K&L GATES

KEY MESSAGES

September Investment Management Conference

K&L GATES

THIRTEENTH ANNUAL INVESTMENT MANAGEMENT CONFERENCE 2018

Event Chair
Michelle Moran
K&L Gates LLP
Partner

Thank you for attending the 13th annual Investment Management conference in London on Thursday, 27 September. Your presence helped to make this event a success and we hope that you found the day informative and worthwhile.

We thought it may be useful for you to have a summary of some of the key themes which came out of the discussions from the panels and speeches from the day.

We look forward to seeing you again next year.

In the meantime, thank you for your continuing support.

HOT TOPICS FOR THE YEAR AHEAD

K&L GATES

SPEAKERS

Neil Baylis
K&L Gates LLP
London

Paul Callegari
K&L Gates LLP
London

Adam Jacobs-Dean
AIMA

Andrew Massey
K&L Gates LLP
London

Jelena Petrovic
Western Asset
Management

Philip Reed
Independent
Franchise Partners

The regulatory juggling act will continue for the industry in the year ahead. The panel outlined the SMCR regime which may present different challenges for larger and smaller organisations. The requirement to appoint a minimum number of independent directors to UK authorised fund manager boards was broadly welcomed by the panel. It was thought that the UK is better placed than other jurisdictions regarding the supply of suitable qualified candidates.

The panel made clear that the audience had a role to a play in shaping the outcome of these regulatory initiatives and encouraged them to not hold back in sending their views to trade associations. Regarding blockchain, always a hot topic these days, the consensus was that the industry may benefit from efficiencies in areas such as custody and anti-money laundering ("AML") procedures.

1. In preparation for the Senior Managers and Certification Regime ("SMCR"), which takes effect for solo-regulated firms on 9 December 2019, firms should be formulating project plans.

2. The requirement to appoint a minimum number of independent directors to the boards of UK-authorised fund managers by 30 September 2019 was welcomed.

3. Firms should continue to monitor developments from the Financial Conduct Authority ("FCA") regarding disclosure requirements beyond those immediately on the horizon. The FCA's final report on its Platform Market Study is eagerly awaited.

4. Firms should monitor proposals to introduce mandatory disclosure of environmental, social and governance ("ESG") factors to ensure that they are appropriate for firms and clients.

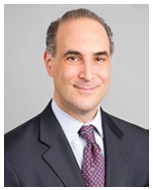
QUESTIONS?

Moderated by:
Philip Morgan
London
K&L Gates LLP

GLOBAL DISTRIBUTION UPDATE

SPEAKERS

Dr. Christian Büche
K&L Gates LLP
Frankfurt



Edward Dartley
K&L Gates LLP
New York

Giovanni Meschia
K&L Gates LLP
Milan

Tara Newbery
PGIM Investments

Giles Swan
ICI Global

Distribution has long been an area where the industry has sought greater simplification and harmonisation. There was consensus that this was not the general direction of travel, though there are some positive developments to note.

The panel discussed experiences of MiFID II, and the possibility that MiFID II requirements may be extended to UCITS management companies and AIFMs (as has happened in Italy through gold-plating). There was acknowledgement of the challenges posed by PRIIPs KID, the possible threats to the UCITS brand, and what fund distribution might look like post-Brexit. Options for distributing funds in the US were outlined, and the panel were hopeful about the prospects of the market opening up further in Asia.

QUESTIONS?

Moderated by:
Andrew Massey
K&L Gates LLP
London

1. The impact of MiFID II on the ease of distributing products and the associated cost was acknowledged. Approaches to accommodating different disclosure templates and distributors' varied requirements regarding the method of disclosure were discussed.

2. The panel outlined the challenges posed by PRIIPs KIDs and the studies being undertaken in various jurisdictions across Europe, including the FCA's Call for Input.

3. It was observed that if the European Commission's review of PRIIPs KIDs does not materialise by 31 December 2018 and no action is taken, the current exemption for UCITS would lapse and would result in UCITS needing to produce both a PRIIPs KID and UCITS KID.

4. On the European Commission's proposals to ease cross border distribution, whilst there are some positive aspects, the changes if implemented would not "move the dial".

5. Regarding accessing the US market, there was discussion of the options available to facilitate different distribution models. Successfully targeting US investors invariably depends on the execution of the distribution strategy, rather than regulatory hurdles.

6. Models for post-Brexit distribution were set out by the panel, including the little known mutual recognition arrangements for German UCITS and Swiss securities scheme.

