## Appendix 1

## Feedback Statement on the Public Comments Received by the Technical Committee on the *Consultation Report – Private Equity Conflicts of Interest.*

Non-confidential responses were submitted by the following organisations to IOSCO consultation entitled *Consultation Report: Private Equity Conflicts of Interest*. The deadline for comments was 1 February 2010.

Association of the Luxembourg Fund Industry (ALFI)

Associazione Italiana de Private Equity e Venture Capital (AIFI)

British Venture Capital Association (BVCA)

CFA Institute (CFA)

Conseil déontologique des valeurs mobilières (CDVM)

Mr. Patrick Velay.

These responses can be viewed in Appendix 2 of this document. IOSCO is grateful for the responses and took them into consideration when preparing this final report. The rest of this section reports on the main points raised during the consultation.

**Comments received**

In general, responses to the consultation paper were supportive of IOSCO's work and were broadly in agreement with the risks identified in the report and the principles set out for the effective mitigation of conflicts of interest in private equity.

**Identified areas of risk of conflicts of interest**

The responses received generally agreed that the consultation report had appropriately identified the risks of conflict of interest that might arise in the private equity industry. One respondent indicated that whilst these were generally specific to the private equity industry some would be faced by other types of firm, whilst another indicated that some of the identified risks would be mitigated in some jurisdictions by specific legal and regulatory requirements.

***Based on the responses received IOSCO has made minor amendments to its report with respect to the risks of conflict and potential mitigation techniques identified in the report. As this report is due to comment on the broad range of conflicts of interest that may be faced in private equity, irrespective of jurisdiction or the size and scope of activities of the firms concerned IOSCO considers the document appropriate in its current form.***

**Principles for the effective mitigation of conflicts of interest**

The report set out eight principles for the effective mitigation of risk. Respondents were broadly supportive of the principles and their application.

A number of comments were received regarding the drafting of some of the principles. In particular one respondent highlighted that investors would not necessarily wish, or need, to know the substance of every discussion within the investment advisory committee but would expect to know decisions reached and if there would be dissenting views.

IOSCO also received a number of responses regarding the text providing additional detail on the application of the principles. As an example, one respondent suggested that under principle two a private equity firm could be expected to review its business, including its wider group, over time to ensure its policies and procedures remain appropriate.

One respondent, whilst agreeing that the principles were appropriate, suggested that the principles should cover not only operational measures but also contractual agreements and obligations entered into by private equity firms.

***As a result of the comments received IOSCO has made a number of changes to some of the final principles for the effective mitigation of conflicts of interest and the accompanying additional information. IOSCO considers these enhance the clarity and appropriateness of the principles for use by industry participants in managing the risks of conflicts in their business.***

**Conclusion**

In view of the comments received during the consultation the TC does not believe significant changes are merited to the original report. However, based on feedback received, a number of amendments have been made to enhance the coverage and appropriateness of the principles. IOSCO therefore considers the Private Equity Report, as contained in the remainder of this paper, to be final.