

*Discussion draft: 21 December 2015*

**Alternative Investment Fund Managers Rules 2015**

(BRxx/2015)

ARRANGEMENT OF PARAGRAPHS

1	Short title and commencement	19	Qualifications of a valuer
2	Interpretation	20	Duties of a valuer
3	Application for license by an AIFM: information to be provided	21	Valuation: Liability of AIFM
4	Prerequisite for licensing	22	Delegation: General provisions
5	Minimum capital	23	Appointment of a delegate
6	Total capital	24	Sub-delegation: General Provisions
7	Liquidity	25	Liability following delegation
8	Breach of Minimum Capital and Liquidity Requirements	26	Depositaries: general provisions and appointment
9	Professional liability risks	27	Depositaries: Conflicts of interest
10	General organisational requirements	28	Duties of a depositary: cash flow monitoring
11	General operating conditions	29	Safekeeping of assets: financial instruments
12	Remuneration	30	Safekeeping of assets: other assets
13	Conflicts of interest	31	Depositaries: general compliance
14	Risk management	32	Depositary: delegation of functions
15	Liquidity management	33	Depositary liability for loss of financial instrument
16	Investment in securitisation positions		
17	Valuation		
18	Appointment of valuers		

34	Depository liability for other losses	43	Notification of the acquisition or disposal of major holdings and control of non-listed companies
35	Liability and overseas depositaries	44	Disclosure in case of acquisition of control
36	Annual report	45	Additional disclosure when control is acquired of non-listed companies
37	Disclosure to investors	46	Annual report of AIFs exercising control of non-listed companies
38	Prescribed information	47	Asset stripping
39	Reporting obligations to the Authority and to other competent authorities		
40	AIFM's managing leveraged AIFs		
41	Limits on leverage		
42	Ways of acquiring control of shares		

In exercise of the powers conferred on it by section 19H of the Investment Business Act 2003, the Bermuda Monetary Authority makes the following Rules –

### **Short title and commencement**

1. These Rules may be cited as Alternative Investment Fund Managers Rules 2015 and shall come into operation on the xx day of xxx 20xx.

### **Interpretation**

2. (1) In these Rules –

“the Act” means the Investment Business Act 2003;

“carried interest” means a share in the profits of the AIF accrued to the AIFM as compensation for the management of the AIF and excludes any share in the profits of the AIF accrued to the AIFM as a return on any investment by the AIFM into the AIF;

“close links” means a situation in which two or more persons are –

- (a) linked by participating interest in a company as defined by section 6 of the Act;
- (b) linked by control, namely the relationship between a parent company and a subsidiary, as defined by section 5 the Act;
- (c) linked to the same person by a control relationship;

“competent authority” means the regulatory authority of an overseas jurisdiction that is empowered by law to supervise AIFMs, AIFs or depositaries.

“constitution” means the formation documents of an AIF including, but not limited to, the memorandum and articles of association, bye-laws, trust deed or partnership agreements;

“depository” means a person appointed in accordance with paragraph 26;

“Employees’ representatives” means the employees' representatives of an undertaking provided for under the Trade Union Act 1967 or the laws and practices of an overseas jurisdiction where the undertaking has its registered office;

“established” means for AIFs which are not authorized or registered, having its registered office in”;

“EU” means the European Union of 28 member states;

“external valuer” means a person who performs the valuation function described in these Rules in respect of an AIF managed by an AIFM and is not the AIFM of that AIF;

“feeder AIF” means an AIF which-

- (a) invests at least 85% of its assets in units or shares of another AI (the (the master AIF)); or
- (b) invests at least 85 % of its assets in more than one master AIF where those master AIFs have identical investment strategies; or
- (c) otherwise has an exposure of at least 85% of its assets to such a master AIF;

“financial instrument” means an investment as prescribed by Part I of Schedule 1 of the Act or such similar instrument; as prescribed by the law of the jurisdiction where the AIF is authorised or established;

“governing body” means in relation to-

- (a) a company, the board of directors;
- (b) a partnership, the general partner;
- (c) a trust, the trustee;
- (d) or in relation to any other entity, such persons performing functions corresponding to those persons respectively referred to in paragraphs (a), (b) and (c) by whatever name called;

“IFA” means the Investment Funds Act 2006;

“minimum capital” means the regulatory capital requirement as prescribed by paragraph 5, that AIFMs will have to fulfill as part of their initial licensing process to meet the minimum licensing criteria under the Act”;

“issuer” means an undertaking governed by private or public law, including a state, whose securities are admitted to trading on a regulated market;

“leverage” means any method by which the AIFM increases the exposure of an AIF it manages, whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means;

“master AIF” means an AIF in which another AIF (a feeder AIF) invests or has an exposure in accordance with the definition of feeder AIF;

“Non-listed company” means an undertaking, the shares of which are not admitted to trading on a regulated market;

“prime broker” has the meaning given in section 2 of the IFA;

“prospectus” has the meaning of fund prospectus under section 2 the IFA and where the AIF is not subject to the IFA, the document required under the laws of the jurisdiction where the AIF is established by whatever name;

"regulated market" means an investment exchange or clearing house recognized by the Authority under section 71 of the Act or such other investment exchange or clearing house regulated by an overseas regulator recognized by the Authority;

“shares” has the same meaning given under section 2 of the Companies Act 1981;

“special arrangement” means an arrangement that arises as a direct consequence of the illiquid nature of the assets of an AIF which impacts the specific redemption rights of investors in a type of unit or share of the AIF and which is a bespoke or separate arrangement from the general redemption rights of investors;

“units” has the same meaning give under section 2 of the IFA.

(2) For the purposes of these Rules, “control” in relation to acquisition and reporting requirements means–

- (a) for a non-listed company, holding more than 50% of the voting rights of the non-listed company; and
- (b) for an issuer, the percentage of voting rights and the method of its calculation, determined in accordance with the law where the issuer is established pertaining to the take over of a corporate body.

