

FACILITIES FOR CROSS-BORDER DISTRIBUTION OF FUNDS

SECURITIES SERVICES
Anita METZGER – March 2019



BNP PARIBAS

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REVIEW OF THE REQUIREMENTS ON FACILITIES

- In March 2018 , as part of the CMU initiative, the Commission published its proposals for a Directive and a Regulation which aim at facilitating cross-border distribution of funds.
- The Directive:
 - Further specifies the requirements that existed under UCITS IV (Article 92) for providing facilities to investors;
 - prohibits the obligation of a physical presence of the asset manager or of a representative agent which was required by some Member States;
 - introduces similar requirements relating to facilities for AIFMs where Member States allow them to market units or shares of AIFs to retail investors in their territories.
- The publication of the Directive is expected in May / June 2019 further to the compromise reached between the co-legislators mid February 2019 and the EU Parliament vote in plenary session (expected on 15 April 2019).
- The Directive will apply two years after its entry into force (in Q3/Q4 of 2021).



OBLIGATION TO PUT IN PLACE FACILITIES

Reviewed Article 92 of UCITS IV - New Article 47a of AIFMD

- In each Member states where asset managers intend to market units of a **UCITS to any investors or units/ shares of AIFs to retail investors** , they must put in place facilities to perform the following tasks :

Providing information to investors

- On how can be made subscriptions
- On how repurchase and redemption proceeds are paid;
- With the fund rules or instruments of incorporation of the fund
- With the latest annual report of the fund
- In the official language or official languages of the Member State where the fund is marketed
- In person, by telephone or electronically

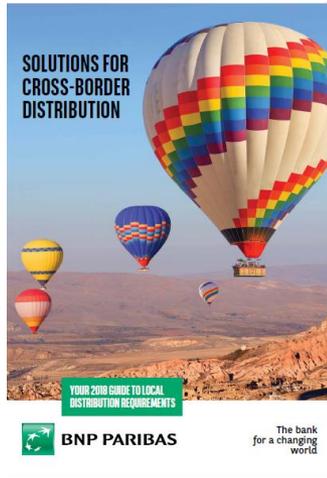
Processing

- Investors' subscription, payment, repurchase and redemption orders :
 - Communication of the order to the fund-side insitution through Custodians /distributors/platforms
 - Payment/delivery and execution
 - Transaction reporting
- Distribution and corporate actions
 - Notification, collect of clients options, execution



SOLUTIONS FOR CROSS BORDER DISTRIBUTION

- Market characteristics and distribution dynamics
- Registration – requirements, time and costs
- Knowledge of tax and specific reporting in the distribution country
- Local funds (FoF, master feeder ...)



Which markets for distribution ?

Regulatory or marketing requirements?

- Adherence to local market practice
- Information to investors
- Processing of orders , payment and corporate actions
- Registration support

Solutions for cross border distribution

What are my new clients needs ?

- Single access point to fund ranges
- Servicing in local time zone
- Servicing in local languages
- Client reporting, connectivity (Swift, NSCC, Web...)

How to monitor my sales distribution activity ?

- Consolidated reporting of distribution to the management company
- Management of trailer fees

Regulatory, tax reporting ?

- Documentation and reporting to regulator, market and investors
- Regulatory reporting across all major domiciles
- Specific Tax and fiscal reporting



DIFFERENT MARKET PRACTICES

- In some Member States where a presence of a local fund's agent is required by a host regulator, in practice it may be purely for representative purposes particularly if the agent does not play a central role in processing orders and corporate actions
- Alternatively (e.g. In France, Italy) part of the fund processing of orders and corporate actions are centralised by a local fund's agent which :
 - In France, for funds issued in the central depository system (Euroclear France)
 - Collects subscription and redemption orders from financial intermediaries acting for investors in the French market
 - Pays dividends for related eligible assets
 - Communicates information to shareholders via Euroclear
 - In Italy :
 - Provides payment intermediation activities
 - Acts as withholding tax agent versus final client
 - Provides services to third party distributors including order capture/management/routing/execution, fee management, corporate actions, trade and transfer management, reporting and communication to clients
 - Creates reports for the Bank of Italy



CHANGES EXPECTED

- Local representative agents appointed for purely representative purposes will disappear

- Local centralising agents will continue to provide their services as long as Fintech /DLT solutions are sufficient from an operational point of view to compete with them, in particular :
 - To perform settlement
 - To ensure total privacy of data
 - To process large volume on a daily basis



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