their UK businesses there.

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trading at Deutsche Bank and Ali Akay, a former trader at SAC Capital Management LLC respectively.

To underscore the wave of new hedge fund talent, a Financial Times article last November wrote that HSBC had employed its analysts to draw up a list of 10 to 15 of the most promising new managers. On that list were the likes of Denjoy Capital Partners, Apson Global, Avantium, Astellon Capital Partners and Benros Capital Partners: all are expected to do well in 2012.

Various factors take away some of London’s lustre – tax being the primary one – but there’s no obvious sign yet that the city is suffering from a ‘brain drain’. One hedge fund manager who established his firm last year and who wished to remain anonymous, says the reason for choosing London was simply the fact he and his team had always worked there. It was, he notes, a “linear transition”.

“London is an excellent location. From the point of view of service providers it gives you the widest choice of top quality firms. I think in all aspects of setting up a fund management business London remains the default choice in Europe,” he says.

Avantium’s team spun out of Deutsche Bank’s prop trading platform and whilst choosing London as its primary hub it also opened an operation in New York. There were obvious benefits to doing this, given that the fund is an Emerging Markets macro fund: principally that it gives Avantium better coverage of the Latin American economies.

“It’s not easy to move eight or nine people to a different location. A lot of IT integration firms, administrators etc are based in London and this makes it much easier to set up your infrastructure. The city also has a broad base of talent. Those who have moved their operations to Switzerland have found that it’s not as easy to find qualified people. It’s obviously feasible to relocate certain functions but to start a fund from any of these perceived alternative locations is very difficult,” comments Arnrd Sieling, CEO of Avantium Investment Management.

With everyone talking about increased regulation and focusing on what are legitimate, yet negative factors, it’s easy to overlook the positives of London’s hedge fund industry. Take the Hedge Fund Stability Board for example – chaired by Dame Amelia Fawcett, it’s doing a great job of promoting transparency and best practices among global hedge fund managers. Then there’s the Open Protocol Enabling Risk Aggregation (OPERA) initiative to provide a standardised ‘granular’ risk report template for hedge fund managers. Simon Ruddick of London-based Albourne Partners is co-chairman of the working group, which contains, among others, Lansdowne Partners Limited, one of London’s most successful hedge funds.

Such initiatives are forces for good and should be applauded. "I think London has done a huge amount. We’ve been a leader in establishing best practices, being transparent and all firms have always been subject to regulatory checks."

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Melissa Hill, Sabre Fund Management

Not all managers have chosen to stay in London. Prana Capital, for example, relocated its entire investment management team to Singapore in March 2010, leaving...
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Ogier to open co-domicile office in Luxembourg

Interview with Oliver Godwin

One of the potential consequences of the AIFM Directive is that fund managers, particularly those with a largely European investor base, may look to supplement existing offshore platforms with parallel onshore structures. But as Oliver Godwin, a partner based in Ogier’s London office, points out, the Cayman Islands remain the pre-eminent fund jurisdiction for London hedge fund managers.

“We are doing a lot of hedge and private equity work in Cayman as well as significant hedge fund work in the BVI. There’s a lot of European alternative funds work being done in Jersey and Guernsey as well so across all our jurisdictions there is still an enormous amount of interest from London managers,” explains Godwin.

Rather than managers turning their backs on offshore markets come 2018, when private placements could feasibly be phased out under the AIFM Directive, Godwin thinks there’ll be an increasing trend towards ‘co-domiciliation’: something that is, in fact, already underway.

“I don’t think we’ll see a complete crossover to bring everything onshore,” comments Godwin. “Offshore structures established in jurisdictions such as Cayman provide the ideal environment for a particular type of investor who invests through those vehicles. They want a jurisdiction that is well regulated but not overly so: by comparison, onshore jurisdictions tend to be more regulated.”

Nevertheless, Ogier are seeing increased demand from their investment fund clients for structures in European-based jurisdictions. So much so that a new office is to open in Luxembourg in Q1 2012.

Well-known Luxembourg practitioner Francois Pfister is joining from OPF Partners, while Daniel Richards, a partner in Ogier’s Jersey office, will also relocate there. The office will have six or seven staff initially and is scheduled to open in Q1 2012 as soon as the regulatory process is approved.

