AIFM made easy: Do I need to appoint an AIFM?

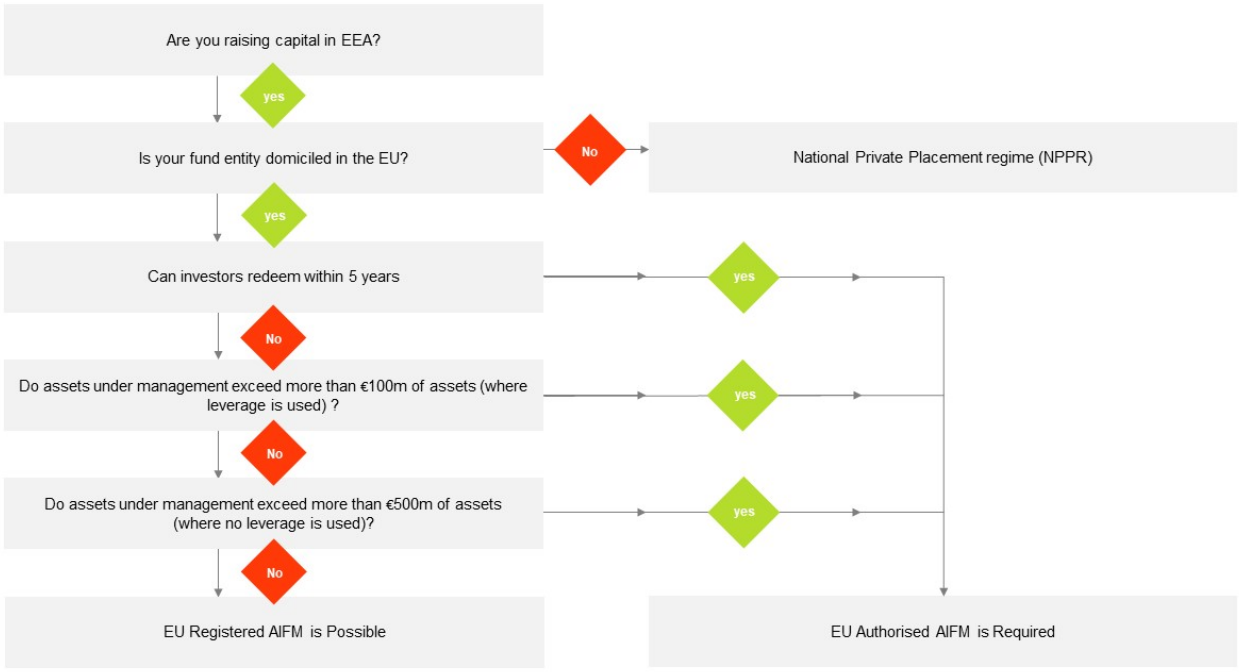
If you're marketing your fund to European investors, you'll need to appoint an AIFM, or follow the National Private Placement Regime (NPPR) requirements, ***Kasia De Oliveira Santos*** *and* ***Paul Conroy*** *explain how.*

As a promoter fundraising in Europe, you need to ensure you are compliant with the Alternative Investment Fund Manager Directive (AIFMD). More about this here.

To do this, you need to decide whether to appoint an external AIFM, or register as an AIFM yourself. There are some key considerations to help you make that decision, such as the size of your fund and in which country it is domiciled. You'll also need to decide whether to appoint a registered AIFM, or an authorised one. However, if you are planning on going down the NPPR route, which is a mechanism that allows non-EU alternative funds to continue to market in Europe without using the AIFMD passport, you'll need to make sure you meet certain qualifying criteria.

But which route should you take? Our decision tree below explores what to consider while making your decision.

Decision tree



Note: the above is designed to illustrate the most common approach and other scenarios are possible.

Explaining the nuances

There's a lot to keep in mind when deciding on the right AIFM path to take for your funds. Below, we explain some of the nuances you need to be mindful of when making that decision.

Do I need a Registered or Authorised AIFM?

The difference between a Registered AIFM and an Authorised AIFM is primarily based on the size of AUM and the regulatory requirements they must adhere to.