(3) When calculating the percentage of voting rights for the purposes of this paragraph, if subparagraph 2(b) does not apply, in addition to the voting rights held directly by the AIF, the voting rights of the following shall be taken into account, subject to control being established–

- (a) an undertaking controlled by the AIF; and
- (b) a person acting in their own name but on behalf of the AIF or on behalf of an undertaking controlled by the AIF.

(4) The percentage of voting rights shall be calculated on the basis of all the shares to which voting rights are attached even if the exercise of those rights is suspended.

#### *Application for licence*

#### **Application for licence by an AIFM: information to be provided**

3. In relation to an application under section 16 of the Act to which section 19A of the Act applies, an applicant must provide the following information with the application–

- (a) identities of the AIFM’s shareholders or members, whether direct or indirect, that are shareholder controllers and the amounts of those shareholdings accompanied by an explanation as to how

this is suitable taking into account the need to ensure the sound and prudent management of the AIFM;

- (b) confirmation as to whether the applicant is an external or internal AIFM;
- (c) a description of the programme of activity of the AIFM together with an explanation on how the AIFM intends to comply with its obligations under the Act and these Rules;
- (d) a description of the investment activities to be carried on, including discretionary portfolio management for persons other than an AIF for which it is an external manager where the applicant intends to carry on business as an external AIFM,;
- (e) copies of the applicant's remuneration policies and practices;
- (f) on the address of the head office and the registered office of the AIFM;
- (g) in relation to each AIF that it manages,—
  - (i) completed versions of the AIFM Reporting templates, prescribed in Schedule II;
  - (ii) a description of the investment strategies and, in relation to a fund of funds, information on the types of underlying funds;
  - (iii) the policy regarding use of leverage, risk profiles and other characteristics of the AIFs it manages or intends to manage;
  - (iv) identification of the jurisdiction where the AIF is authorised or established, or expected to be authorised or established;
  - (v) in the case of a feeder fund, identification of the jurisdiction where the master fund is authorised;

- (vi) a copy of the constitution and prospectus of each AIF that it proposes to manage and if applicable, any additional information disclosed to investors;
  - (vii) appointment of a depositary for each fund it manages and the identification of the depositary.
- (h) confirmation that the AIFM has fulfilled and how it is able to maintain, the minimum capital and liquidity requirements;
- (i) confirmation regarding the arrangements made for the independent valuation of assets and the calculation of the net asset value per unit or share of the AIF, in accordance with paragraph 17, including identification of the person performing the independent valuation function;
- (j) details of the applicant's arrangements on delegation and sub-delegation in accordance with these Rules, including identification of any delegates or sub-delegates;
- (k) details regarding the leverage and risk limits adopted by the AIFM in relation to each AIF it manages, in accordance with paragraph 14 and paragraph 40.

#### **Prerequisite for licensing**

4. The Authority must be satisfied that the AIFM has the capacity to perform at least the services of risk management and portfolio management.

#### *Capital and Liquidity Requirements*

##### **Minimum capital**

5. (1) An internal AIFM must have a minimum amount of capital that is the equivalent of EUR 300,000.

(2) An external AIFM must have a minimum amount of capital that is the equivalent of EUR 125,000.

### **Total capital**

6. (1) Where the total value of the portfolios of AIFs managed by the AIFM exceeds the equivalent of EUR 250 million, the AIFM must provide an additional amount of capital that is equal to 0.02 % of the amount in excess of the equivalent of EUR 250 million.

(2) The total amount of capital is not required to exceed the equivalent of EUR 10 million.

(3) For the purpose of calculating the total value mentioned in subparagraph (1) -

- (a) the total value of the portfolios of the following AIFs must be included -
  - (i) AIFs managed by the AIFM;
  - (ii) AIFs for which the AIFM has delegated functions;
- (b) the total value of portfolios of AIFs that the AIFM is managing under delegation shall not be included.

(4) The Authority may, on the application of an AIFM, exempt the AIFM from complying with the requirements of subparagraph (1) and direct that the AIFM may be permitted to not provide up to 50% of the additional capital if there is in force in relation to the AIFM a guarantee of the same amount given by a bank, or an insurance undertaking which is subject to supervision by the Authority, or is authorized by a competent authority of a member state of the EU;

(5) Without prejudice to the provisions outlined in subparagraphs (1) to (4), the Authority may increase the total capital amount where the

Authority is of the view that the total amount of capital does not reasonably reflect the current position of the AIFM.

### **Liquidity**

7. (1) An AIFM shall maintain a minimum level of liquidity at all times equivalent to three months of an AIFM's annual expenditure

(2) Annual expenditure shall be based on the latest annual financial statements of an AIFM and is comprised of total revenue less profit before appropriations.

(3) Assets may be held to meet all or a portion of the minimum liquidity requirement provided that the assets are maintained in a form that is able to be converted to cash within a reasonable period of time by the AIFM.

### **Breach of Minimum Capital and Liquidity Requirements**

8. (1) An AIFM shall notify the Authority in writing within 14 days if it anticipates being in breach of the minimum capital and liquidity requirements set out in paragraphs 5 to 7.

(2) The notification shall contain the steps that the AIFM is taking or has taken to remedy the breach.

(3) Within 28 days of the date of the notification, the Authority may direct the AIFM to submit information regarding minimum capital and liquidity to demonstrate compliance with the requirements of these Rules.

### **Professional liability risks**

9. To address professional liability risks resulting from activities carried out by an AIFM, an AIFM shall either-

- (a) hold additional capital which is appropriate to cover potential liability risks arising from professional negligence;  
or
- (b) obtain professional indemnity insurance to cover liability risks arising from professional negligence.