“Our investment fund clients are asking for a boutique service where we’ll be setting up parallel structures for them. For some of our existing funds, based in Guernsey and Jersey, we’ll also be setting up Luxembourg-based private equity acquisition structures that will sit underneath the offshore closed-ended fund,” notes Godwin.

Managers might consider co-domiciliation – that is maintaining an offshore vehicle in conjunction with a European-based one – because it allows them to more easily market their funds into Europe says Godwin, adding: “They’re looking at their potential investor base. The issue is less about regulation per se and more the fact that an onshore European fund gives them access to a wider market. However, it’s unlikely the Cayman model will be completely replaced. Our Luxembourg office will enable clients to use a single, efficient platform for those structures.”

The benefit to London-based managers considering co-domiciliation is that if they retain their Cayman structures “they’ve got a clear path into Europe via Luxembourg. Places like Cayman, Guernsey and Jersey are having high-level negotiations with European regulators to obtain some sort of co-operation agreement so that everyone is on the same page,” confirms Godwin.

Not everyone will favour co-domiciliation. Those looking to get into Europe could, says Godwin, add a European-type regulatory structure to their product suite, but some managers will choose not to go down that path simply because it doesn’t fit their trading strategy. “Some London managers will choose to go where there are investor opportunities. Many, for whom the Cayman model works perfectly well, will not feel the need to change their position and will remain with their existing offshore structure.”

Oliver Godwin, partner, Ogier
only risk management and marketing conducted in London. According to a Prana Capital representative, the decision to relocate was to be closer to the Asian markets as opposed to having any issues with London per se.

No matter where managers are based, capital raising remains an uphill task. Scott Gibb, partner and portfolio manager at London-based Cube Capital, a FoF with approximately USD1.2billion in AUM, notes that asset raising in Europe last year was “very slow”. He says that while many mandates seemed to be on the horizon in 1H11, the majority were “put on ice as the political and economic issues in Europe and the US flared up. Nevertheless, for our Cube Global Multi Strategy (CGMS) fund, which is the only fund we’re actively marketing at present, we raised about USD40million.”

Gibb makes an interesting point with regards to the growth in popularity of UCITS hedge funds: “London is an attractive destination for managers to launch UCITS products. Growth has boomed since 2009, with assets climbing from approximately USD20billion to almost USD120billion.” This reflects the increased desire amongst hedge fund investors for regulated products.

Large, branded hedge funds continued to attract the lion’s share of new assets in 2011. However, a few of the high profile launches like Avantium also fared well. “Investors we’ve spoken to have been very focused on identifying both high quality institutional infrastructure as well as differentiated investment approaches. We’re close to USD430million in AUM in less than three calendar months of trading so that would suggest we are doing well on both criteria,” explains Sieling.

Smith thinks that the ability to successfully raise capital also comes down to supply and demand. He says that “one of the most popular trading strategies of 2011 was trading-oriented equity strategies that can remain nimble and take advantage of market movements - and there are few players running this kind of strategy in London.”

2012 could actually be a brighter year for asset raising according to the latest Money Trail survey by Barclays Capital. The survey found that investors were likely to allocate approximately USD80billion of new capital to hedge funds with Ajay Nagpal, Head of Prime Services at Barclays Capital saying that “2012 has the potential to be the most significant year for new capital allocations to hedge funds since 2007”.

Moreover, the survey suggested an addition USD300billion of existing hedge fund assets could be re-allocated across strategies. If true, that would mean approximately 20 per cent of the industry’s total AUM could be ‘in play’ this year.

Hopefully, hedge fund performance will also be better this year: there wasn’t a great deal to write home about in 2011. “Although the performance of CGMS was impressive relative to its peers, it was disappointing on an absolute basis as we ended the year down about 1.8 per cent which is below our target returns of 10-15 per cent over a cycle,” comments Gibb, adding that fixed income arbitrage (mortgage-backed) was the most profitable strategy. The firm’s Cube Asia Multi Strategy did slightly better; up +0.75 per cent.