REGULATORY PRIORITIES FOR 2019

K&L GATES

SPEAKERS

Declan Casey
Irish Funds

Vincent Ingham
EFAMA

Jack Knight
The Investment Association

At a European level, the panel outlined the busy agenda for the European Commission and European Parliament for completion before the end of April next year. It is a challenging time for European and national regulators to move the agenda forward given the political uncertainty with Brexit, migration issues and the rise of populism. Brexit has focused the minds of the regulators increasing their focus on substance requirements and the governance of boards.

1. The European Parliament has a challenging workload to complete prior to the next election in May 2019. Political challenges with Brexit, migration and the rise of populism bring additional uncertainty.
2. In Ireland, the substance requirements of CP86 will likely evolve, post Brexit.
3. In the UK, there is a key focus for the regulators on cultural change. The FCA market and platform studies, the SMCR regime, AML, financial crime, operational resilience, cyber security, substance and outsourcing also remain in focus.
4. At the European level, a top priority is ensuring the UCITS exemption under PRIIPS is extended.
5. Other European priorities include PEPPS, cross border distribution Proposals and the Capital Markets Union.
6. The proposal for ESMA to have more supervisory powers is undergoing review.

QUESTIONS?

Moderated by:
Michelle Moran
K&L Gates LLP
London

BREXIT: 6 MONTHS TO GO.

K&L GATES

SPEAKERS

Ignasi Guardans
K&L Gates LLP
Brussels

Rebecca Healey
Liquidnet

Jack Knight
The Investment Association

Dr. Hilger von Livonius
K&L Gates LLP
Munich

Jarkko Syyrilä
Nordea Asset and Wealth Management

The hot political topic of Brexit proved to be a lively and popular panel. The European perspective expressed very clearly was that the momentum of Brexit cannot be stopped and the reality that it is going to happen on 31 March needs to be faced squarely. The UK should not expect an extension of the deadline of 31 March 2019 or an acceptance of the Chequers proposal. In addition, a fully effective trade deal being in place by January 2021 is simply not realistic. Fasten your seatbelts and focus on being prepared for a range of scenarios including no deal was the clear message from the Europe.

QUESTIONS?

Moderated by:
Michelle Moran
K&L Gates LLP
London

1. Brexit still means Brexit. The EU will not accept Chequers. It's either hard Brexit on 31 March 2019 or a mitigated hard Brexit in December 2020.
2. The maximum that the UK can expect to achieve is a statement of intent regarding trade in the withdrawal agreement.
3. Be creative in looking for mitigation and temporary measures; it's getting late in the day to start planning but focus on core activities.
4. EFAMA has mapping tools for asset managers in preparing for Brexit. Various mitigating measures have been taken in the UK (Temporary Permissions Regime and Statutory Instruments) to prepare for a hard Brexit.
5. No reciprocation from Europe on mitigating measures yet, but work going on behind the scenes.
6. Contracts, counterparty relationships and Legal Entity Identifiers need close inspection on the trading front.

ENFORCEMENT PRIORITIES FOR FINANCIAL SERVICES

K&L GATES

SPEAKERS

Eleanor Davison
Fountain Court
Chambers

Sarah Turpin
K&L Gates LLP
London

With an increased focus on large scale investigations at the FCA, the panel advised that companies can help themselves to reduce penalties by self reporting and engaging with the FCA early. The cost of investigations can be enormous and it is critical that these costs are covered under insurance policies, particularly Directors & Officers. There is a tendency to forget that an insurance policy is a commercial contract which can be renegotiated and, crucially, that insurers are very happy to do this. The message from the panel was clear, don't accept the first answer from your insurer, the devil is always in the detail and it is possible to go back to insurers multiple times to negotiate better coverage.

1. High on the FCA agenda: financial crime, retail conduct, culture and market manipulation, AML and cyptocurrency.

2. Look to voluntarily address issues with the FCA, which will lower penalties.

3. Cost of investigations is enormous. Keep an eye on your level of insurance cover, in particular D&O.

4. Devil is in the detail. Review insurance coverage for voluntary investigations, self reporting and multijurisdictional policy issues.

5. Insurers will renegotiate the insurance policy. It is a commercial contract. Legal fees in insurance policies will be covered.

6. Frame and scope your responses to the FCA. Set out a terms of reference for the investigation.

QUESTIONS?

Moderated by:
Dylan Moses
K&L Gates LLP
London

OUTLOOK FOR THE GLOBAL ASSET MANAGEMENT INDUSTRY

K&L GATES

Amidst the current turmoil and uncertainty it might be hard to believe that it's not all doom and gloom, but for an industry as creative, resilient and adaptive as asset management the future is actually very bright.

