KPMG

Investment Fund Directors

Webinar Series:

Regulation & ESG update

Your Partner For What's Next

Investment Fund Directors

Webinar Series:

Tuesday 30 November, 4pm

Regulation & ESG update

Tuesday 7 December, 4 pm

Taxation update & Board Effectiveness

Your Partner For What's Next

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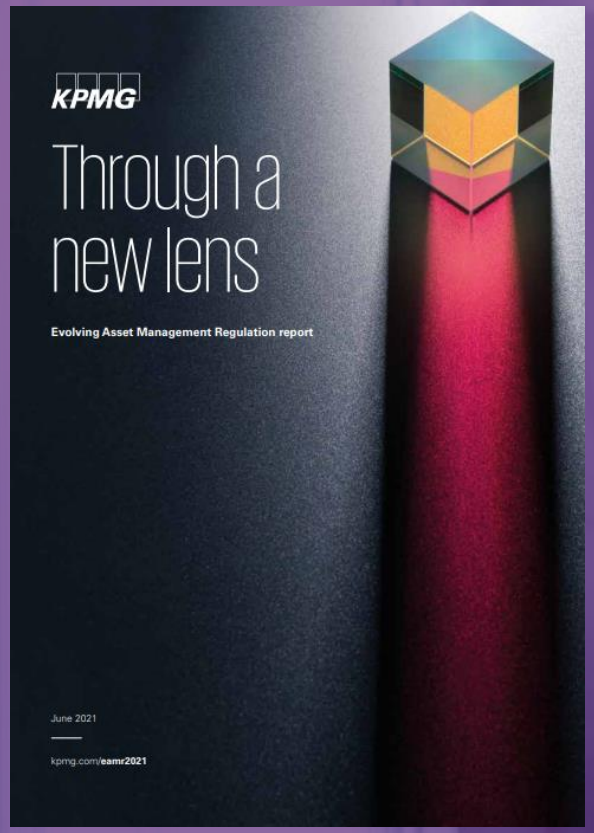
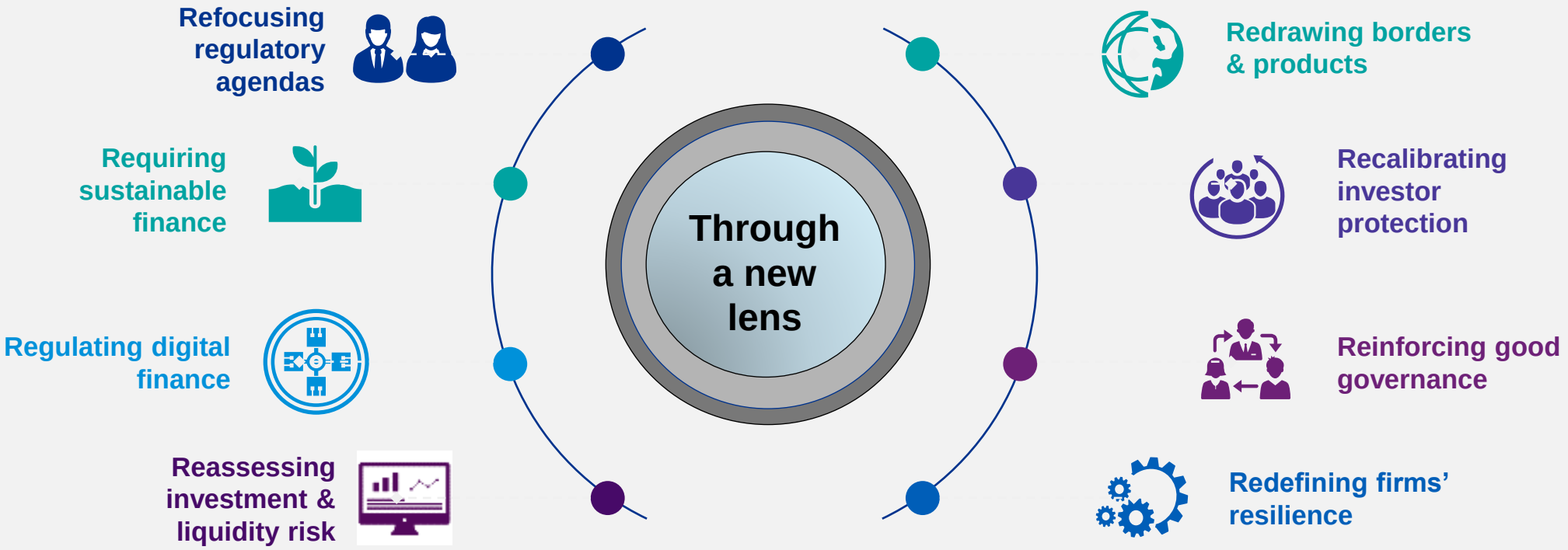
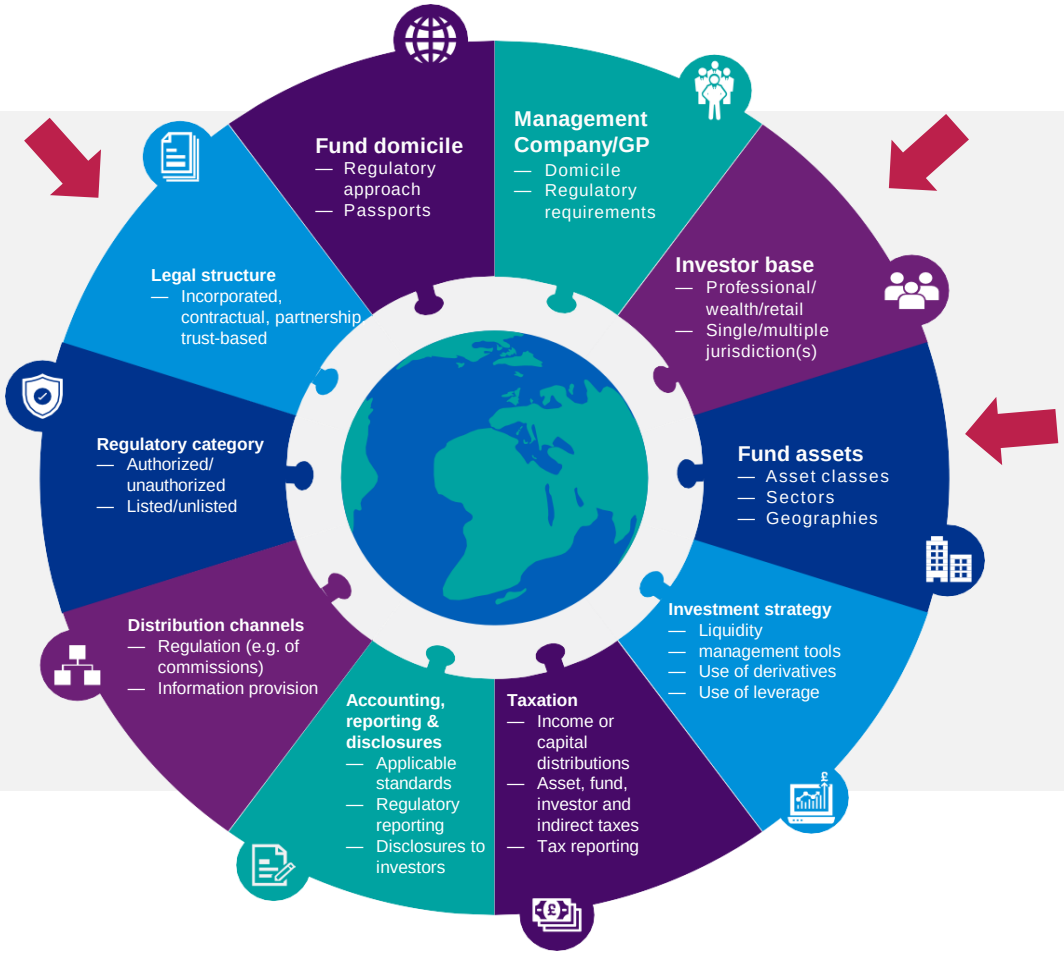