Another hedge fund manager states that whilst satisfied, his team wasn’t happy with the fund’s first six months’ performance. Admittedly, launching last summer was far from ideal but he remains sanguine: “We have a confident outlook. Sometimes a crisis is good as it allows you to stress test your systems. In that respect we’re very happy with the way we’ve performed the last six months.”

It was largely the credit and macro funds that did well last year, says Smith. As for where the smartest investors are looking, he notes that there’s definitely been a pre-positioning for the M&A cycle, and this bodes well for event-driven managers. “Investors were allocating before there had really been a huge pick-up, particularly in the large-cap M&A space – you could argue that’s where the smart money has been.
London is an attractive destination for managers to launch UCITS products. Growth has boomed since 2009, with assets climbing from approximately USD20billion to almost USD120billion.”

Scott Gibb, Cube Capital

Going because they’re looking to get ahead of the curve,” says Smith.

A key reason why London saw so many launches in 2011 was the increased seeding opportunities that were available.

Increasingly, new managers are coming from existing hedge funds. They have the experience, the credentials, and seed investors seem to be responding to that. Smith sees the growing number of seed investors as a potential game changer. “Rarely have we seen a period like 2011 where the quality of new managers was so high. There is now a lot of day one capital available, coming from both established seed investors and non-traditional sources, which makes this a very buoyant new launch environment.”

On the one hand this is good as it means managers are able to build significant assets quickly, and ultimately attract institutional tickets. On the other hand, with increased regulation raising the barriers to entry, it runs the risk of squeezing out small- to mid-sized managers.

“One of the things that London was so good at was developing this entrepreneurial village of hedge funds. You used to be able to run a hedge fund with USD100million. Now it really has to be USD500million. If that goes to USD1billion how do we get that next generation of hedge fund managers to start up? Investors are going to potentially lose the chance to invest with smaller, more nimble managers who may be able to exploit a niche and possible higher alpha opportunities,” says Hill, agreeing that the institutionalisation of the industry could lead to greater homogenisation.

Although the AIFM directive is unhelpful to managers, those that have been running funds out of London for a long period like Sabre are potentially better equipped to understand what will be required of them because in recent times they’ve launched onshore UCITS-compliant versions ((Sabre All Weather fund) of their Cayman strategies.

“I’m more worried by things like transaction tax – regulation where it’s not well thought out, will not bring in the revenue predicted and will ultimately hit the end investor. If the FTT were to happen, and it didn’t happen globally across borders, it would be disastrous. You’d experience what happened to Sweden and businesses would re-domicile to places that didn’t put it in place,” asserts Hill.

Right now, the UK’s own tax regime remains a significant disincentive to managers, particularly second generation fund managers who might decide to look further afield. It poses a real risk to London maintaining its competitive edge.

As Hill says: “I think the government needs to look long and hard at this 50 per cent tax rate because it’s pointless for the amount of revenue it generates. What we risk is losing the next generation who can choose to work anywhere and that would be a great shame. Employers need to offer higher salaries if they want talented people to work here. Combined with the expense of buying/renting, London’s a tough city.”

Sieling admits the current environment isn’t conducive to operating a fund in a cost-efficient manner but in his view it’s not all about tax: “In alternative jurisdictions you have to be sure the infrastructure can support your fund. Moving an entire operation is a real challenge not only on the operational side but also in terms of keeping the team intact. Somewhere like Singapore might be great on individual tax rates but at the end of the day investors are investing with a team of investment professionals and keeping consistency within the firm is the most important thing.”

Granted, London’s regulatory and tax regime may not be perfect, but that’s a price most managers seem prepared to pay. However, as one manager warns: “That’s not to say the government or FSA won’t make bad mistakes. As it stands now, there’s no problem, but it’s a case of ‘watch this space...’ You never know.”
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Every which way you look in Europe there seems to be a new piece of legislation lurking via the corridors of Brussels, with a specific aim of targeting hedge funds. To say it is disproportionate is an understatement. Nevertheless, London’s hedge fund community cannot change the reality of the situation: regulation is not going to go away. It’s a case of embracing it and understanding it, whilst at the same ensuring their business operations remain steadfastly competitive.