### *Organisational Requirements*

#### **General organisational requirements**

10. (1) An AIFM shall at all times use adequate and appropriate human and technical resources necessary for the proper management of the AIFs which it manages.

(2) The AIFM must in particular adopt –

- (a) sound administrative and accounting procedures;
- (b) control and safeguard arrangements for electronic data processing;
- (c) adequate internal control mechanisms including, in particular, policies and procedures for personal transactions by its employees or for the holding or management of investments in order to invest on its own account and ensuring, at least, that each transaction involving the AIFs may be reconstructed according to its origin, the parties to it, its nature, and the time and place at which it was effected and that the assets of the AIFs managed by the AIFM are invested in accordance with the law of the jurisdiction where the AIF is authorised or established and the constitution and prospectus of the AIF.

## *Operating Conditions*

### **General operating conditions**

11. (1) An AIFM shall at all times comply with the following principles

–

- (a) act honestly and fairly with due skill, care and diligence when conducting its activities;
- (b) act in the best interests of the AIFs, or the investors of the AIFs it manages;
- (c) have and employ the resources and procedures that are necessary for the performance of their business activities;
- (d) take all reasonable steps to avoid conflicts of interest and where this cannot be avoided, ensure that those conflicts of interest are disclosed in order to prevent them from adversely affecting the interests of the AIFs and their investors;
- (e) comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of the AIFs, or the investors of the AIFs, and the integrity of the market;
- (f) ensure that the AIFs and their investors are treated fairly;
- (g) except where disclosed in the AIF's constitution and prospectus, ensure that no investor in an AIF should receive preferential treatment.

(2) Where an AIFM undertakes to carry on portfolio management on a discretionary basis which was not approved as one of the conditions of licensing by the Authority, it must notify the Authority as a material change in accordance with section 19G.

(3) An AIFM whose licence permits it to perform portfolio management services on a discretionary basis must not invest all or part of the client's portfolio in units of any AIF that it manages -

- (a) without having first obtained the client's approval to do so; and
- (b) without giving the Authority at least 14 business days notice of its intention to do so.

### **Remuneration**

12. (1) Every AIFM shall establish and maintain remuneration policies and practices as prescribed in Schedule I for persons whose professional activities have a material impact on the risk profile of the AIFM.

(2) Remuneration policies are required to-

- (a) be consistent with the risk management policy of the AIFM;
- (b) promote sound and effective risk management;
- (c) not encourage risk-taking which is inconsistent with the risk profiles or constitutions of the AIFs it manages.

(3) In this paragraph, "persons whose professional activities have a material impact on the risk profile of an AIFM" include, but are not limited to chief executive officers, senior executives; or any employee carrying out a risk related activity

and whose remuneration puts them in the same bracket as senior executives.

### **Conflicts of interest**

13. (1) An AIFM shall establish and maintain policies and procedures relating to identifying, preventing, managing and monitoring conflicts of interests in accordance with paragraph (2).

(2) An AIFM shall in the course of managing AIFs, identify conflicts of interest that may arise–

- (a) between –
  - (i) itself, and its controllers, directors, senior executives or associates; and
  - (ii) the AIF or any of its investors;
- (b) between –
  - (i) the AIF or its investors, and
  - (ii) another AIF or its investors;
- (c) between –
  - (i) the AIF or its investors, and
  - (ii) another client of the AIFM;
- (d) between two clients of the AIFM.

(4) An AIFM shall segregate, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic conflicts of interest.

(5) An AIFM shall regularly assess whether its operating conditions may involve any other material conflicts of interest and disclose them to the investors of the AIFs.

(6) Where an AIFM no longer has confidence that it is operating in accordance with its conflicts of interest policies and procedures, the AIFM must disclose the general nature or sources of conflicts of interest to the Authority, the AIF and its investors, before undertaking business on behalf of the AIF.

(7) Where the AIFM on behalf of an AIF uses the services of a prime broker, the terms must be set out in writing.

(8) Where an engagement for services under paragraph (7) has been entered into, the AIFM must inform the depositary of an AIF of such engagement.

(9) An AIFM must exercise due skill, care and diligence in the selection of prime brokers.

(10) Any provisions on transfer and reuse of AIF assets must be set out in the terms of such engagement and must be consistent with the AIF's constitution and prospectus.

### **Risk management**

14. (1) An AIFM must functionally and hierarchically separate the functions of risk management from its operating units, including from the functions of portfolio management.

(2) An AIFM must ensure that specific safeguards against conflicts of interest allow for the independent performance of risk management activities and that the risk management process satisfies the requirements of this paragraph.

(3) An AIFM must implement adequate risk management systems, policies and procedures in order to identify, measure, manage

and monitor on an on-going basis all risks relevant to each AIF investment strategy and to which each AIF is or may be exposed.

(4) An AIFM must review its risk management systems at least once a year and adapt them when necessary.

(5) An AIFM must set a maximum level of leverage which it may employ on behalf each AIF it manages and the extent of the right to reuse collateral or guarantee that could be granted under the leveraging arrangement, taking into account-

- (a) the type of the AIF, as prescribed in Schedule II;
- (b) the investment strategy of the AIF;
- (c) the sources of leverage of the AIF;
- (d) any other interlinkage or relationships with other financial services institutions, which could pose systemic risk;
- (e) the need to limit the exposure to any single counterparty;
- (f) the extent to which the leverage is collateralised;
- (g) the asset-liability ratio; and
- (h) the scale, nature and extent of the activity of the AIFM on the markets concerned.

(6) Where an AIFM determines that it is no longer operating within the maximum leverage limits disclosed to the Authority at the time of licensing, it shall notify the Authority as a material change in accordance with section 19G of the Act.

(7) An AIFM must establish and maintain quantitative or qualitative risk limits, or both, for each AIF it manages, taking into account all relevant risks.

