irish funds

NEWSLETTER

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BETTER LATE THAN NEVER - LAST MINUTE CLARITY FOR UK MANAGERS AS NO DEAL BREXIT LOOMS

With less than 6 months now to go to potentially a hard Brexit, over 200 pending licensing applications under review and new applications continuing to arrive, the Central Bank of Ireland (Central Bank) has sought to streamline its processes and procedures to provide UK-based asset managers with greater clarity on its expectations, in a bid to expedite the application process. Similarly in the UK, the FCA is preparing for a hard Brexit and providing more clarity on its temporary permissions regime (“TPR”). ESMA has also finally confirmed that it is ready to finalise its Memoranda of Understanding with the UK in the event of a no deal Brexit situation, which is welcomed by UK managers who had concerns about the ability to delegate the portfolio management activities back to the UK. This also provides welcome clarity on the ability of Irish funds to be sold in the UK post Brexit.

In a bid to try to clear the high volume of applications before the 29 March deadline, the Central Bank is looking for all new applicants seeking a licence in Ireland before this deadline to meet with the Central Bank before they submit an application. The meeting is quite informative and the Central Bank will provide managers with a clear indication of whether their proposed model will work at a very early stage in the process. It also provides UK managers with a better sense of the substance that will be required.

As a result of this new process, managers are a lot clearer at the start as to what substance they will need to have in Ireland and within the EU, the proposed timelines and the Central Bank’s expectations. This is assisting applications to move quicker, and in some instances can be processed in as quickly as 12 weeks from the date a complete application is submitted. However, it should be noted that a lot of work is required to submit a complete application and any manager that is considering a licence and has not yet applied to the Central Bank needs to urgently arrange this meeting with the Central Bank to stand any chance of authorisation by the 29 March deadline. It should also be noted that more complex applications will not be processed within this time frame and can take 6 months.

We have also seen managers only focusing on the 29 March deadline, however, for some managers, getting a licence by 29 March may be too late, e.g., if they need to effect a branch office passport, which can only be initiated after they are authorised, an additional 2 to 3 months needs to be factored in for this process, so the time to act, whether you are a complex or non-complex application is now.

The FCA has also provided a lot of clarity on how European funds and managers can continue to access the UK market in the event of a hard Brexit, via the TPR. Under the TPR, European firms and investment funds that are currently providing services or are registered for sale in the UK by virtue of an EU passport, will continue to have access to the UK market via the TPR, however there are a few important points to note:

- to avail of the regime you must already be providing services/ be registered for sale under an EU passport. So in the case of Irish funds, they will need to have registered for sale in the UK via the AIFMD or UCITS passport.

Gayle Bowen is head of Pinsent Masons' Dublin Office and the Irish Asset Management & Investment Funds Group. **Elizabeth Budd** is a partner in Pinsent Masons' London office and a member of the London Asset Management & Investment Funds Group.

For any firms or funds who do not currently use a passport to provide services into the UK, it is worth now considering whether at some stage in the next 2-3 years whether they may need this and if so, passporting the relevant activities now/registering their funds for sale in the UK, under the correct EU passport. It should also be noted that the TPR will only cover the existing activities of a firm for which their passport operates.

- Availing of an EU passport into the UK is not in and of itself sufficient to come within the TPR. It will also be necessary to register specifically under the TPR. It is expected that the FCA will provide guidance and further information on how this process will work in the near future with the registration process beginning in January 2019 and ending shortly before 29 March 2019.
- If you are currently providing services into the UK, you now need to consider how you are doing this, e.g., if relying on an exemption or Schedule 5 permission, as many UCITS managers have done, you will not be eligible to rely on the TPR for firms. Only Schedule 3 passported firms are eligible to rely on the TPR. This can be checked on the FCA register. If you are availing of Schedule 5 permissions, you should look now to see if this can be changed to Schedule 3 permission, if you want access to the TPR.
- As its name suggests, the TPR is an interim measure. Investment firms registering under the TPR must apply to the FCA for full authorisation to provide the relevant activities. It is not yet clear how investment funds will exit the TPR. We expect that the UK will use some form of formal recognition process.
- Once registered under the TPR, you will have to comply with the FCA Handbook rules, such as the incoming Senior Managers and Certification Regime, so you will need to be aware of these requirements.

