

Alyn Smith MEP – November musings

✘ by Alyn Smith MEP

At first glance some Edinburgh Reporter readers may think that the term 'Hedge Funds' refers to financial aid for a garden project! Think again! I recently welcomed a vote on the Alternative Investment Funds Managers Directive, the so called "hedge funds" directive, as a workable compromise.

The agreement reached after 18 months of negotiation and approved by the European Parliament will provide comprehensive Europe-wide regulation of the managers of alternative investment funds not covered by existing regulations. The question at hand is what impact will this directive have on Edinburgh and how will it affect us all?

The Directive requires all European managers to register with a national competent authority: in return for disclosure requirements on investment strategies, so will provide much greater transparency and accountability. Alternative investment vehicles are major, valuable players in the Scottish and European economy, and employ 18,000 people in Scotland and the UK, with a significant number based in Edinburgh, so any compromise reached had to strike a very careful balance between encouraging continued positive economic activity, while at the same time protecting Scots from excess.

Remarkably, this seems to be what we have achieved, with all major stakeholders satisfied that this will provide a workable environment for the future of Europe's economy.

The Directive will have a major impact on Edinburgh's financial services industry and its customers. Not only will

it provide a solid, regulatory framework but it will also promote a more open culture, where macro-risks to the stability of the system can be spotted before they become too big to deal with. The concept of AIFM 'passport' is a very useful one, which should help funds and managers operate across the single market without having to deal with 27 different sets of rules. At the same time, it is only right that, in return, regulators and the public at large should

receive more information on the workings of the funds. The economic crisis was largely caused by a lack of transparency, particularly across

borders, in financial markets: even the participators themselves were unsure of the risks they were piling up, which led to the catastrophe. The

Directive is good news for Europe, good news for Scotland and good news for its capital financial city.

Alyn Smith SNP is Scotland's youngest MEP and you may follow what he is up to on [Facebook](#)