Evolving global regulatory landscape

Policymakers and industry are looking at issues **through a new lens**. Pursuit of economic growth, changing investor demands and behaviours, and environmental and social concerns are influencing regulatory agendas. High priorities are financing sustainable recovery and adjusting regulation for an increasingly digital world and hybrid working models, but other issues are also under the spotlight.



Recalibrating investor protection: opportunities?



The perennial question for regulators about the **optimal level of investor protection** is now set against the backdrop of the social impacts of the pandemic, the need to encourage greater private investment to aid economic recovery, and the widening use of technology and increased digitalisation. These drivers are calling into question whether investor protection rules need to be recalibrated, to capture better the broad spectrum of investors.

There is **an easing of restrictions** for professional or accredited investors, and a lowering of the thresholds to get into such categories. This will enable a wider spread of investors to access less liquid investments, for example, but it may also introduce new risks for firms as regards customer expectations.

New fund vehicles are being introduced or existing structures adjusted, as jurisdictions compete for share of market growth and cater for private investment in long-term assets to aid economic recovery.

Reinforcing good governance

Supervisors are once again reinforcing the need for good governance of firms, including board composition and engagement, clear responsibilities and individual accountability. Extended remote working is challenging existing systems and controls. Product governance is under the spotlight, together with firms' behaviour in the capital markets and stewardship of client assets

Good governance outcomes

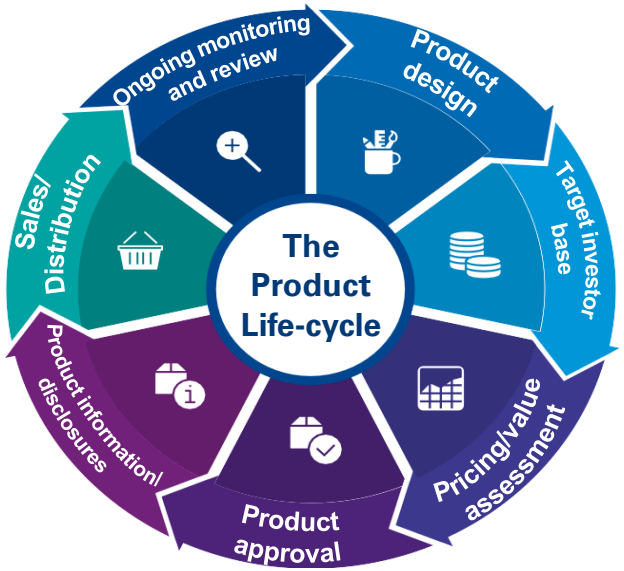
1. Senior managers responsible for managing and conducting the firm's core functions are **clearly identified**
2. Senior managers are **fit and proper** for their roles, and held responsible for the actions of their employees and the conduct of the business under their purview
3. The firm's **governance framework** supports senior managers' performance of their roles and responsibilities, with a clear and transparent management structure and reporting relationships
4. Material **risk personnel** are fit and proper for their roles, and are subject to effective risk governance, and appropriate incentive structures and standards of conduct
5. The firm has a framework that promotes and sustains among all employees the **desired conduct**

Key considerations for firms

- Have we reviewed and updated the composition of our **board**? Is there strong board engagement and challenge?
- Are the design and operation of our **corporate governance arrangements** still appropriate, given our business strategy and culture? Are we able to make well-informed and well-evidenced decisions?
- Are we able readily to identify **individual responsibility and accountability**, without overlaps or gaps? Have any senior responsibilities changed in response to the pandemic, or should they?
- Are our **risk management** framework and controls fit-for-purpose given continued and large-scale remote working? Have we documented any changes, and can we evidence that our governance, risk management and controls work well in practice?
- Are our **product governance** arrangements fit-for-purpose, aligned to regulatory expectations, subject to robust and objective challenge, and delivering good customer outcomes?
- Are we following best and evolving practice in relation to **stewardship** of client assets, including proxy voting and engagement with investee companies?

Two specific aspects of good governance

Product governance: the product lifecycle



Regulators are re-asserting the importance of **robust product governance arrangements**, in the interests of market stability and investor protection.

Regulators are also concerned that product development and distribution methods should genuinely be **aligned to investors' best interests** and should encompass **sustainable investing**.

Diversity & inclusion – a social and regulatory issue

Financial services were among Europe's worst industries on gender pay gaps in 2018.

Regulators are increasingly recognising that good D&I practices reduce risk for regulated firms by reducing "groupthink". They are calling out pay gaps and lack of diversity among firms' boards and senior management.

Currently, disclosure of D&I policies or reporting of pay information is mainly voluntary, but:

- Binding EU measures on improving the gender balance on corporate boards will be introduced.
- A draft directive on equal pay for equal work, with transparency and enforcement provisions, has been issued.
- Guidelines issued under the new Investment Firms Directive expect asset managers to apply a gender-neutral remuneration policy to all staff.
- Back in 2018, the CBI warned that it would impose gender diversity requirements if improvements were not made.
- The FCA believes that diversity is crucial in the consideration of vulnerable customers, particularly as we recover from a pandemic that has disproportionately affected women and people of colour.

Issues of pay inequality, the diversity and wellbeing of staff, career development and training, and links between remuneration and sustainability risks may be challenging for traditional remuneration committees. Firms will need to undertake a fundamental review of the terms of reference, skill sets and composition of their remuneration committees.

Reassessing market and liquidity risk

Market events in 2020 and ongoing concerns about stability in the capital markets are causing regulators to reassess risks. The asset management and investment funds industry has remained broadly resilient and seen remarkable recovery in recent months, but regulators are concerned that lessons should be learned. The debate about **non-bank financial intermediaries and systemic risk** has been reignited, and there is special focus on **liquidity management in open-ended funds.**