With just under 6 months to Brexit, UK managers are finally receiving more clarity. If you have not yet assessed how you are impacted by Brexit, it is crucial that you do so now. If you require a licence from the Central Bank you need to immediately decide what licence you require, what your model/substance will be in Ireland and set up a meeting with the Central Bank within the next week or two.

EU MANDATORY DISCLOSURE REGIME

Gareth Bryan, Partner, KPMG

The sixth EU Directive on Administration Cooperation (DAC 6) introduces a new mandatory reporting regime in respect of certain “reportable cross-border arrangements”. Under these rules, “intermediaries” have an obligation to automatically report on certain “cross-border arrangements” which involve one or more of a list of specified “hallmarks”.

Although the first reporting of transactions will not occur until August 2020, there is a retro-active element to the Directive which requires that transactions which commence on or after 25 June 2018 be included in the first batch of reporting. Thereafter reporting will occur every 30 days.

Intermediaries

An “intermediary” is defined as any person that designs, markets, organises or makes available for implementation or manages the implementation of a reportable cross-border arrangement. It also includes any person that, having regard to the relevant facts and circumstances and based on available information and the relevant expertise and understanding required to provide such services, knows or could be reasonably expected to know that they have undertaken to provide, directly or by means of other persons, aid, assistance, or advice in relation to designing, marketing, organising, making available for implementation or managing the implementation of a reportable cross-border arrangement.

This very wide definition may, in certain situations, impose reporting obligations on persons who are not providing tax advice in relation to a transaction such as fund managers, administrators, and custodians.

Reportable cross-border arrangements and hallmarks

A cross-border arrangement concerning one or more EU Member States or a Member State and a third country will include arrangements between a person resident in / having a commercial presence in one country and a person resident in / having a commercial presence in another country. However, in order for a cross-border arrangement to be reportable, it must involve one or more of a list of specified hallmarks.

Some of the hallmarks specified in the Directive are linked to a “tax main benefit” test such that reporting only applies in the event that a tax advantage is the main benefit or one of the main benefits to the arrangement. These include:

- Condition of confidentiality in respect of how the arrangement could secure a tax advantage.
- A fee which is fixed with reference to a tax advantage.
- Arrangements including substantially standardised documentation.
- Arrangements that include contrived steps related to loss-making companies.
- Converting income into capital, gifts or other categories of lower taxed revenue.
- Circular transactions resulting in round-tripping of funds or offsetting or cancelling transactions.
- Cross-border transactions involving a deductible payment made between 2 or more associated persons where the recipient jurisdiction has an (almost) zero tax rate, or the receipt is exempt or benefits from a preferential tax regime.

However, a number of the hallmarks are not linked to a "tax main benefit" test and, therefore, are reportable irrespective of whether or not there is any tax benefit. The following are some of the hallmarks which are not linked to this "tax main benefit" test:

- Cross-border arrangements between 2 or more 25%+ associated persons involving a deductible payment to a recipient not resident anywhere or resident in an EU Blacklist or OECD non-cooperative jurisdiction.
- Cross-border arrangements where there are deductions for the same depreciation on an asset in more than one jurisdiction.
- Cross-border transactions where relief from double taxation in respect of the same item of income or capital is claimed in more than one jurisdiction.
- Cross-border asset transfers, material difference in the consideration amount treated as payable in those jurisdictions involved.
- Specific hallmarks concerning the automatic exchange of information and the accessibility of beneficial ownership information.
- Specific hallmarks concerning transfer pricing.

Further guidance

We have prepared a more detailed note for Irish Funds members for use by client service teams which can be accessed through the IF Member Portal.

As such, members should consider whether it is appropriate to begin collecting and collating all of the reportable transactions where they have an obligation to report. Between now and the first reporting date we anticipate that Ireland will enact implementing legislation and Irish Revenue will have published its detailed guidance in relation to this area and we may have greater clarity on a number of uncertain areas by that time. In the interim, Irish Funds will seek to work with Revenue as they prepare their guidance and legislation.

THE CBI'S GUIDANCE ON FUND MANAGEMENT COMPANIES (FMCs)

Paul Traynor, Advisory Partner - Wealth and Asset Management, EY

In December 2016, the Central Bank of Ireland (CBI) published its final guidance on Consultation Paper 86 "*Fund Management Companies – Guidance*" (Guidance). It came into full effect on 1 July 2018. The CBI has stated that it will assess how FMCs have implemented and embedded the Guidance, and in particular, the Organisational Effectiveness requirements.