For instance, if AUM exceeds €100 million (where leverage is used) or €500m (where no leverage is used), an EU Authorised AIFM is required and is subject to the full requirements of the AIFM Directive. If AUM is below this threshold, an EU Registered AIFM is possible and can avail of a lighter touch regulatory regime.

The measurement of AUM is typically at the investment manager / promoter level and should aggregate all funds launched by the promoter in Europe. Whilst Registered AIFMs have fewer regulatory requirements, there is still an obligation to comply with many of the AIFMD requirements.

It is most common for the General Partner (GP) of a fund to be appointed as the Registered AIFM, with the responsibility for ensuring appropriate compliance falling to the directors of the GP.

A Registered AIFM does not have a "passport" to distribute the fund across Europe. It must therefore distribute through the NPPR regime country by country. Whereas an Authorised AIFM will hold a cross-border "passport" to distribute to professional investors across Europe.

Under AIFMD, an Authorised AIFM must hold a certain amount of capital, but Registered AIFMs do not have to.

Worked Example

- Lux Fund 1 launched 2019 – AUM of €220m (no fund leverage, closed ended)
- Lux Fund 2 launched 2022 – AUM of €250m (no fund leverage, closed ended)
- Lux Fund 3 launched 2024 – AUM of €300m (no fund leverage, closed ended)

If the same promoter, whose AIFs are linked by common management or control, or by a substantive direct or indirect holding, launched these three funds, it would have been possible for Fund 1 and Fund 2 to have appointed a Registered AIFM (as the total AUM is €470m – less than the €500m threshold). It would also be possible to choose to appoint an Authorised AIFM at this stage, but not compulsory.

When launching Fund 3, it would be expected that the aggregated AUM limit of €500m would be exceeded and this would therefore require all 3 funds to appoint an Authorised AIFM in 2024.

Should I use NPPR or AIFMD Marketing Passport?

NPPR and European cross-border passport are two different ways for funds to be marketed in Europe. Some of the key characteristics are summarised below:

	Who can do it?	**How does it work in practice?**	**How is it regulated?**

EU AIFM	Typically applies to EU Funds that have appointed an EU Authorised AIFM as the manager.	The EU Authorised AIFM has a cross-border passport that facilitates marketing of the fund across the EEA (note some country-by-country administrative tasks are also required).	Central oversight by the regulator in the home country of the Authorised AIFM (e.g. the CSSF in Luxembourg or the CBI in Ireland).
NPPR	Typically applies to funds that do not have an EU Authorised AIFM appointed as the manager. For example, Registered AIFMs or third country (note 1) funds / managers.	Requires country by country registration.	Requires compliance with local regulatory requirements in each country and also in the home country of the fund / manager.

Note 1: A third country is a non-EU country that is subject to the AIFMD regulations when marketing their funds within the EU through NPPR. Examples of third countries includes USA, UK, Jersey, Guernsey and Switzerland.

How can we help?

Aztec Group provides clients with a Single Partner Solution ensuring that fund and promoter receive an integrated administration, depositary and AIFM Service, whilst ensuring that the appropriate conflicts of interest and regulatory segregations are respected.

Appointing Aztec as your AIFM provider can offer several advantages, including:

- **Access to the EU market**: managers can benefit from the passporting rights granted by AIFMD, which allows marketing across Europe without having to obtain multiple authorisations or comply with different national

rules. This can reduce the time and costs of entering new markets and increase the potential investor base and fundraising opportunities on offer across Europe.

- **Compliance with the AIFMD**: promoters can delegate the responsibility of complying with AIFMD to Aztec AIFM, who will ensure that AIFs are managed in accordance with the directive's requirements and standards. This can reduce the regulatory burden and risk for fund managers, who can focus on their core competencies and value-added activities.
- **Expertise and resources:** managers can leverage the expertise and resources of the AIFM provider, who will offer a range of services and functions such as portfolio management, risk management, valuation, reporting, disclosure, and distribution. The AIFM can also offer access to its wider service offering, including depositary, fund and corporate services.

For more information on Aztec's AIFM service contact **Kasia** or **Paul**.