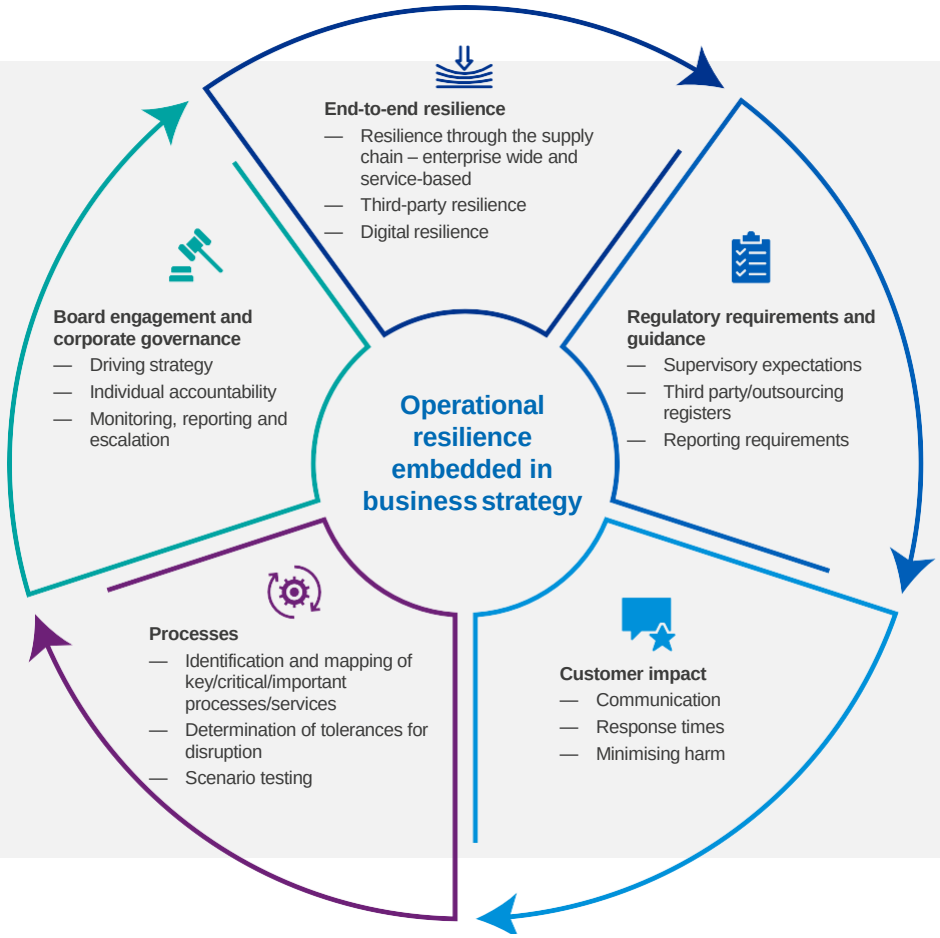
Money Market Funds	Bond Funds	ETFs	Real Estate Funds
Fair asset valuation	Derivatives and Leverage	Transition to Risk-Free Rates	

Have we critically analysed experience during the 2020 market stress and reassessed liquidity risk management for each open-ended fund?
Do our policies, controls and documentation meet supervisory expectations?

Liquidity management – focus areas

- Define the Framework and Policy for Liquidity Risk Management including your organization's tolerance appetite for liquidity risk.
- Assess and understand the liquidity profile of each fund; apply the right monitoring and measurement tools based on the fund's susceptibility to liquidity risk.
- Perform a liquidity risk assessment to identify the key factors that drive liquidity risk (both idiosyncratic and market-wide factors).
- Establish processes and procedures for liquidity monitoring and reporting, providing timely and accurate information to management team.
- Link the liquidity risk factors to the liquidity risk management framework and determine limits and tools for liquidity management monitoring.
- Implement specific, objective and realistic action plans that can be followed in case of breaches to established limits.

Redefining firms' resilience



Operational resilience – a regulatory imperative

Regulators have long expected firms to manage operational risks and have in place business continuity and disaster recovery plans. In the new post-pandemic reality, operational resilience is viewed as more than this. When identifying potential disruptions to business, **firms need to consider not if, but when**.

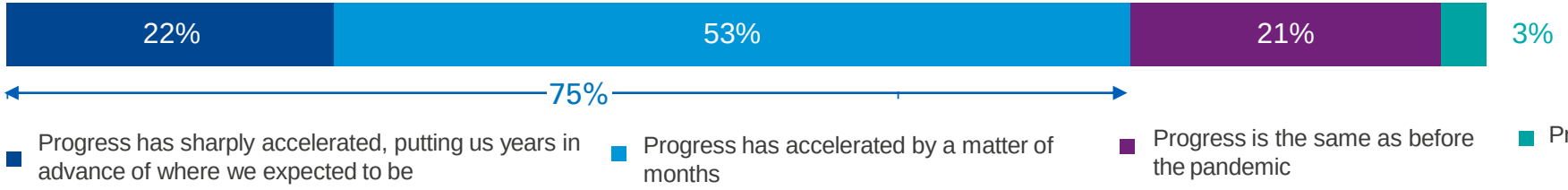
Additional demands on systems and processes arising from prolonged and large-scale remote working, and an increasingly digital world, has increased the **focus on firms' technological resilience**. Outsourcing to third parties, cybersecurity and money laundering risks are not new, but regulatory focus is turning to the broader ICT risk environment, as evidenced by the proposed EU regulation on digital operational resilience - DORA.