Organisational Effectiveness and other key requirements

There is a requirement that there is an independent director with the specific task of reviewing the effectiveness of the FMC's organisational arrangements. The CBI has listed examples of the activities involved, which will require submission of proposals to the board and driving the related change agenda. The CBI will focus on the assessment work performed by the Organisational Effectiveness role holder, and how the board of the FMC has implemented any related recommendations.

In addition, the Guidance has identified six key managerial functions to be allocated to individual Designated Persons (DP). The DP is responsible for oversight and monitoring of the relevant function, manages the relationship between the board and delegates, and must act in the best interests of investors.

The Guidance identifies six distinct areas, aligned to the managerial functions, where the board of the FMC should direct specific attention in the oversight of delegates. Therefore, DPs are responsible for monitoring and oversight of the approaches and strategies approved by the board and the compliance of delegates and third party outsourced services with these requirements. This is of particular importance where tasks are delegated outside of the jurisdiction.

The UK experience

Governance arrangements of UK FMCs will fall under the Senior Manager and Certification Regime (SMCR) in December 2019. It requires firms to identify specific Senior Manager Functions (SMF), allocate Prescribed Responsibilities to each and document this on a Management Responsibilities Map. SMF holders will have to demonstrate "reasonable steps" taken to discharge the duties of their function, including oversight of delegated tasks.

The FCA will also require FMCs to act in the best interests of investors. There will be a new responsibility under SMCR to conduct a Value Assessment. Boards, and one director personally, will have to annually attest that their funds provide value to investors.

The CBI has formally announced it will introduce Individual Accountability, in a similar manner to SMCR, this will initially include investment managers, and may extend further than proposed. Furthermore, the CBI's recent thematic review of UCITS Performance fees indicated that some entities may not be acting in the best interests of investors. The UK experience provides useful guidance for implementation of Organisational Effectiveness and measures to protect investors.

Organisational effectiveness and DP roles – Challenges with implementation will include:

- Recruitment of suitably qualified individuals to perform the organisational effectiveness role
- Definition of the activities, regulatory obligations and risks within each of the managerial functions

- Reconciling the difference between oversight and performance of each managerial function. DPs should approach information received from delegates with 'healthy scepticism'. The CBI's expectation is that DPs will provide constructive challenge and interrogation of delegates as required
- Execution of, and response to, board evaluation processes. The CBI has not prescribed any particular mechanism for this. However, the organisational effectiveness role holder will have to structure this process according to the requirements of the entity under review

To address these challenges, FMC's should:

- Communicate the requirements to the board and staff
- Know what 'good looks like' for a Fund Management Company
- Ensure that value delivered to investors is measurable
- Enable and record challenge of practices and structures that may no longer be appropriate
- Define and execute procedures for monitoring 'against good' and enabling change
- Encourage a culture of openness and challenge to embed any necessary changes

Conclusion

The CBI has emphasised that the culture and environment of the FMC is key to effective implementation of the Guidance. FMCs must exercise judgment in the oversight of delegates to ensure that investors' interests are being adequately served. This duty is becoming increasingly explicit with the regulatory focus on Individual Accountability, performance fees and value assessments.

This is therefore more than a governance exercise. Proper implementation will give comfort to regulators that FMCs are acting as the investors' agents. Boards should expect to demonstrate this in their future supervisory engagements with the CBI to confirm that the purpose of the Guidance been properly achieved.

REGULATORY DEVELOPMENTS SET TO AFFECT THE FUNDS INDUSTRY OVER THE NEXT 12-18 MONTHS

Áine McCarthy, Senior Associate and professional support lawyer in Dillon Eustace's Asset Management Group

While funds and their service providers may still be catching their breath after a particularly busy year dealing with a whole host of regulatory developments ranging from PRIIPs, the Benchmarks Regulation and MiFID II to GDPR and CP86, other regulatory initiatives, as outlined below, are likely to keep industry busy over the next 12-18 months.