(8) The qualitative and quantitative risk limits for each AIF must, at least, cover the following risks -

- (a) market risks;
- (b) credit risks;

- (c) liquidity risks;
- (d) counterparty risks;
- (e) operational risks.

(9) Where an AIFM determines that it is no longer operating within its risk limits disclosed to the Authority at the time of licensing or subsequently, it shall notify the Authority as a material change in accordance with section 19G of the Act.

(10) An AIFM must –

- (a) when investing on behalf of an AIF, establish and maintain a documented and regularly updated due diligence process, according to the investment strategy, the objectives and risk profile of the AIF;
- (b) ensure that the risks associated with each investment position of the AIF and their overall effect on the AIF's portfolio can be identified, measured, managed and monitored on an on-going basis, including through the use of appropriate stress testing procedures;
- (c) ensure that the risk profile of the AIF corresponds to the size, portfolio structure and investment strategies and objectives of the AIF as required under their constitution and prospectus.
- (d) ensure that the risk profile of the AIF is disclosed to investors and is consistent with the risk limits set out in this paragraph;
- (e) monitor compliance by the AIF with the risk limits set out in this paragraph.

(11) An AIFM shall implement procedures relating to notification to the governing body when the AIF's risk profile is or shall be, inconsistent with required risk limits.

(12) An AIFM's procedures must make provision for periodic updates to be provided to the AIFM's governing body regarding the following matters –

- (a) the consistency between, and compliance with, the risk limits and the risk profile as disclosed to investors; and
- (b) the adequacy and effectiveness of the risk management process, indicating in particular; whether appropriate remedial measures have been or will be taken in the event of any actual or anticipated deficiencies.

(13) The procedures required in accordance with subparagraph (12) shall also make provision for regular updates to be given to senior executives which outline the current level of risk incurred by each managed AIF and any actual or foreseeable breaches of risk limits.

(14) When setting risk limits, AIFMs shall take into account the strategies and assets employed in respect of each AIF it manages as well as the laws of the jurisdiction where the AIF is authorized or established; and must also be aligned with the risk profile of the AIF, approved by the AIF's governing body and disclosed its investors.

### **Liquidity management**

15. (1) An AIFM shall, for each AIF that it manages which is not an unleveraged closed-ended AIF, employ an appropriate liquidity management system and adopt procedures which enables it to monitor

the liquidity risk of the AIF and ensures that the liquidity profile of the investments of the AIF complies with its underlying obligations.

(2) An AIFM shall regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable it to assess and monitor the liquidity risk of the AIFs.

(3) An AIFM shall ensure that for each AIF it manages, the investment strategy, the liquidity profile and the redemption policy are consistent with one another.

### **Investment in securitisation positions**

16. (1) In this paragraph -

- (a) “credit institution” means –
  - (i) a bank licensed under the Banks and Deposit Companies Act 1999;
  - (ii) an entity authorized by a member state of the EU to carry out banking functions;
- (b) “securitisation” means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranced, having the following characteristics-
  - (i) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; and
  - (ii) the subordination of tranches determines the distribution of losses during the on-going life of the transaction or scheme;
- (c) “securitisation position” means an exposure to a securitisation;
- (d) “sponsor” means a credit institution other than an originator credit institution that establishes and manages

an asset-backed commercial paper programme or other securitisation scheme that purchases exposures from third party entities;

- (e) “tranche” means a contractually authorised segment of the credit risk associated with an exposure or number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

(2) An AIFM must assume exposure to the credit risk of a securitisation on behalf of one or more AIFs it manages only if the originator, sponsor or original lender has explicitly disclosed to the AIFM that it retains, on an on-going basis, a material net economic interest, which must not be less than 5%.

(3) Only the following shall qualify as retention of a material net economic interest of not less than 5% -

- (a) retention of no less than 5% of the nominal value of each of the tranches sold or transferred to the investors;
- (b) in the case of securitisations of revolving exposures, retention of the originator’s interest of no less than 5 % of the nominal value of the securitised exposures;
- (c) retention of randomly selected exposures, equivalent to not less than 5 % of the nominal value of the securitised exposures, where such exposures would otherwise have securitised in the securitisation, provided that the number of potentially securitised exposures is not less than 100 at origination;
- (d) retention of the first loss tranche and, if necessary, other tranches having the same or a more severe risk

profile than those transferred or sold to investors and not maturing any earlier than those transferred or sold to investors, so that the retention equals in total not less than 5% of the nominal value of the securitised exposures;

(e) retention of a first loss exposure of not less than 5% of every securitised exposure in the securitisation.

(4) Net economic interest must be measured at the origination and must be maintained on an on-going basis.

(5) The net economic interest, including retained positions, interest or exposures, must not be subject to any credit risk mitigation or any short positions or any other hedge and shall not be sold.

(6) The net economic interest must be determined by the notional value for off-balance sheet items.

(7) There must be no multiple applications of the retention requirements for any given securitisation.

### *Independent Valuation*

#### **Valuation**

17. (1) An AIFM must for each AIF that it manages, ensure that policies and procedures appropriate to the nature, scale and complexity of the business are adopted and implemented so that a proper and independent valuation of the assets of the AIF can be performed in accordance with these Rules; the constitution and prospectus of the AIF and the law of the jurisdiction where the AIF is authorised or established.

(2) An AIFM shall ensure that the valuation shall be performed impartially and with all due skill, care and diligence.

(3) An AIFM must ensure that the net asset value per unit or share of AIF is calculated and disclosed to the investors, in accordance with these Rules, the constitution, and prospectus of the AIF and the law of the jurisdiction where the AIF is authorised or established.

(4) The AIFM must ensure that the assets are valued and the net asset value per unit is calculated at least once every year.

