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Financial Services and Markets

Directive on Alternative Investment Fund Managers - agreement draws closer

European finance ministers yesterday took a key step towards finalising the text of the controversial proposed Directive on Alternative Investment Fund Managers.

At a meeting in Luxembourg, ministers settled on a version of the Directive text which Michel Barnier, the EU's internal market commissioner, has said takes account of "the numerous and legitimate requests of the European Parliament". The agreed text reflects the lengthy, and often heated, triologue negotiations that have taken place over recent months. It is not, however, the end of the legislative process.

Before it can become law, the Directive also needs to be approved by the European Parliament. The Parliament is currently scheduled to vote on the text at its Plenary session beginning on 10 November. Before then, the Council of the European Union will write to the Parliament with a formal proposal for the text, which is unlikely to differ greatly from yesterday's version. However, given the somewhat lukewarm reception granted to yesterday's text by Christine Lagarde, the French finance minister, we may yet see some changes made to smooth the way for the Parliament's approval.

The process over the last few months has been deeply political and has focussed on a few major policy issues. As a result, the quality of the final text, both in terms of drafting and content, is likely to be deeply unsatisfactory to all affected by it and will almost certainly have unintended and unforeseen consequences.

Once the Directive is finalised the drafting of the detailed Level 2 measures will begin.....

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