

Via email: fundspolicy@centralbank.ie

AIF Rulebook Consultation
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Dear Sir/Madam,

State Street Global Advisors (“SSGA”) is pleased to have the opportunity to respond to Consultation Paper CP99 - Consultation on amendments to AIF Rulebook.

SSGA is the investment management arm of State Street Corporation. For nearly four decades, we have been committed to helping our clients, and the millions who rely on them, achieve financial security. We partner with many of the world’s largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. With €2 trillion in assets, our scale and global reach offer clients unrivaled access to markets, geographies and asset classes, and allow us to deliver thoughtful insights and innovative solutions.

The sections of CP99 we have comments on are set out below:

Section II, point 7:

“Clarify that a Retail Investor AIF which invest in an underlying fund of funds is not subject to the obligation to ensure that the underlying fund of funds does not itself invest more than 30% in other funds”

The explanatory text states “Retail Investor AIFs may also invest in an underlying investment fund which is itself a fund of funds provided that the fund is regulated and due attention is brought to the higher fees which will arise from this layered structure. The AIF Rulebook implies that the underlying fund of funds could not invest more than 30% in other funds.”

Proposed amendment to paragraph 1 on page 91 of AIF Rulebook November 2015:

1. The Retail Investor AIF may invest more than 30% of net assets in an open-ended investment fund and may disregard paragraphs [10](#) and [11](#) of section 1.ii (Investment restrictions) of Part I provided that the underlying fund is a Category 1 investment fund or a Category 2 investment fund.

SSGA comment:

We would welcome the clarification proposed by the Central Bank but note the proposed amendment does not address:

1. a Retail Investor AIF that invests less than 30% of net assets in an underlying investment fund which is itself a fund of fund

2. a Retail Investor AIF that invests in two or more underlying investment funds which are themselves fund of funds.

Paragraphs 10 and 11 of section 1.ii (Investment restrictions) of Part I would therefore still apply in these scenarios. This means that it is only possible for a Retail Investor AIF to invest in a (Category 1 or Category 2) fund of funds if the investment is more than 30% of net assets in a single (fund of fund) investment fund. This restriction is inconsistent with the Central Bank explanatory text above.

In addition, we do not understand why this rule should only apply to a RIAIF that invests more than 30% in a Category 1 or Category 2 fund of funds (the "30% Holding Threshold"). We are of the opinion that it should apply to any RIAIF that invests in a Category 1 or Category 2 Fund which itself invests more than 30% of its assets in other funds (the "Regulated Fund of Fund"), regardless of the RIAIF holding in such Regulated Fund of Funds.

Indeed, the potential operational, scale and diversification benefits of a RIAIF investing in a Regulated Fund of Funds - as opposed to replicating the same exposure as the Regulated Fund of Funds by investing directly in each of its underlying funds (the "Underlying Funds") - exist regardless of the 30pc Holding Threshold.

It can be especially challenging to replicate such exposures where the 30% Holding Threshold is not met and therefore overall and individual investment amounts are low, due to the minimum investment amounts applied by the Underlying Funds. We believe this provides a strong case for allowing such flexibility.

In addition, to the extent the same disclosure requirements about fee layers are met, such practice does not have any negative impact on investors."

We propose the alternative amendment set out below:

SSGA Proposed amendment to paragraph 1 on page 91 of AIF Rulebook November 2015:

Retail Investor AIFs which invest ~~more than 30% of net assets in another~~ investment funds

1. The Retail Investor AIF may invest in ~~an~~ other open-ended investment funds and may disregard paragraphs 10 and 11 of section 1.ii (Investment restrictions) of Part I provided that the underlying funds ~~is-a~~ are Category 1 or Category 2 investment funds.

Thank you once again for the opportunity to comment on the important matters raised within this CP. Please feel free to contact us should you wish to discuss State Street's submission in greater detail.

for and on behalf of
State Street Global Advisors Limited