(5) If the AIF is open-ended, the AIFM must ensure that such valuations and calculations are carried out at a frequency which is appropriate to the assets held by the AIF and its issuance and redemption frequency.

(6) If an AIF is closed ended, an AIFM must carry out such valuations and calculations in the event of an increase or decrease of the capital by the relevant AIF.

(7) An AIFM must inform investors of the valuation and calculation as set out in these Rules; the constitution and prospectus of the AIF; the law of the jurisdiction where the AIF is authorised or established.

### **Appointment of valuers**

18. (1) An AIFM must ensure that the valuation function is performed by –

- (a) an external valuer, who must be a person, independent of the AIF, the AIFM and any other persons with close links to the AIF or the AIFM; or
- (b) the AIFM itself, provided that the valuation task is functionally independent from the portfolio management, and the remuneration policy and other measures to ensure that conflicts of interest are mitigated and that undue influence upon the employees is prevented.

(2) An AIFM must ensure that the depositary of an AIF is not appointed as the external valuer of that AIF unless it is satisfied that the depositary has functionally and hierarchically separated the performance of its depositary function from its tasks as an external valuer and that it is able to manage the potential conflicts of interest, monitor and disclose them to the investors of the AIF.

(3) Where a valuation is to be performed by an external valuer and this arrangement was not approved by the Authority at the time of licensing, the AIFM shall notify the Authority as a material change in accordance with section 19G of the Act.

(4) Where the valuation function is not performed by an external valuer, the Authority may require the AIFM to have its valuation procedures or valuations, or both, verified by an external valuer or, where appropriate, an auditor.

### **Qualifications of a valuer**

19. Where an external valuer performs the valuation function, the AIFM must ensure and demonstrate that –

- (a) the external valuer is subject to mandatory registration under the law or to rules of professional conduct;
- (b) the external valuer can provide sufficient professional guarantees to be able to effectively perform the relevant valuation function in accordance with these Rules;
- (c) the appointment of the external valuer complies with the requirements of paragraphs 22 to 25 on delegation.

**Duties of a valuer**

20. (1) An external valuer must perform the valuation function set out in these Rules impartially and with all due skill, care and diligence.

(2) An external valuer must not delegate the valuation function to a third party.

**Valuation: Liability of AIFM**

21. (1) An AIFM is responsible for the proper valuation of AIF assets, the calculation of net asset value of the AIF and publication of that net asset value.

(2) Any such liability towards the AIF and its investors shall not be affected by the appointment by the AIFM of an external valuer in respect of that AIF.

(3) Irrespective of any contractual arrangement that provides otherwise, an external valuer is liable to the AIFM of an AIF in respect of which the valuer is appointed for any losses suffered by the AIFM as a result of the external valuer's negligence or intentional failure to perform its tasks.

*Delegation of AIFM's functions***Delegation: General Provisions**

22. (1) An AIFM may delegate its functions to third parties if –

- (a) the AIFM is able to justify its entire delegation structure on objective reasons;
- (b) the delegate has sufficient resources to perform the delegated functions;
- (c) the persons who effectively conduct the business of the delegate are fit and proper, are of good repute and are

sufficiently experienced to perform the functions delegated to them;

- (d) the delegation must not prevent the effectiveness of supervision of the AIFM and in particular, must not prevent the AIFM from acting, or the AIF from being managed, in the best interests of its investors.

(2) The AIFM must be able to demonstrate to the Authority that –

- (a) the delegate is qualified and capable of undertaking the functions in question;
- (b) the delegate was selected for appointment with all due care;
- (c) the AIFM is in a position to effectively monitor the delegated activity;
- (d) the AIFM is able at any time to give the delegate further instructions;
- (e) the AIFM is able at any time to revoke the delegation with immediate effect when this is in the interest of investors.

(3) The AIFM must review the services provided by each delegate on an on-going basis.

(4) An AIFM must not delegate, and a delegate must not sub delegate, portfolio management or risk management functions to -

- (a) a depositary or sub- delegate;
- (b) any other undertaking whose interests may conflict with those of the AIFM or the investors of the AIF,

unless such undertaking has functionally and hierarchically separated its portfolio management or risk management functions from its other potentially conflicting functions, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the AIF.

(5) An AIFM must not delegate its functions to the extent that it becomes a post office box entity and can no longer be considered to be the manager of the AIF.

### **Appointment of a delegate**

23. (1) An AIFM shall not delegate its portfolio or risk management functions without the approval of the Authority.

(2) Notwithstanding subparagraph (1), an AIFM may be allowed to delegate either its risk management or portfolio functions upon approval granted by the Authority, but not both.

(2) Where an AIFM delegates the task of carrying out its portfolio or risk management functions and such delegation was not approved by the Authority at the time of licensing or subsequently thereafter, the AIFM is required to notify the Authority as a material change under section 19G of the Act.

### **Sub-delegation**

24. (1) A delegate may sub-delegate any of the functions delegated to it provided that the conditions in subparagraph (2) are met.

(2) Those conditions are –

(a) the delegate has received consent from the AIFM prior to the sub-delegation;

(b) the AIFM has notified the Authority in writing before the arrangements have become effective;

- (c) in relation to the conditions set out in paragraph 21, on the understanding that all references to the 'delegate' include references to a further 'sub-delegate'.

(3) A delegate or sub-delegate which has delegated such functions must review on an ongoing basis the services and functions provided by the delegate or sub-delegate.

### **Liability following delegation**

25. Irrespective of any contractual arrangements that provide otherwise, any liability of an AIFM towards the AIF it manages or towards investors of such an AIF is not affected by –

- (a) the delegation by the AIFM of any of the AIFM functions;
- (b) any sub-delegation of such functions by the delegate to another person;
- (c) any further sub-delegation of such functions by a sub-delegate.