London has always been blessed with an entrepreneurial spirit. Like New York, its fund management centre is dynamic and diverse. With the Alternative Investment Fund Managers directive now at Level Two, the worry is that the barriers to entry will become too high, and that, potentially, London’s bristling hedge fund community will have its entrepreneurial spirit squeezed out of it.

Granted, the year is now 2012, which according to the Mayan civilisation means the end of the world is nigh, but let’s not get too apocalyptic. London is still, by a country mile, Europe’s leading hedge fund centre. One report estimates that London is home to around 70% of European hedge funds’ assets (USD423bn), equivalent to some 700 hedge funds, and enjoys a 19% share of total industry AUM (which at its latest count was USD2.01tn according to Hedge Fund Research). Some of these are massive
funds in terms of assets under management. According to another recent industry survey of ‘billion plus’ funds, London was home to 63 hedge funds – each with assets under management of USD1billion or more – in 2011, up from 56 the previous year.

However, as regulation becomes more burdensome some managers are actively considering more attractive jurisdictions such as Singapore, Jersey, Guernsey and Switzerland, where managers can enjoy significant tax savings. For example in Singapore the top tax rate is 20% and corporate income tax is a respectable 17%. Factor in the UK FSA’s remuneration code, the UK government’s tax hike to 50% on high earners and expensive real estate costs and you start to wonder quite what London might look like in five years’ time.

However, corporate migration is not for everyone. “We’ve seen some people going to Switzerland but there certainly hasn’t been an emptying of the Mayfair mansions. The taxes over there have gone up too so I think Switzerland is fine if you are one of the partners in one of the larger hedge funds but for a lot of the guys in the mid-salary range, Switzerland is a very expensive place to live,” comments Oliver Godwin, a partner based in law firm Ogier’s London office.

He points out that managers relocating to places like Singapore is less of a negative reflection on London, and more a positive reflection on the rise in importance of the Far East. “Singapore has risen in popularity on a relative basis,” adds Godwin.

The key point here is that for managers who have trading exposure to Asia, and possibly key Asian investors, making that jump and relocating outside of Europe is logical. It’s the opportunity that Asia presents as opposed to any fundamental dissatisfaction with London.

As Richard Frase, a partner at Dechert LLP, London, reflects: “Asset managers generally speaking don’t queue up to live on rocks in the middle of the Atlantic so there remains a fundamental attraction to being in London. There has been some movement to Switzerland, for example, but not to any noticeable extent. If that does happen it’ll be a gradual process.”

That’s not to say that Europe is the only market introducing lots of regulation. It’s also tough in the US. Frase comments: “There are various rules coming in which will have a huge impact - the OTC derivatives clearing initiatives are, if anything, slightly more vicious than they are here (in Europe) where they retain an aura of making the market safer whereas there’s some genuine hostility behind the US rules. Europe might not be as attractive as it was but it’s difficult to say that one area is better than another.”

Without doubt the biggest piece of regulation facing London hedge fund managers is the AIFM directive. Although Godwin believes that managers have had more than enough time to come to terms with what’s going to be in the directive he admits the devil is still in the detail. “We’re just waiting to see what the details say,” says Godwin.

Certainly, one of the key issues that the London-based Alternative Investment Management Association (AIMA) has concerns with is the issue surrounding depositaries: specifically the liability burden on depositaries, which AIMA estimates could end up costing the industry USD6billion annually.

But it’s the overall impact of AIFMD, in addition to specific important details such as depositary or leverage regulation that concerns Jiri Krol, Director of Government & Regulatory Affairs at AIMA, London. “There’s a whole raft of proposed changes which all add up - increased capital requirements, increased risk and liquidity management requirements - which could lead to homogenisation of the industry - reporting requirements which are potentially too burdensome for smaller managers: it’s a whole complex of issues,” says Krol.

Krol thinks that small managers might even need to rely on an intermediary to provide a kind of regulatory back-office.
With the Christmas season only recently behind us, thoughts don’t easily turn to matters of taxation. However, changes to tax rules in various jurisdictions around the world, both proposed and already legislated for 2012 and beyond, are likely to demand hedge fund managers’ attention sooner rather than later.