This was the upbeat message from Michael Caccese, Chairman of the K&L Gates Management Committee and Co- Practice Area Leader of Financial Services. Michael conveyed a positive outlook from a truly global perspective. He reflected on the successes of 2017 and cast a glance towards positive future trends. The session was warmly received.

QUESTIONS?

Michael Caccese
Chairman of the Management Committee,
Practice Area Leader - Financial Services
K&L Gates LLP
Boston/Pittsburgh

"Exceptionally good year for asset managers" - Boston Consulting Group, 2017 Report

Positive Trends

New participants
- Sovereign wealth funds
- Shadow banking/ restrictive banking regulations

Federal Reserves
- Abundant liquidity
- Technology (research tools, trading costs)

Excess savings
- Savings culture (China, Europe, rising middle class)
- Aging population (retirement savings)

Future

- APAC Passport (Australia, Japan, New Zealand, South Korea and Thailand)
- Major acquisitions (Hermes Federated, Standard Life/Aberdeen)
- Incorporating ESG factors into investment decisions
- Increasing middle class in emerging markets
- United States lighter regulations
- China - London Stock Connect
- UCITS expansion in Asia
- Opening of Chinese fund markets

ASSET MANAGEMENT UNDER THE NEW SEC REGIME

K&L GATES

Aside from a tweet from Donald Trump, the President of the United States, directed to the Securities and Exchange Commission ("SEC") asking them to explore semi-annual corporate reports rather than quarterly reports, the SEC has remained largely unaffected by the President's politically charged rhetoric.

Talking to a predominately UK and European centric audience, Matthew Mangan, an Investment Management Partner in the K&L Gates San Francisco office explored the SEC's priorities under Chairman Clayton and looked at how these might influence current regulatory trends. The session provided an interesting insight into the US political and regulatory arena.

SEC Priorities

- Apply the three tenants of the SEC's mission equally:
  - protect investors
  - maintain fair, orderly and efficient markets
  - facilitate capital formation
- Focus on the long-term interests of the main street investor
- Evolve as markets evolve
- Retrospectively review rules after they are adopted to ensure they are functioning as intended
- Ensure cost of compliance is considered in proposing and adopting rules
- Remain conscious that regulatory actions drive change which can have lasting effects

QUESTIONS?

Matthew Mangan
K&L Gates LLP
San Francisco

K&L GATES SPEAKERS

K&L GATES

Neil Baylis

Partner - Antitrust, Competition and Trade Regulation
London
+44.(0).20.7360.8140
neil.baylis@klgates.com

Dr. Christian Büche

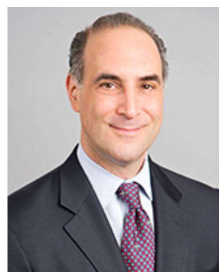
Partner - Investment Management
Frankfurt
+49.(0)69.945.196.365
christian.bueche@klgates.com

Michael S. Caccese

Chairman of the Management Committee, Practice Area Leader - Financial Services
Boston/Pittsburgh
+1.617.261.3133/+1.412.355.8956
michael.caccese@klgates.com

Paul Callegari

Partner - Labour, Employment and Workplace Safety
London
+44.(0)20.7360.8194
paul.callegari@klgates.com



Edward Dartley

Partner - Investment Management
New York
+1.212.536.4874
ed.dartley@klgates.com

Ignasi Guardans

Partner - Public Policy and Law
Brussels
+32.(0)2.336.1949
ignasi.guardans@klgates.com

Matthew Mangan

Partner - Investment Management
San Francisco
+1.415.249.1046
matt.mangan@klgates.com

Andrew Massey

Partner - Investment Management
London
+44.(0)20.7360.8233
andrew.massey@klgates.com

Giovanni Meschia

Partner - Investment Management
Milan
+39.(0)2.3030.291
giovanni.meschia@klgates.com

K&L GATES SPEAKERS

Michelle Moran

Event Chair – Partner Investment Management
London
+44.(0)20.7360.8255
michelle.moran@klgates.com

Philip Morgan

Partner - Investment Management
London
+44.(0)20.7360.8123
philip.morgan@klgates.com

Dylan Moses

Partner - Investigations, Enforcement and White Collar
London
+44.(0)20.7360.8154
dylan.moses@klgates.com

Sarah Turpin

Partner - Insurance Coverage
London
+44.(0)20.7360.8285
sarah.turpin@klgates.com

Dr. Hilger von Livonius

Partner - Investment Management
Munich
+49.(0)89.321.215.110
hilger.livonius@klgates.com

K&L GATES