Also, the EU and UK have introduced new **capital requirements** for investment managers, with the aim of better defining minimum financial resilience.

Regulating digital finance

The pandemic has been a technological catalyst, causing change on a greater scale and at a faster pace than firms' planned ICT strategies or any regulatory initiative. It has also provided added impetus to governments' and regulators' plans to encourage moves towards digital finance and the widening use of technology. Regulators are attuned, though, to the risks of new technologies and increased digitalisation, as well as the benefits.

Accelerated progress on digital customer experience



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition

- Regulatory focus on customers
- Moves to digital identity
- Data – a fundamental building block
- Artificial intelligence and machine learning
- Digital assets and distributed ledger technology
- Different approaches to access by retail investors

Key messages for firms

- New technologies bring **new and emerging risks**. Firms need to think innovatively about how to identify, measure and manage these risks, including use of new techniques & tools.
- The ever-increasing **dependence on good data** heightens risks around quality, privacy, security, retention, ethics and sovereignty.
- Given the changing nature of products and services, of how they are delivered, and of communications with customers and counterparties, firms need to **consider the end-customer**, throughout the business and at all stages of a product lifecycle.
- Firms need to review their overall **risk management framework** and to attract staff with new skill sets, in a highly competitive market.

Expanding ESG regulation: topic areas

The ESG regulatory landscape viewed by topic areas, showing known developments and *expected developments.* Firms will be impacted not only by the regulations that apply directly but also by the needs of investors, other stakeholders and the markets more generally.

Trading venues & data providers
Climate benchmarks, *calls for EU regulation of ESG credit rating & data providers*

Corporate reporting & listing rules
TCFD, SASB, NFRD amendment, *CSRD, national listing/reporting rules, IFRS initiative (& IOSCO)*

Risk framework & stress testing
Basel, IAIS, other international bodies; ECB, EBA & EIOPA supervisory expectations, EU bank climate stress tests; UK PRA SS 3/19 expectations, 2021 CBES

Product labels & standards
SFDR, French Fund Doctrine, *Eco-label, Green & Social Bond Standards*

Definitions, metrics, methodologies
UN SDGs, SASB, TFCD, EU Taxonomy, WEF metrics, *IFRS initiative, UK Taxonomy*

Capital/solvency implications
Basel, IAIS, amendments to CRR/CRD (e.g. CRR501a), amendments to Solvency II

Market & client disclosures
SFDR, IFD/IFR, Pillar 3 disclosures (banks), *GBS & SBS reports*

Investment process/risk management
Asset owners & managers (SFDR, MiFID,UCITS, AIFMD, Solvency II)

Other company policies & processes
Remuneration, Product Governance, Conflicts of Interest, Suitability (MiFID, Solvency II, Insurance Distribution Directive, UCITS, AIFMD)

Developments outside the EU

US:

- Change in approach by the Biden administration
- Federal financial agencies directed to develop and execute a strategy to quantify, disclose and mitigate the financial risk of climate change on assets held by public and private entities
- Corporate reporting requirements for listed companies expected
- Mixed messages on FS regulation: some calling for industry good practices; some calling for mandatory standards

UK:

- Revised Corporate Governance Code
- "Comply or explain" against TCFD recommendations for premium-listed companies (to be extended to more companies in 2022)
- A UK taxonomy by end-2022
- FCA guiding principles for investment products
- Disclosure requirements for buy-side firms by 2022
- Meanwhile, majority of UK asset managers are voluntarily complying with EU disclosure requirements (SFDR)

China: limited reporting requirements for key pollutant discharge companies

Hong Kong (SAR):

- Since 2016, listed companies must report on ESG issues
- SFC expectations of asset management firms on governance & oversight, investment management, risk management and disclosure, with an emphasis on climate change

Malaysia: regulatory statement "Towards Greening the Financial Sector for 2021"

Japan: Transition Finance Core Principles and revised Corporate Governance Code

Singapore: environmental risk management guidelines for asset managers

UAE: consultation by Dubai Financial Services Authority

Fundamental differences in regulatory approach:

- Climate change versus environmentally sustainable versus all ESG factors
- The good, the bad and the "in between" – principles versus detailed rules
- Regulation versus moral suasion versus industry standards
- Materiality versus "double materiality"
- Can something be E (or S) without being G?

ESG Update

- EU Sustainable Finance Taxonomy Regulation

ESG Reporting - what do you need to know?