A trend that began as far back as 2010, continued in 2011 and is likely to continue unabated in 2012 is the increased focus on tax reporting.

With the potentially onerous reporting and ultimately, obligations to be imposed by the US’ Foreign Account Tax Compliance Act (FATCA) looming in the near future, hedge fund managers should have considered the impact the new rules will have on them, their processes and their investors. With the release of the regulations the hedge fund industry will be better placed to understand the implications of the rules and how to comply.

The Italians have also introduced a new reporting regime for Italian resident funds. The new regime is applicable from 1 January 2012 and the changes in tax rates and reporting requirements for Italian funds and non-Italian funds with Italian investors are likely to have an impact for those hedge funds invested there.

Another area of focus in 2012 is likely to be increased scrutiny of both hedge fund managers and the funds they manage by cash strapped tax authorities. The UK authorities are as active as ever in examining both the hedge fund manager’s business structure (both direct tax and VAT related) and the personal affairs of the key individuals.

Luxembourg is facing increased pressure from Europe to make its fund structures more EU tax compliant, as evidenced by recent changes to Luxembourg transfer pricing rules for funds.

The Indian authorities are also increasingly scrutinising the robustness of Mauritius-based fund structures. Further, the tax authorities in New York City have recently sought to disallow certain expenditure to NYC resident asset managers by arguing that the expenditure is in fact that of the (non-NYC resident) general partner. This could lead to greater taxable income (or lower allowable losses) for the manager in NYC. There is also anecdotal evidence that the NYC authorities are increasing their focus on asset managers in general.

From a UK personal tax perspective, the recently released Finance Bill seeks to increase by GBP20,000 the amount payable by long term resident but non-UK domiciled individuals to retain the favourable remittance basis of taxation. In a move to increase investment into the UK, the Bill also proposes that certain investments by non-UK domiciled individuals in UK resident unlisted trading companies will not constitute a remittance when non-UK money is used. We are currently investigating whether this could be utilised for investment in the corporate member of a trading limited liability partnership. However, the Bill did not include the previously announced implementation of a statutory residence test which has been deferred to 6 April 2013.

If not already started in 2011, 2012 should be the year that hedge fund managers review all their and their funds’ arrangements from a tax perspective to ensure that their methods of operating and business structures compliment, rather than detract from, the robustness of their tax arrangements. In this world of increasing scrutiny of tax, it should be ensured that all arrangements can be robustly defended.
One thing that London hedge fund managers will need to think about is the passporting benefits that would arise from having an onshore EU fund. This is still a long way off, with private placement scheduled to be phased out, potentially, in 2018. Were that to happen, London managers would have no choice but to establish new EU-based funds, or move their existing offshore funds onshore, if they intended on continuing to market their product(s) to EU investors.

Could private placement run parallel to the passport under the directive?

“That’s the key question. People will be perfectly happy if they can continue under the private placement regime until 2018, at which point one assumes the Caymans and BVI will have got themselves into shape. The question is whether individual countries around Europe will choose not to play ball. That’s unlikely to happen in the UK and you’d still be able to market your Cayman hedge fund to institutions in London. But the private placement issue is one to watch,” says Frase.

Adds Krol: “Our ideal would be for private placements and passports to co-exist indefinitely. It may well be ESMA’s assessment come 2018 that that is the right way to go because otherwise you might cause too much unwanted disruption.”

Frase thinks that going forward there will be an increase in onshore funds but agrees that the dual option of ‘co-domiciliation’, with managers maintaining their offshore vehicles whilst in addition establishing AIFMD-compliant onshore funds, is feasible. “I think that’s right. There’s a tendency for anyone who’s more than a single fund manager to want an onshore fund in their portfolio.”

The other quandary facing managers is whether to retain their MiFID license or have an AIFM license. At the heart of the issue is remuneration. MiFID rules are driven by banking regulation where remuneration rules are applied in a proportionate manner – the FSA, for example, uses four tiers, with hedge fund managers in tier one.

“The question is will we be able to maintain that system under the AIFM directive? Some think ESMA is unlikely to replicate the CRD II approach,” says Krol. For it to work, remuneration rules would perhaps need to be based on size of fund managers, with the very largest multi-billion firms sitting in the top tier and small, emerging managers in the bottom tier.

