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IHS Fairplay

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Is anybody listening?

Maritime clusters try to get through to the European Commission

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Tanker operator finds peace of mind

Charlotte Røjgaard: shipping's Sherlock Holmes

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regulation

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Law tightens on ship KG financiers

Germany's struggling KG marine equity sector faces severe regulatory headwinds as well as a major downturn

'Contracts will have to be rescindable so ship managers can be replaced if they don't perform'
Martina Hertwig

TPW

The European Alternative Investment Fund Managers (AIFM) Directive, due to be enacted into national law by July 2013, requires KG houses to put in place sophisticated risk management and reporting procedures to comply with alternative investment fund manager status. They also have to carry out more frequent ship valuations to improve transparency for KG shareholders.

As implementation of the EU's AIFM regulation draws nearer, no KG issuing houses and their associated fund managers can afford to set aside the issues raised any longer. In fact, the new requirements will raise the bar to a level that many KG houses may find impossible to reach, partly because Brussels had the more popular hedge funds in mind when it drafted the directive in response to the global financial markets crisis of 2008. Consequently, one fund manager told *Fairplay*: "We are likely to see consolidation in the KG sector pick up."

An alternative investment fund manager might have to be established as a separate entity alongside the fund manager, which commercially manages the KG fund, and the ship manager, which takes care of all operational aspects of the asset. It is likely to be set up as a subsidiary of the KG house or the ship manager – the two key stakeholders of any ship KG fund, aside from the private investors that provide funding.

Basic requirements for the alternative investment fund manager include quarterly reporting and transparent risk management plans. Fleet fund managers that control more than one asset will need a bank-style licence to do business. The application for such a licence could take up to 12 months, excluding the necessary realignment of management processes, warned Martina Hertwig, a partner with Hamburg tax accountancy firm TPW.

The relationship between the KG funds that own the ships and the ship managers they nominate is likely to become more volatile, explained Hertwig. "Long-term contracts for ship managers will not be permitted any more. Contracts will have to be rescindable so ship managers can be replaced if they don't perform."

TPW stressed that AIFM compliance could help KG houses to attract investors. Enhanced reporting and transparency would make it easier for institutional investors, such as insurance groups, to add KG ship investments to their portfolios. F

CLIA's Michael Crye says safety issues may be discussed within the confines of the IMO

Andy Newman

Drill inquiries follow tragedy

Costa Concordia disaster prompts an industry review of procedures

Under International Convention for the Safety of Life at Sea (SOLAS) Chapter 3, passengers must be familiarised with a ship's safety installations and practise musters.

Lifeboat drills – or muster drills –must also take place within 24 hours of embarkation if the vessel is engaged on a voyage where passengers are scheduled to be on board for more than 24 hours.

SOLAS also requires that whenever new passengers embark, a passenger safety briefing is given immediately before or after sailing.

But Costa Crociere CEO Pier