Revised CBI UCITS Regulations

Following on from CP119 earlier this year, the Central Bank is expected to publish a revised set of the CBI UCITS Regulations before year-end. The revised CBI Regulations will put existing guidance relating to the use of FDI at share class level on a statutory footing and will make necessary amendments to the existing regime following the implementation of the Money Market Fund Regulation earlier this year. It will also see the Central Bank's existing guidance on performance fees becoming law. The Central Bank also indicated in CP119 that it will require that performance fees charged to UCITS funds crystallise no more frequently than annually. Earlier this month, the Central Bank also wrote to UCITS management companies requiring them to conduct a review of existing performance fee arrangements by 30 November to ensure that they comply with the Central Bank's existing guidance on performance fees. Where relevant, UCITS management companies must identify any improper payments of performance fees which have been identified in the course of that review.

Securitisation Regulation

The Securitisation Regulation will take effect on 1 January next in respect to securitisations the securities of which are issued on or after that date. This regulation will subject UCITS management companies [1] to securitisation rules for the first time while existing securitisation rules applicable to AIFM[2] will be tailored. In particular, management companies will need to comply with a number of due diligence obligations which will vary depending on whether the securitisation involves an ABCP transaction or a longer-term securitisation. These rules will apply to management companies regardless of where the securitisation is located (i.e. whether EU or non-EU). AIFMs will also be obliged to continue to comply with the existing securitisation rules in respect of securitisations the securities of which were issued before 1 January next.

New corporate governance framework for Irish investment firms

It is expected that investment firms and market operators which have been designated by the Central Bank as high, medium high or medium low impact firms will be required to comply with new corporate governance requirements with effect from 1 July 2019. Such requirements will address, amongst other matters, board composition and a requirement to establish an audit committee and a risk committee.

[1]This will include internally managed UCITS funds
[2]This includes internally managed AIF funds

4th AML Directive

The 4th AML Directive is due to be transposed into Irish law by year-end, with the legislation expected to address certain of the shortcomings identified by FATF in their AML inspection of Ireland last year. Statutory Instruments addressing aspects of beneficial ownership are also expected shortly.

Developments in Europe

At a European level, industry awaits confirmation as to whether the Commission review on PRIIPs, which is due to be conducted before year-end, will be postponed in light of the original year-long delay in implementing the PRIIPs Regulation. This will be of particular relevance to UCITS managers given that the review must determine whether the Commission will extend the current exemption for UCITS to produce a KID (which is due to expire in December 2019), deem UCITS KIID equivalent to PRIIP KIID or require UCITS to produce a KID instead of a UCITS KIID. EFAMA has called on the Commission to postpone the date by which the review must be conducted to 31 December 2020 and has also called for the exemption for UCITS from producing a PRIIP KIID to be extended until December 2021.

Separately, we can also expect some more certainty around the date on which management companies will need to begin to report SFT trades to a trade repository as the Commission is expected to finalise technical standards addressing the reporting obligations before year end, with reporting obligations applicable to management companies unlikely to apply until June 2020 at the earliest.

It is also expected that agreement will be reached on the new cross-border distribution framework for both UCITS and AIFs in the course of 2019, with a 24 month transitional period to apply to the omnibus directive once agreed.

IMPACT OF THE SECURITISATION REGULATION ON UCITS FUNDS

Ian Conlon, Partner and
Ronan Cremin, Associate, Maples and Calder

Introduction

On 17 January 2018 the new Securitisation Regulation (Regulation EU 2017/2402) (the "Securitisation Regulation") came into force and will apply from 1 January 2019. The Securitisation Regulation represents a long-awaited reform of the EU securitisation rules which will replace the existing patchwork of sector-specific legislation governing European securitisations with harmonised rules on due diligence, risk retention and transparency applying to all securitisations.

Over the last number of years, there has been an emerging trend from investment managers focussed on credit seeking exposure to securitisations located in the US, Cayman Islands and Europe with underlying credit exposure to European and US assets through UCITS. Such securitisations are typically structured as collateralised loan obligations (colloquially referred to as "CLOs"), collateralised debt obligations or collateralised mortgage applications. The introduction of the Securitisation Regulation is a significant change for investment managers who manage UCITS which take exposure to securitisations.

The challenge facing investment managers of UCITS is to ensure the investment universe of securitisations to which they intend to take exposure are eligible for UCITS investment and that the securitisations also enable UCITS to comply with the new obligations under the Securitisation Regulation. For the purposes of this article, we have set out the impact on UCITS and the new obligations which will be imposed upon them under the Securitisation Regulation.

What is a Securitisation?