### *Depositaries*

#### **Depositaries: general provisions and appointment**

26. (1) An AIFM shall ensure that a single depositary is appointed for each AIF that it manages.

(2) Undertakings eligible to be appointed as a depositary are –

- (a) a bank licensed under the Banks and Deposit Companies Act 1999; or

(b) an undertaking authorized by a competent authority of a member state of the EU to carry out the functions of a depositary.

(3) Every depositary shall be engaged by written contract which specifies the obligations required for the depositary to perform its functions for the AIF.

(4) An AIFM shall notify the Authority in writing of any change to the appointment of a depositary as a material change in accordance with section 19G of the Act.

#### **Depositaries: Conflicts of interest**

27. (1) An AIFM shall not act as the depositary of any AIF that it manages.

(2) A depositary shall act honestly, fairly, professionally, independently and in the best interest of the AIF and its investors.

(3) A depositary shall not carry out activities with regard to the AIF or the AIFM on behalf of the AIF that may create conflicts of interests between the AIF, the investors in the AIF, the AIFM and itself, unless the depositary has functionally and hierarchically separated the performance of its depositary functions from its other potentially conflicting tasks.

(4) A depositary shall ensure that potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the AIF.

(5) A depositary shall not reuse assets of the AIF or AIFM acting on behalf of the AIF that have been entrusted to it for safe-keeping without prior consent of the AIF or the AIFM acting on its behalf.

(6) An AIFM shall not appoint a prime broker who is acting as counterparty to an AIF to be its depositary unless it is satisfied that the prime broker–

- (a) has functionally and hierarchically separated its depositary function from its prime broker function;
- (b) is able to properly identify, manage, and monitor conflicts of interest; and
- (c) will disclose such conflicts of interest to investors.

**Duties of a depositary: cash flow monitoring**

28. (1) A depositary shall properly monitor an AIF's cash flows and must ensure that all payments made by or on behalf of investors upon subscription of units or shares of an AIF have been received.

(2) A depositary shall ensure that all cash of the AIF must be booked in cash accounts opened in the name of –

- (a) the AIF;
- (b) the AIFM acting on behalf of the AIF; or
- (c) the depositary acting on behalf of the AIF.

(3) Where a depositary opens a cash account in its own name, it must not book on such accounts the depositary's own cash.

**Safe keeping of assets: financial instruments**

29. (1) The assets of the AIF or the AIFM acting on behalf of the AIF that comprise financial instruments that can be held in custody, must be entrusted to the depositary for safe keeping as provided in subparagraphs (2) and (3).

(2) The depositary must hold in custody all financial instruments that can be registered in a financial instruments account opened in the

depository's books and all financial instruments that can be physically delivered to the depository.

(3) For that purpose the depository must ensure that all those financial instruments that can be registered in a financial instruments account opened in the depository's books are registered in the depository's books within segregated accounts opened in the name of the AIF or the AIFM acting on behalf of the AIF so that they can be clearly identified as belonging to the AIF in accordance with the law which apply to the depository in the jurisdiction where it is authorized at all times.

#### **Safe keeping of assets: other assets**

30. (1) A depository shall verify that the other assets it holds on behalf of an AIF or the AIFM acting on behalf of an AIF are owned by the AIF, or the AIFM acting on behalf of the AIF.

(2) A depository shall maintain a record of all assets that it has verified.

(3) A depository shall verify ownership on the basis of information and documents provided to it by the AIF or its AIFM acting on behalf of the AIF or other evidence of ownership available to it.

(4) A depository shall keep its records up to date.

#### **Depositories: general compliance**

31. (1) A depository of an AIF or an AIFM acting on behalf of an AIF shall ensure that-

- (a) the following requirements are carried out in accordance with these Rules, the constitution of the AIF, prospectus and the law of the jurisdiction where the AIF is authorised or established-

- (i) the sale, issue, re-purchase, redemption and cancellation of units or share of the AIF are carried out;
  - (ii) the values of the units or shares of the AIF are calculated;
  - (iii) the instructions of the AIFM are carried out, unless there is a conflict with these Rules; the constitution of the AIF; the prospectus of the AIF; the law of the jurisdiction where the AIF is authorised or established;
- (b) in transactions involving the AIF's assets, any consideration is remitted to the AIF without delay;
- (c) an AIF's income is applied in accordance with these Rules, the constitution, the prospectus and the law of the jurisdiction where the AIF is authorized or established.

**Depositary: delegation of functions**

32. (1) A depositary shall not delegate its functions with the exception of those relating to safe-keeping of assets.

(2) If a depositary delegates any of the activities outlined in paragraphs 29 and 30 of these Rules, the following conditions shall apply –

- (a) a depositary shall not delegate any functions to an undertaking if the purpose of the delegation is to enable it to avoid compliance with its obligations under these Rules;
- (b) there are objective reasons for the delegation;

- (c) the depository has exercised all due skill, care and diligence in the selection and appointment of the delegate and keeps exercising all due skill, care and diligence in the periodic review and ongoing monitoring of any delegate to whom it has delegated parts of its tasks and of the arrangements of the delegate in respect of the matters delegated to it; and
  - (d) the depository ensures that the delegate at all times during the performance of the delegated tasks satisfies conditions of subparagraph (3).
- (3) The conditions of this subparagraph are –
- (a) the delegate has the structure and the expertise that are adequate and proportionate to the nature and complexity of the assets of the AIF or the AIFM acting on behalf of the AIF, which have been entrusted to it;
  - (b) in relation to custody tasks referred to in paragraphs 29 and 30 of these Rules, the delegate is subject to effective prudential regulation including, minimum capital requirements, and supervision in the jurisdiction concerned and the delegate is subject to an external periodic audit to ensure that the financial instruments are in its possession;
  - (c) the delegate segregates the assets of the depository's clients from its own assets and from the assets of the depository in such a way that they can at any time be clearly identified as belonging to clients of a particular depository;

- (d) the delegate does not make use of the assets without the prior consent of the AIF, or the AIFM acting on behalf of the AIF, and prior notification to the depositary; and
- (e) the delegate complies with the general obligations and prohibitions set out in paragraphs 27, 29, 30 and 31.