1

Regulation creating “green” classification system for economic activities (“**Taxonomy Regulation**”)

2

Regulation on disclosures relating to sustainable investments and sustainability risks (”**Disclosures Regulation**”)

3

Corporate Sustainability Reporting Directive

4

IFRS Foundation (ISSB)

5

Green Deal

Disclosures Regulation

Disclosures Regulation

The **Disclosures Regulation** requires AIFMs and UCITS management companies (amongst others, but for the purposes of these slides, we focus on investment funds and their managers) to consider and disclose in a consistent and harmonized manner how ESG factors are adopted in their decision making processes. It aims to harmonize disclosure standards among EU member states to facilitate the comparability of different financial products and services. **Many of the provisions of the Disclosures Regulation apply to all asset managers, whether or not they have an express ESG or sustainability focus.** The Disclosures Regulation applies different requirements and implementation timeframes in respect of disclosures on websites, in prospectuses and in periodic reports.

When will the Disclosures Regulation apply?

The main provisions of the Disclosures Regulation apply from **10 March 2021**. The requirements relating to disclosures in the **periodic reports of ESG- focused** products are stated to apply from **1 January 2022**, which would appear to suggest that reports published after that date (as opposed to reports relating to periods starting on or after that date) should include the required disclosures, but this may be clarified in the technical standards.

NOTE – Potential Delay again of SFDR Level 2 to 1 January 2023!

Determining the relevant product category

Non ESG Funds (Art 6)

- Non definition – exists by default
- Entity level requirements still apply
- Prospectus disclosure regarding sustainability risks
- Conduct PAI assessment on funds – comply or explain
- Ensure marketing communications are consistent with disclosures made under SFDR
- Disclaimer re EU Taxonomy non-compliance (applicable from 1 January 2022)

Light Green Funds

- Products that promote E and S characteristics **(Article 8)**
- Products with some kind of sustainability focus but do not necessarily invest in "sustainable investments"
- Examples may relate to exclusions, screening, best in class, positive tilt, or certain thematic investing, etc.

Dark Green Funds

- Products that have a "sustainable investment" objective **(Article 9)**
- Products focussed on sustainability themed investing or impact investing that meet the criteria of a "sustainable investment"
- "Do no significant harm" to any other "sustainable investment" objectives

- Make relevant prospectus disclosures (information on ES characteristics / investment objective)
- Ensure a process to demonstrate ESG performance against stated ESG characteristics / objectives
- Consider if ESG indices need to be reviewed / updated
- For Dark Green, ensure meeting of "no significant harm" principle (and for Light Green to the extent the product holds "sustainable investments")
- Conduct PAI assessment on funds
- Prepare for periodic investor reporting of ESG performance
- Ensure marketing communications are consistent with disclosures made under SFDR

Determining the relevant product category - key considerations on demarcation

Non ESG Funds

- Does the non-ESG Fund promote any E or S characteristics?
- Compliance with legal requirements, e.g. munitions ban, sanctions
- Firm-wide ESG integration, e.g. fossil fuel, tobacco exclusions
- Implementation of an entity level policy on the integration of sustainability risks (Article 3)

Light Green Funds

- Broad definition – no examples provided yet
- Is the nature of the ESG *characteristic binding* on the fund?
- How can the ESG performance be demonstrated against the stated ESG characteristics?

Dark Green Funds

- Will the Fund target investment in “sustainable investments” as defined under SFDR?
- How can ESG performance be demonstrated against the ESG objective?

The onus is on the manager to make the relevant product category determination.

Further guidance or clarification on product categories may come later

Overview of SFDR

Entity Level (Level 1) Requirements (i.e. ManCo)

- **Policy on the integration if sustainability risks.** — Applies in all cases
- **Renumeration policy consistent with the integration of sustainability risks** — Applies in all cases
- **Consideration of principal adverse impacts on sustainability** — Comply or explain (mandatory for large entities)

Product Level (Level 2) Requirements (i.e. UCTIS or AIF)

- **Non ESG Funds** — Sustainability risk integration
- **Light Green (promotes ESG characteristics, Art.8)**
- **Dark Green (sustainable investment objective, Art.9)**

Additional requirements apply

4 February 2021
Delivery of final RTS by ESA's

10 March 2021
SFDR "Go Live" for most requirements (Level 1 only)

30 June 2021
Principal Adverse Impacts Statement mandatory for large entities

1 July 2022
Application date of requirements relating to periodic reports

ESA's proposed data for application of the RTS

30 December 2022
Disclosure of principal adverse impacts at product levels

Disclosures Regulation

Disclosure obligations applicable to all funds

Website	What's required?
Sustainability risk policies	Information about their policies on the integration of sustainability risks in the investment decision-making process.
Adverse sustainability impacts	Publish and maintain on website: ▪ a statement on due diligence policies regarding the principal adverse impacts of investment decisions on sustainability factors; or ▪ clear reasons why they do not consider the adverse impacts of investment decisions on sustainability factors.*
Remuneration policies	Include in remuneration policies information on how those policies are consistent with the integration of sustainability risks and publish this information on website.