A "securitisation" is, broadly speaking, a transaction or scheme, whereby credit risk is tranched and the payments are dependent upon the performance of the exposure or pool, the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or the transaction does not create exposures which, amongst other items, give the lender a substantial degree of control over the assets and the income that they generate.

The definition of securitisation has its origins in the Capital Requirements Regulation ("CRR") which is reaffirmed in the Alternative Investment Fund Managers Directive ("AIFMD") and has been replicated in the Securitisation Regulation.

What is the Impact for UCITS?

Currently the risk retention obligations set down under the CRR and AIFMD applies to credit institutions, insurance companies and to EU alternative investment fund managers ("AIFMs"), respectively. From 1 January 2019, the Securitisation Regulations broadens the application of the risk retention requirements to UCITS management companies and internally managed UCITS (together with credit institutions, insurance companies and AIFMs, the "Institutional Investors").

Accordingly, on or before 1 January 2019 UCITS management companies will need to ascertain whether or not the UCITS under management is exposed to any securitisations and, where it is, ensure that it complies with the due diligence, risk retention and transparency requirements under the Securitisation Regulation. The Securitisation Regulation stipulates that "where [UCITS] is exposed to a securitisation that does not meet the requirements of the Securitisation Regulation, the UCITS shall, in the best interest of the investors in the relevant UCITS, act and take corrective action".

As such, UCITS will be required to take "corrective action" in relation to its non-compliant securitisation holdings in advance of 1 January 2019. After 1 January 2019, a UCITS will be able to purchase non-compliant securitisations that were issued before 1 January 2019, but cannot purchase non-compliant securitisations issued after 1 January 2019. Should a formerly compliant securitisation issued after 1 January 2019 cease to be compliant, then the UCITS fund will be obliged to take "corrective action".

This marks a shift whereby originators, sponsors or lenders will be directly obliged to meet the requirements of the Securitisation Regulation rather than (as is currently the case under AIFMD requiring the AIFM, as the investor, to determine that the originators, sponsors or lenders have complied. The anomaly whereby UCITS were not subject to due diligence, transparency and risk retention requirements with respect to investment in securitisation positions has been rectified. Article 50a of the UCITS Directive is replaced with a new provision stating that where UCITS are exposed to securitisation positions which do not meet the requirements of the Securitisation Regulation, the UCITS shall take corrective action as noted above.

New Requirements for UCITS

The Securitisation Regulation outlines three key requirements which UCITS must adhere to, namely:

a) Due Diligence; carry out a due diligence process before becoming exposed to a securitisation and on an ongoing basis as long as they remain exposed to a securitisation;

b) Risk Retention; ensure that the securitisation is risk retention compliant with the originator retaining a material net economic interest of not less than 5% in the securitisation; and

c) Transparency and Disclosure; on an ongoing basis the originator of the securitisation must make available to holders of a securitisation position certain information on the transaction and underlying exposures.

STS Transactions

The Securitisation Regulation also introduces new rules for issuing simple, transparent and standardised securitisation transactions ("STS") which provides that Institutional Investors may rely to an "appropriate extent" on an STS notification and related information prepared by the securitising entities with respect to compliance with the Securitisation Regulation requirement.

BMR - NEW EU BENCHMARK REGULATIONS

Dean Phillips, Associate Partner, EY

Benchmarks Background

A benchmark is defined as "a standard or point of reference against which things may be compared". Such things can be salaries, consumer goods, mortgages or the financial performance of an industry or sector. For example, the return made by an investment fund focusing on UK equities might be measured against the FTSE 100. The return of a fund is generally based on the fair value of its investment portfolio. The inputs to fair values can include benchmarks to price in performance measures such as risk free rates.

Benchmarks are vital in facilitating the effective functioning of markets and therefore the accuracy and integrity of benchmarks is hugely important. Although some member states have adopted rules on benchmarks, there was no harmonised framework within Europe to ensure the accuracy and integrity used in providing and measuring benchmarks.

The introduction of EU regulation on benchmarks

Recent controversies involving the manipulation of benchmarks such as LIBOR and EURIBOR, as well as allegations that other benchmarks could have been manipulated, demonstrate that benchmarks can be subject to conflicts of interest. In Europe, the European Commission has introduced a new regulatory regime governing the provision of, contribution to and use of benchmarks within the EU.