(4) A delegate to whom functions have been delegated to it under this paragraph may sub-delegate any or all of the delegated functions to a sub delegate.

(5) In such a case the same requirements of this paragraph shall apply mutatis mutandis to the relevant parties.

(6) Where the law of the jurisdiction where the AIF is authorised or established requires that assets be held in the custody of a local entity and no local entity satisfies the requirements of subparagraph (2)(c) the depositary may delegate the custody of such financial instruments to such a local entity only to the extent required by the law of that jurisdiction and only for as long as there are no local parties that satisfy the delegation requirement but subject to the requirements specified in subparagraph (6).

(7) Those requirements are –

- (a) the investors of the relevant AIF must be duly informed that such delegation is required due to legal constraints under the laws of the jurisdiction where the relevant AIF is authorized or established, and of the circumstances justifying the delegation prior to their investment; and
- (b) the AIF or AIFM on behalf of the AIF must instruct the depositary to delegate the custody of such financial instruments to such local entity.

### **Depositary liability for loss of financial instrument**

33. (1) This paragraph applies where a financial instrument held in custody in accordance with these Rules by a depositary or a delegate to whom the custody has been delegated or sub delegated is lost.

(2) Subject to subparagraphs (3) and (4), the depositary must return a financial instrument of identical type, or the corresponding amount, to the AIF or the AIFM acting on behalf of the AIF without undue delay.

(3) The depositary is not required to comply with the obligations in subparagraph (2) if it can prove the loss occurred due to an external event beyond the depositary's reasonable control.

(4) In the case of loss of financial instruments held in custody by a delegate, the depositary is not required to comply with the obligation in subparagraph (2) if –

- (a) the conditions around delegation of custody tasks to the delegate were met in accordance with these Rules;
- (b) a written contract between the depositary and the delegate expressly transfers liability to the delegate and as such, the depositary could make a claim against the delegate regarding loss of the financial instrument;
- (c) a written contract between the depositary and the AIF or the AIFM acting on behalf of the AIF, expressly discharges the depositary of their liability and establishes an objective reason for such discharge.

(5) Irrespective of any contractual arrangements that provide otherwise, but subject to subparagraph (4), the obligation of the depositary under subparagraph (2) or of a delegate as referred to in subparagraph (4)(b) is not affected by any delegation by the depositary or sub-delegation by the delegate of the functions under these Rules.

### **Depository liability for other losses**

34. (1) If an AIF, or investors of an AIF, have suffered losses other than the loss by the depository or a delegate to which custody has been delegated or sub-delegated of financial instruments held in custody in accordance with these Rules, the depository is liable to the AIF, or investors of the AIF, if the losses are a result of the depository's negligent or intentional failure to comply with a provision that applies to it.

(2) Irrespective of any contractual arrangements that provide otherwise, any liability of the depository to the AIF, or to investors of the AIF, under subparagraph (1) is not affected by any delegation by the depository of the functions.

### **Liability and overseas depositaries**

35. (1) This paragraph applies where—

- (a) the law of the jurisdiction where the AIF is authorised or established, requires certain financial instruments to be in custody by a local entity; and
- (b) there is no local entity that satisfies the delegation requirements in these Rules.

(2) The depository is not liable for a failure to comply with the obligation laid out in paragraph 33(2), provided that the following conditions are met—

- (a) the constitutional instruments of the AIF concerned expressly allow for a discharge of the obligation;

- (b) the investors of the AIF were informed of the discharge and of the circumstances justifying the prior to their investment;
- (c) the AIF, or the AIFM on behalf of the AIF, instructed the depositary to delegate the custody of the financial instruments to a local entity;
- (d) a written contract between the depositary and the AIF, or the AIFM acting on behalf of the AIF, expressly allows for such a discharge; and
- (e) a written contract between the depositary and the local entity expressly transfers the depositary's liability to the third party making it possible for the AIF, or the AIFM acting on behalf of the AIF, to make a claim against the local entity with regards to loss of financial instruments or the depositary to make such a claim on their behalf.

#### *Transparency requirements*

##### **Annual report**

36. (1) An AIFM shall, in such form that the Authority may require, for each AIF that it manages and markets, prepare an annual report (the "annual report") for each financial year which shall be submitted to the Authority no later than 6 months following the end of the relevant financial year.

(2) The annual report shall, where applicable; be submitted to the competent authority of the jurisdiction where an AIF is authorized or established.

(3) The annual report shall be provided to investors upon request made to the AIFM.

(4) The AIFM shall ensure that the information provided in the annual report is presented in a form that provides materially relevant, reliable, comparable and clear information relating to each AIF.

(5) The annual report must contain all information investors require in relation to AIF structures managed by the AIFM.

(6) In addition to the information required in subparagraph (5), the annual report shall be comprised of –

- (a) a balance-sheet or a statement of assets and liabilities;
- (b) an income and expenditure account for the financial year;
- (c) a report on the activities of the financial year;
- (d) written confirmation of any material changes in the information required to be disclosed to investors by these Rules during the financial year covered by the report;
- (e) written confirmation of the total amount of remuneration for the financial year, divided into fixed and variable remuneration, paid by the AIFM to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the AIF;
- (f) a description of the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.

(7) The accounting information provided in the annual report must be prepared in accordance with the accounting standards set out in subparagraph (8) in the case of a Bermuda authorised or established

AIF; or prepared in accordance with the requirements of the jurisdiction where the AIF is authorised or established.