Prospectus disclosures

Sustainability risks and sustainable investments	**Firms must disclose:** ▪ **the manner in which sustainability risks are integrated into their investment decisions;** ▪ **the results of assessments of the likely impacts of sustainability risks on the returns of the financial products they make available; and** ▪ **where the manager considers principal adverse impacts of investment decisions on sustainability factors, whether, and if so how, each financial product considers principal adverse impacts on sustainability factors.****

Marketing communications must not contradict any information disclosed under the Disclosures Regulation.

* From 30 June 2021, financial market participants with more than 500 employees or which are parent undertakings of large groups with more than 500 employees must publish and maintain on their websites a statement of their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors.

** This requirement applies from 30 December 2022.

Disclosures Regulation

Additional Disclosure Requirements for Expressly ESG Focused Products

Products promoting environmental and social characteristics	**Prospectus should disclose:** ▪ **information on how those characteristics are met;** ▪ **where an index has been designated as a reference benchmark, information on whether and how the index is consistent with those characteristics; and** ▪ **information as to where the methodology used for the calculation of the reference index can be found.**
Products that have sustainable investment as their objective	Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark, the following will need to be included in the prospectus: ▪ information on how the designated index is aligned with the objective; ▪ an explanation as to why and how the designated index aligned with that objective differs to a broad market index; and ▪ information as to where the methodology used for the calculation of the reference index can be found. Where no index has been designated, pre-contractual disclosures will include an explanation of how the sustainable investment objective is to be attained.
Products promoting environmental and social characteristics and products that have sustainable investment as their objective	**Website to provide** the following information: ▪ a description of the environmental or social characteristics or the sustainable investment objective; ▪ **information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets;** and ▪ the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product. **Periodic reports to include the following information** ▪ the extent to which environmental and social characteristics are met; ▪ the impact of sustainable investments by means of relevant sustainability indicators; and ▪ where an index has been designated as a reference benchmark, a comparison will be needed between the overall sustainability-related impact of the financial product with the impacts of the designated index and of a broad market index through sustainability indicators.

Principal Adverse Impacts Statement

- The concept of “principal adverse impacts” (PAI) is intended to capture the impact of investment decisions (and advice) that result in negative effects on sustainability factors.
- Sustainability factors are defined as “environmental, social and employee matters, respect for human rights, anticorruption and anti-bribery matters”

Sustainability risk versus Principal adverse impact

Level 1 approach

- Information about their policies on the identification and prioritisation of principal adverse sustainability impacts.
- A description of the principal adverse sustainability impacts and of any actions in relation thereto taken or where relevant, planned.
- Brief summaries of engagement policies.
- A reference the their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.

ESAs proposed approach

- Prescriptive template.
- Description of principal adverse sustainability impacts.
- 64 ESG indicators in total.
- 14 mandatory indicators (+2 from optional lists) for investee companies (as apposed to 32 mandatory indicators +2 from optional lists).
- 2 mandatory indicators for sovereigns and supranationals.
- 2 mandatory indicators applicable to real estate.
- Description of policies to identify and prioritise principal adverse sustainability impacts.
- Description of actions to address principal adverse sustainability impacts (beside each indicator.
- Engagement policies.
- References to international standards.

The Taxonomy Regulation

Proposal

- The proposal to create a sustainability taxonomy was devised to provide market clarity on what economic activities should be considered "sustainable".
- The Taxonomy Regulation aims to develop a taxonomy for climate change and environmentally sustainable activities so that the classification system can be used with respect to labels, standards and benchmarks recognizing compliance with environmental standards across the EU.
- Importantly, the Taxonomy Regulation does not establish a label for sustainable financial products. It sets out criteria for determining if an activity (not a company or asset) is environmentally sustainable, including whether the activity contributes to, or does not significantly harm, one or more specified environmental objectives.

Scope

- The Taxonomy Regulation applies to a broad range of financial market participants, defined to include AIFMs, UCITS management companies, and financial products (including AIFs and UCITS).
- For the most part, the Taxonomy Regulation will be relevant to asset managers who make available a financial product, such as an investment fund, which either: (a) has an objective of environmentally sustainable investment; or (b) "promotes environmental characteristics". However, even managers of out-of-scope financial products will need to make the negative disclosure set out overleaf confirming that the product is out of scope of the regulation.

When will the Taxonomy Regulation apply?

- Political agreement on the Taxonomy Regulation was reached in December 2019 and the agreed text was published on 18 December 2019.
- The Taxonomy Regulation will apply, with respect to activities that substantially contribute to **climate change mitigation and adaptation, by 1 January 2022.** The regulation will apply with respect to activities that substantially contribute to the **other environmental objectives by 1 January 2023.**

The Taxonomy Regulation

Interaction with the Disclosures Regulation

- The Taxonomy Regulation is closely linked to the Disclosures Regulation. While the Taxonomy Regulation provides a common language for firms and investors to identify which economic activities are "**environmentally sustainable**", it also includes supplemental disclosure obligations to those set out in the Disclosures Regulation.

What additional disclosures are required by the Taxonomy Regulation?