The European Union ("EU") regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "Benchmark Regulation" or "BMR") has applied since 2016 and became effective on 1 January 2018. Whilst effective since January of 2018, the BMR is subject to transitional arrangements.

This article explores the impact of the new regulation on providers, contributors and users of benchmarks within the EU. Whilst the BMR is not aimed specifically at investment funds, certain investments fund entities are impacted including:

- UCITS
- UCITS management companies
- AIFMs
- Certain investment firms such as those under MiFID II

The purpose and objective of the Benchmark Regulation

The purpose of the BMR is to have a harmonised EU framework to improve the governance and controls over the benchmark process, primarily to avoid conflicts of interest by administrators and to improve the quality of input data and methodologies used in developing benchmarks. The BMR also seeks to protect consumers and investors through greater transparency and adequate rights of redress.

Scope of the European Benchmark Regulation (BMR)

The scope of BMR is purposefully designed to be broad so as to create a preventative regulatory framework for benchmarks across the EU. It imposes regulatory requirements on providers ("administrators"), certain contributors ("supervised contributors") and users ("supervised entities") including UCITS, UCITS management companies, and AIFMs. Most of the regulatory requirements are imposed on benchmark administrators, the extent of which is dependent on the significance or economic importance of the benchmark (although the obligations on supervised contributors could be problematic considering this is largely a voluntary activity).

What is considered a benchmark under BMR?

The BMR defines a benchmark as any index that:

- Is used to determine the amount payable under a financial instrument or financial contract, or the value of a financial instrument, or;
- Is used to measure the performance of an investment fund with the purpose of tracking the return, defining the asset allocation of a portfolio, or computing the performance fees.

There are different categories of benchmarks including, "critical benchmarks", "significant benchmarks" and "non-significant benchmarks". The category of benchmark is determined based on quantitative and qualitative considerations.

The quantitative thresholds are >€500bn, >€50bn and less than these amounts respectively.

The qualitative considerations include the importance or the number of unique alternative benchmarks. The European Commission has declared the biggest interbank interest rate benchmarks EONIA, Euribor and LIBOR as being critical benchmarks.

Now let's examine the impact further.

Benchmark administrators

An administrator is a body that has control over the provision of a benchmark, and in particular, administers the arrangements for determining the benchmark. The BMR introduces a new authorisation and supervision regime for benchmark administrators. ESMA will establish and maintain a public register of authorised and registered administrators.

Subject to transitional arrangements, the BMR imposes a ban on supervised entities including UCITS, UCITS management companies, AIFMs using benchmarks that are not included in ESMA's register or provided by administrators who are not included in the register.

Administrators are subject to a significant number of governance and control arrangements. These arrangements are primarily designed to avoid or manage conflicts of interest and to ensure the accuracy and integrity of data.

Supervised contributors

Similar to administrators but to a lesser extent, supervised contributors must put in place governance and control measures that are designed to avoid conflicts of interest and the manipulation of data.

Supervised entities or users of a benchmark

Most investment funds that are impacted by the BMR will fall into the category of "supervised entities". Supervised entities are defined in the BMR and include UCITS, UCITS management companies, AIFMs and MiFID firms. Such supervised entities will need to determine if they are "users" of a benchmark.

A supervised entity will be considered a user of a benchmark if it uses a benchmark to measure its performance for the purpose of:

- tracking the return of the benchmark,
- defining the asset allocation of the portfolio or
- computing performance fees payable by it

There is a ban on supervised entities using benchmarks that are not included in ESMA's register. Therefore it is necessary for relevant funds to assess the impact of this.

The other obligation imposed on investment funds, include:

- **Written contingency plan** - the preparation of contingency plans around the use of benchmarks and the steps that will be taken in the event that a benchmark ceases to exist or materially changes.

The written contingency plan must be reflected in contractual arrangements with clients and is not subject to the transitional arrangements. Therefore this aspect of the BMR became effective on 1 January 2018.

- **Prospectus disclosure** – where the prospectus of a UCITS fund references a benchmark, it must make a statement on the status of the administrators providing the benchmarks being used.

The prospectus disclosure must be made in the prospectus of funds the next time updates are made but not later than 12 months from 1 January 2018. The prospectus disclosure requirement is not imposed on AIFs.