“It could be done on the basis of size, for example, but whether this happens is anyone’s guess. We would hope that people listen to reasonable arguments and make sure the two remuneration codes are aligned so that there isn’t an incentive for regulatory arbitrage. It’s a big risk because managers do care about remuneration rules. If they’re designed improperly, that could have a huge impact,” states Krol.

On top of that, Krol admits that AIMA has a number of concerns with respect to MiFID II. Chief among them is the issue of third country restrictions on trading with eligible counterparties outside the EU. “This is potentially more explosive than any other piece of legislation. We believe that reason will prevail and third country regimes will, in the end, be workable but it’s potentially very disruptive and requires a lot of time and effort to counter.”

Under AIFMD there will unquestionably be more onshore funds being established. For the UK to capitalise on this, and compete with existing onshore fund domiciles like

“There’s a whole raft of proposed changes which all add up and could lead to homogenisation of the industry – it’s a whole complex of issues.”

Jiri Krol, AIMA
London and Dublin, it would need to establish a suitable regulated fund vehicle for hedge fund structures.

Even though discussions of this nature have been occasionally discussed with the FSA “the stumbling block is often the uncertainty over the potential tax treatment”, confirms Rob Mellor, UK financial services tax markets leader at PricewaterhouseCoopers. “For example, uncertainty around the operation of stamp duty reserve tax on units in the new fund vehicle.”

Mellor adds that although restricted in its use to UCITS IV funds the recently released Consultation on contractual schemes for collective investment does at least suggest “an intention by the UK Government to increase its competitiveness with a wider range of fund vehicles. That said, there must be a risk that existing onshore fund jurisdictions such as Dublin and Luxembourg are so entrenched in the hedge fund market that it will be difficult for London to make any headway as a location for onshore European hedge funds.”

The UK’s existing Qualified Investor Scheme (QIS) regime needs a number of changes for it to compete with the Irish QIF and Luxembourg SIF, one of the main ones being approval timing. Whereas a QIF can be approved within 24 hours and a SIF within a month, in the UK it can take up to six months according to John Newsome of the FS Regulatory Centre of Excellence at PwC. “A QIS also has much stricter investment powers than QIFs or SIFs including narrower borrowing powers, exposure through derivatives and eligible assets that can be held by the fund.”

Despite the QIS regime removing onerous tax issues, such as investors only being allowed to hold 10% in the fund before paying additional tax, and offering “genuine diversity of ownership” where investors could hold over 10% as long as the ownership was diversified, the fact it restricted fund managers for several years makes Newsome think it will be tough to convince managers to launch these funds in the UK.

“The government has taken steps in the right direction with the implementation of a protected cell regime and proposals for a tax transparent fund structure, suggesting they are supportive of funds being set up in the UK, but it may all be too little too late,” says Newsome.

Right now, London managers are coping with the regulatory burden. Little in the way of mass exodus has been seen. However, were the controversial Financial Transactions Tax (Tobin Tax) to be introduced across Europe, that could be disastrous for London. Dermot Butler, CEO of Custom House Group, a leading hedge fund administrator, thinks it would, however, more likely lead to the emigration of traders as opposed to hedge fund managers.

“It is dangerous to speculate how the tax regulation would be implemented... But there is no doubt the Tobin Tax would be pernicious as currently defined.”

Dermot Butler, Custom House Group

As for what London would need to do to re-attract big names such as Alan Howard (Brevan Howard) and Mike Platt (BlueCrest), Butler comments: “I’m presuming they left because of the penal tax rates that were introduced in London. If that is the case, then, presumably, a repeal of those tax rates together with an undertaking to maintain the “new” low rates for at least 10 years or more might bring them back. But it must be remembered that they would only have left in the first place if they had been happy with the lifestyle etc. in Switzerland, so they may be reluctant to move back.”

Right now, London’s myriad benefits - lifestyle, time zone, quality of service provider infrastructure, proximity to investors - are proving strong enough to retain its hedge fund talent pool, despite the tough regulatory backdrop.