



MiFID Coordination
Markets Policy and International Division
The Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Re: Preliminary response to AIFM issues in CP16/29

Dear Sirs,

The British Private Equity and Venture Capital Association ("BVCA") is the industry body and public policy advocate for the private equity and venture capital industry in the UK. With a membership of over 600 firms, the BVCA represents the vast majority of all UK based private equity and venture capital firms, as well as their professional advisers. Our members have invested over £27 billion in nearly 3,900 UK-based companies over the last five years. Companies backed by private equity and venture capital in the UK employ around 385,000 people and 84% of UK investments in 2015 were directed at small and medium-sized businesses.

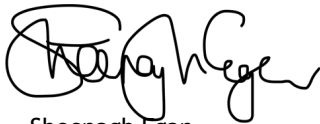
We wanted to take this opportunity to provide you with our preliminary response in relation to the proposals outlined in the FCA's consultation paper for the application of MiFID II standards to full scope AIFMs, sub-threshold AIFMs and residual CIS operators (together "Alternative Investment Managers"). We are providing this response to you in advance of our more detailed response on the CP so that you can take our concerns into account when preparing the AIFM specific consultation paper proposed for December 2016.

We welcome the fact that the FCA is not proposing to apply all of MiFID II standards to Alternative Investment Managers. However, we are very concerned that the FCA is proposing to mandatorily apply certain MiFID II standards to those managers, in particular those standards covering best execution and some aspects of the inducements regime. We note that this goes beyond the requirements of MiFID II. We also note that it would have been an option for the European Union authorities to apply these standards to full scope AIFMs through amending either the AIFM Directive or the AIFM implementing regulation through MiFID II/MiFIR. The European Union authorities have chosen not to do this but instead to leave any such updates to be considered as part of future work on potential changes to the AIFM Directive. We do not think it is appropriate for the UK to 'gold plate' MiFID II and AIFMD in advance of those changes potentially being made. There will be a number of firms in groups which are subject to MiFID II where it would be helpful for those firms to have the option to apply MiFID II standards to their AIFMs in order to ensure consistency across business lines. However, many private equity and venture capital groups are regulated solely under

the AIFM Directive and do not have a MiFID firm, therefore there is no advantage to these entities in applying MiFID standards. A mandatory, 'gold plated' approach for these firms would put them at a disadvantage when compared with funds operating in other jurisdictions within the EU given the additional compliance burden and costs entailed. This could result in UK AIFMs being indirectly subject to a greater level of EU regulation than their EU counterparts.

We would welcome the opportunity to discuss our concerns with you and more generally to discuss the position of UK AIFMs in light of MiFID II requirements. If you have any queries on this letter please do not hesitate to contact me or Gurpreet Manku at BVCA, 020 7492 0454, gmanku@bvca.co.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sheenagh Egan', written in a cursive style.

Sheenagh Egan