Transitional arrangements

The applicable transitional arrangements will depend on whether the benchmark administrator is located inside or outside the EU and the date on which it first began providing benchmarks within the EU. For example, administrators providing benchmarks in the EU on 30 June 2016 will have until 1 January 2020 to apply for authorisation or registration under the BMR and during this period, funds may continue to use benchmarks provided by such index providers later than 1 January 2019.

IRISH FUNDS MEMBER AND EVENTS UPDATE

New member welcome

A warm welcome to our most recent new members Clearstream, Eversheds Sutherland, First State Investments, Simmons & Simmons, and Sparkasse Bank Malta. We now represent 136 member companies from across the funds industry and appreciate your continuing support.

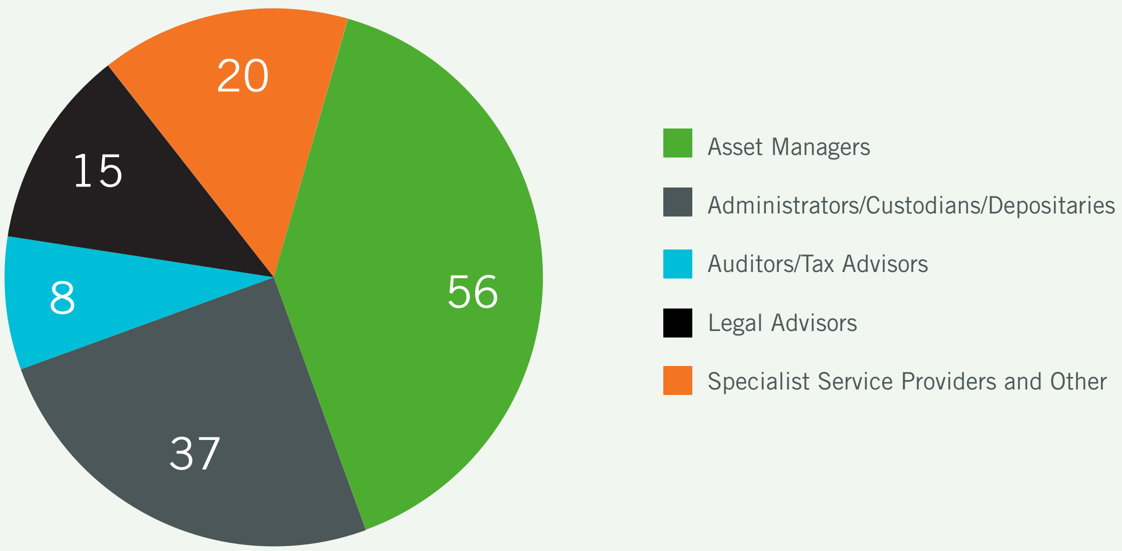
Two new working groups created

Having reached out to members for expressions of interest and nominations for involvement, we are currently constituting an Internal Audit Working Group and a Member Engagement Working Group. Given that most of our other Working Groups have only been up and running 12 months, we will start looking at the process to refresh them in Q1 2019.

Member engagement lunches

With the conclusion of the summer we have re-started this popular initiative and continue to see strong interest in these networking and information sharing events with 50 firms already confirmed to take part over the next 7 months. These lunches are an opportunity to discuss matters important to you and to get additional detail on our current priorities. For more information or to attend a lunch, please contact karen.gildea@irishfunds.ie.

Breakdown of Irish Funds membership



Upcoming technical briefings

We are currently in early stage planning for a series of Q4 Technical Briefings. These 1-2 hour sessions, typically held in Chartered Accountants House and streamed for members based overseas, are another valuable source of information and insight for members. More information will follow in the coming weeks.

Upcoming events and sponsorship opportunities for 2019

We are back in the UK, the US and Asia this autumn in our ongoing efforts to support managers and promote Irish funds across the globe. For more information or to register for any of our events, visit www.irishfunds.ie/events. We will release our 2019 events sponsorship opportunities on Monday, 8 October. This is an opportunity to maximise your brand's visibility to a global audience. Our experience from recent years is that the available sponsorship slots go quickly – we deal with them on a first-come, first-served basis. If you have any questions, please contact David Shirley at david.shirley@irishfunds.ie or on +353 1 6753205 for more information.

Member Portal Resource

The member portal, which we re-launched last year, continues to be a success with 1,570 users from 129 member firms registered, accessing more than 1,600 document resources. If you or your colleagues do not currently have access to this important information resource, you can register at https://memberportal.irishfunds.ie/.

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