- Where a financial product has "**sustainable investment**" as its objective within the meaning of the Disclosures Regulation, the information to be disclosed in the prospectus and annual report must include:
  - information on the environmental objective or environmental objectives to which the investment underlying the financial product contributes; and
  - a description of how and to what extent the investments underlying the financial product are invested in environmentally sustainable activities. This description must specify the share of investments in environmentally sustainable economic activities, including details on the respective proportions of enabling and transition activities, as a percentage of all investments underlying the financial product.

Where a financial product "**promotes environmental characteristics**", the prospectus and annual report should include the following statement: *"The "do no significant harm" principle is applied only for the investments underlying the product that take into account the EU criteria for environmentally sustainable investments. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable investments."*

Where a financial product is not: (a) a financial product with sustainable investment as its objective; or (b) a financial product that promotes, among other characteristics, environmental or social characteristics within the meaning of the Disclosures Regulation, the prospectus and annual return must include this statement:

"The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable investments."

Financial Markets Participants are defined in Article 2(1)

Uses and users of the taxonomy		
	Disclosure obligations	**Optional additional uses**
Asset Management	▪ UCITS Funds: – Equity funds – Exchange-traded funds ("**ETFs**") – Bond funds ▪ Alternative Investment Funds ("**AIFs**"): – Fund of funds – Real estate funds – Private equity or SME loan funds – Venture capital funds – Infrastructure funds ▪ Portfolio management	
Insurance	▪ Insurance-based investment products ("**IBIP**") ▪ Institution for occupational retirement provision ("**IORP**")	▪ Insurance (selected non-life LOBs)
Corporate & Investment Banking	▪ Securitization funds* ▪ Venture capital and private equity funds ▪ Portfolio Management ▪ Indices funds	▪ Securitization ▪ Venture capital and private equity ▪ Indices ▪ Project finance and corporate financing
Retail Banking		▪ Mortgages ▪ Commercial building loans ▪ Car loans, Home equity loans

In a nutshell

	Taxonomy	Disclosures
What?	▪ A list of economic activities that are considered environmentally sustainable for investment purposes.	▪ New harmonized disclosure requirements applicable to financial market participants, financial advisors and financial products.
Why?	▪ Enables informed decision-making ▪ Ensures consistency ▪ Accountability ▪ Not green vs. brown ▪ Transitioning polluting sectors	▪ Strengthening the transparency of companies on their environmental, social and governance (ESG) policies ▪ Introducing measures to clarify asset managers' and institutional investors' duties regarding sustainability
How?	▪ Applies to all financial products regardless of whether they are marketed as “green” or not ▪ Contribute substantially to at least one of the six environmental objectives ▪ “Do no significant harm” to any of the other	▪ Managers whose financial products target “sustainable investments” will have to disclose information about these in pre-contractual disclosures, as well as on their websites and in periodical reports. ▪ MiFID II & IDD delegated acts ▪ Investment advisers will have to assess sustainability preferences of clients ▪ Institutions – TCFD, impact reporting

In summary - who is impacted?

Proposed reform	Application to EU Managers	Application to Non-EU Managers with EU Sub-Manger	Application to Non-EU Managers with no EU Sub-Manager
Amendments to the AIFMD and UCITS Regimes	**Direct Impact** on EU AIFMs and UCITS ManCos	**Indirect impact** on non-EU managers acting as sub-managers to UCITS ManCos **No direct impact** on other non-EU managers	**Indirect impact** on non-EU managers that act as sub-managers to UCITS ManCos No direct impact on other non-EU managers
Organizational Requirements for Investment Firms	**Direct impact** on: ▪ EU AIFMs with top-up permissions; ▪ any EU investment firms in the group	**No direct impact** on non-EU manager **Direct impact** on EU sub-manager to non-EU manager	**No direct impact** on non-EU managers
Disclosure Requirements	**Direct impact** on: ▪ EU AIFMs; ▪ UCITS ManCos; ▪ any investment firms in the group with authorization to provide portfolio management services	**Direct impact** on: ▪ non-EU managers marketing funds to EEA investors ▪ EU sub-managers to non-EU managers **Indirect impact** on non-EU managers that act as sub-managers to UCITS ManCos	**Direct impact** on non-EU managers marketing funds to EEA investors **Indirect impact** on non-EU managers that act as sub-managers to UCITS ManCos
Product Governance	**Indirect impact** where fund shares are distributed to EU investors	**Indirect impact** where fund shares are distributed to EU investors	**Indirect impact** where fund shares are distributed to EU investors
Suitability	**Indirect impact** where fund shares are distributed to EU investors **Direct impact** on: ▪ EU AIFMs with top-up permissions; ▪ any investment firms in the group with investment advice or portfolio management permissions	**Indirect impact** where fund shares are distributed to EU investors	**Indirect impact** where fund shares are distributed to EU investors

Questions & Answers

Thank You

kpmg.ie