



EUROPEAN COMMISSION

Internal Market and Services DG

FINANCIAL SERVICES POLICY AND FINANCIAL MARKETS

Asset Management

Head of Unit

Brussels, **26. 04. 2010** - 214475
DG MARKT/G4/CB/jj D(2010) 227225

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Dear Mr. Mark,

On behalf of Commissioner Barnier, I would like to thank you for your letter dated 8th March regarding the Commission's proposal for a Directive on Alternative Investment Fund Managers.

Many of your remarks relate to the implications of the proposed Directive for funds and managers established outside the European Union, and for the ability of European investors to access these investments. I would like to assure you that it is in no way the Commission's intention to discriminate against third country providers, nor to place arbitrary restrictions on the ability of European investors to access these investment opportunities.

Rather, the principle underpinning the Commission proposal is that effective risk control and a level playing field require that all managers active in the EU, irrespective of where they, or the funds they manage, are established, should be transparent and subject to effective supervision. Failure to achieve this would create opportunities for regulatory arbitrage and compromise the ability of supervisors to control risks to European markets and investors.

Provided that these conditions are satisfied, we consider that single market access should be available to both European and non-European managers. To achieve this, the Commission considers that a regulatory approach based on equivalence – whereby the single market passport would be extended to third country managers and funds on condition that they are subject to equivalent levels of transparency and supervision in their country of origin – is the most coherent and equitable. It would ensure effective

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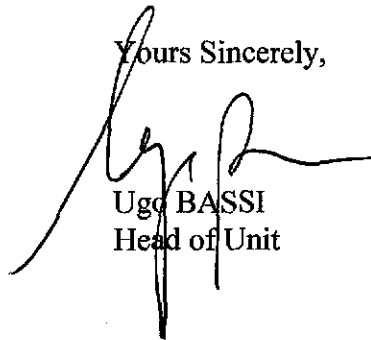
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supervision and a level playing field while also increasing competition and investor choice in the single market.

As you will be aware, the proposal has now passed to the Council of Ministers and European Parliament for their consideration and eventual adoption. Discussions are ongoing on the third country aspects, as well as on many of the other issues raised in your letter, including leverage and portfolio company disclosures. The Commission will play an active and constructive role in this process and has made it clear throughout that it will support modifications to the proposal that are consistent with the objectives.

I would like to thank you once again for your letter. It is vitally important that regulators take full account of the practical implications of the emerging regulatory framework. Contributions such as your own make a valuable contribution in this regard.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Ugo Bassi', is written over the typed name and title.

Ugo BASSI
Head of Unit