

Investment Funds sourcebook

Chapter 1

Introduction

1.4 AIFM business restrictions

Single AIFM

- 1.4.1 **R** A *full-scope UK AIFM* must ensure that for each *AIF* it is appointed to manage, it is the only *AIFM* of that *AIF*, and is responsible for ensuring compliance with *FUND*, other *rules* in the *Handbook* which, when made, implemented *AIFMD*, the *AIFMD level 2 regulation*, the *AIFMD UK regulation*, and the *AIFMD BTS* and any other binding technical standards made in connection with the *UK AIFM regime*.

[Note: article 5(1) of *AIFMD*]

Internally managed AIFs

- 1.4.2 **R** An *internally managed AIF* which is a *full-scope UK AIFM* must not engage in any activities other than *AIFM management functions* in respect of that *AIF*.

[Note: article 6(3) of *AIFMD*]

External AIFMs

- 1.4.3 **R** An *external AIFM* that is a *full-scope UK AIFM* must not engage in any activities other than:

- (1) *AIFM management functions*;
- (2) the management of *UCITS*, for which it must have *permission* to carry on the *regulated activity of managing a UK UCITS*;
- (3) the management of portfolios of investments in accordance with mandates given by investors on a discretionary client-by-client basis, including portfolios of investments for occupational pension schemes, within the meaning of section 1(1) of the Pension Schemes Act 1993;
- (4) investment advice;
- (5) safe-keeping and administration in relation to shares or units of collective investment undertakings; and
- (6) reception and transmission of orders in relation to *financial instruments*.

[Note: article 6(2) and (4) of *AIFMD*]

- 1.4.4** **R** An external *AIFM* that is a *full-scope UK AIFM* must not provide:
- (1) only the services in ■ FUND 1.4.3 R (3) to ■ FUND 1.4.3 R (6); or
 - (2) only the services in ■ FUND 1.4.3 R (4) to ■ FUND 1.4.3 R (6) without also having been authorised to provide the services in ■ FUND 1.4.3 R (3); or
 - (3) only the *AIFM management functions* in point 2 of Annex I of *AIFMD*; or
 - (4) the *AIFM investment management function* in point 1(a) (portfolio management) of Annex I of *AIFMD* without also providing the *AIFM investment management functions* in point 1(b) (risk management) of Annex I of *AIFMD* or vice versa.

- 1.4.5** **G** Where a *full-scope UK AIFM* carries on the activities in ■ FUND 1.4.3R (3) and ■ (4) in relation to assets which are not *financial instruments* and it is not carrying on the activities of *managing investments* or *advising on investments*, the *FCA* will deem the *firm* as having been authorised to carry on such activities by virtue of its authorisation as an *AIFM*. However, for such an *AIFM* to be able to carry on the activity in ■ FUND 1.4.3R (4) in relation to assets which are *financial instruments* or the activities in ■ FUND 1.4.3R (5) and ■ (6) it must have a *Part 4A permission to manage investments*.

- 1.4.6** **G** In the *FCA*'s view an *AIFM* is permitted under ■ FUND 1.4.3 R to carry out *AIFM management functions* for a collective investment undertaking which is neither an *AIF* nor a *UCITS*.

AIFM management functions

- 1.4.7** **G** *AIFM management functions* are set out in Annex I of *AIFMD* as follows:
- (1) the *AIFM investment management functions* of:
 - (a) portfolio management; and
 - (b) risk management; and
 - (2) other functions that an *AIFM* may additionally perform in the course of the collective management of an *AIF*:
 - (a) administration:
 - (i) legal and fund management accounting services;
 - (ii) *customer enquiries*;
 - (iii) valuation and pricing (including tax returns);
 - (iv) regulatory compliance monitoring;
 - (v) maintenance of *unit/share* holder register;
 - (vi) distribution of income;
 - (vii) *unit* issues and redemptions;
 - (viii) contract settlements (including certificate dispatch); and
 - (ix) record keeping;
 - (b) *marketing*; and

- (c) activities related to the assets of *AIFs*, namely:
- (i) services necessary to meet the fiduciary duties of the *AIFM*;
 - (ii) facilities management;
 - (iii) real estate administration activities;
 - (iv) advice to *undertakings* on capital structure, industrial strategy and related matters;
 - (v) advice and services relating to mergers and the purchase of *undertakings*; and
 - (vi) other services connected to the management of the *AIF* and the companies and other assets in which it has invested.

[Note: Annex I of *AIFMD*]