- (8) Those standards are–
  - (a) Intentional Financial Reporting Standards (IFRS’);
  - (b) generally accepted accounting principles (‘GAAP’) that apply in Bermuda, Canada, the United Kingdom or the United States of America; or
  - (c) such other GAAP as the Authority recognize.

(9) The accounting information provided in the annual report is required to be audited by one or more persons authorised in accordance with the law of the jurisdiction where the AIF is authorised or established.

(10) Every person authorised to provide accounting information in accordance with subparagraph (9) shall also provide a written report (the “auditor’s report”) to the AIFM prior to the submission of the annual report by the AIFM to the Authority.

(11) The auditor’s report required in accordance with subparagraph (10), which shall include any qualifications made by the auditor, must be reproduced in full in the annual report.

### **Disclosure to investors**

37. (1) An AIFM shall, for each of the AIFs that it manages and markets, make available to the AIF investors the prescribed information set out in Rule 38.

(2) The information should be disclosed in accordance with the constitution and prospectus of the AIF.

(3) An AIFM shall inform the investors of such information before investing in the AIF and upon any material change thereof.

(4) An AIFM shall inform the investors, before they invest in the AIF, of any arrangement made by the depositary to contractually discharge itself of liability in accordance with paragraph 33.

(5) An AIFM shall also inform investors of any changes with respect to depositary liability without delay.

(6) Where an AIF is required to publish a prospectus in accordance with the IFA or in accordance with the law of the jurisdiction where it is authorised or established, only such information referred to in this paragraph and paragraph 38 which is in addition to that contained in the prospectus shall be disclosed separately or as additional information in the prospectus.

(7) An AIFM shall, for each of the AIFs it manages or markets, periodically disclose the following information to investors-

- (a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;
- (b) any new arrangements for managing the liquidity of the AIF;
- (c) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks.

(8) An AIFM managing AIFs employing leverage must periodically disclose to investors the following for each AIF -

- (a) any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leverage arrangement;
- (b) the total amount of leverage employed by the AIF.

**Prescribed information**

38. For the purposes of paragraph 37, the following information is prescribed –

- (a) a description of the investment strategy and objectives of the AIF;
- (b) information on where any master AIF is authorised or established, and where the underlying funds are authorised or established, if the AIF is a fund of funds;
- (c) a description of the types of assets in which the AIF may invest in;
- (d) the techniques the AIF may employ and all associated risks;
- (e) any applicable investment restrictions;
- (f) the circumstances in which the AIF may use leverage;
- (g) the types and sources of leverage permitted and the associated risks;
- (h) any restrictions on the use of leverage and any collateral and asset reuse arrangements;
- (i) the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF;
- (j) a description of the procedures by which the AIF may change its investment strategy or investment policy, or both;

- (k) a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on:
  - (i) the jurisdiction;
  - (ii) the applicable law;
  - (iii) the existence or not of any legal instruments providing for the recognition and enforcement of judgments in the jurisdiction where the AIF is authorised or established;
  - (iv) the identity of the AIFM, the AIF's depositary, auditor and any other service providers and a description of their duties and the investors' rights;
- (l) a description of how the AIFM is complying with the requirements of paragraph 9 regarding professional liability risks;
- (m) a description of any delegated management function (portfolio or risk management) by the AIFM and any safe-keeping function delegated by the depositary including: identification of the delegate and any conflicts of interest that may arise from such delegations;
- (n) a description of the AIF's valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing hard-to-value assets in accordance with paragraph 17;

- (o) a description of the AIF's liquidity risk management, including the redemption both in normal and in exceptional circumstances and the existing redemption arrangements with investors;
- (p) a description of all fees, charges and expenses and of the maximum amounts thereof which are directly or indirectly borne by investors;
- (q) a description of how the AIFM ensures a fair treatment of investors and, whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of that preferential treatment, the type of investors who obtain such preferential treatment and, where relevant, their legal or economic links with the AIF or AIFM;
- (r) most recent annual report as outlined in paragraph 36;
- (s) the procedure and conditions for the issue and sale of units or shares;
- (t) the latest net asset value of the AIF or the latest market price of the unit or share of the AIF, in accordance with paragraph 17 on valuation principles;
- (u) where available, the historical performance of the AIF;

- (v) the identity of any prime broker and a description of any material arrangements of the AIF with its prime brokers;
- (w) the way the conflicts of interest are managed in relation to a prime broker;
- (x) provision in the contract between a prime broker and a depositary on the transfer and reuse of AIF assets;
- (y) information about any transfer to the prime broker of any liability of the AIF;
- (z) a description of the means and timing of disclosure of information on periodic disclosures and leverage.

*Supervisory reporting*

**Reporting obligations to the Authority and to other competent authorities**

39. (1) An AIFM must report the following information to the Authority not later than one month after the end of the reporting periods set out in subparagraph (5)–

- (a) the main instruments in which it is trading, including a break-down of financial instruments and other assets, including the AIF's investment strategies and their geographical and sectoral investment focus;
- (b) the markets of which it is a member or where it actively trades;

- (c) the diversification of the AIF's portfolio it manages; including but not limited to, its principal exposures and most important concentrations.

(2) Where the AIF is a fund of funds, upon written request by the AIFM to the Authority, the reporting periods set out in paragraph (5) may be extended by up to 15 days by the Authority.

(3) An AIFM must, for each of the AIFs it manages and markets, report the below information to the Authority in accordance with the reporting periods set out in subparagraph (5) --

- (a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature as disclosed to investors;
- (b) any new arrangements for managing the liquidity of the AIF;
- (c) the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;
- (d) the current risk profile of the AIF, including:
  - (i) the market risk profile of the investments of the AIF, including the expected return and volatility of the AIF in normal market conditions;
  - (ii) the liquidity profile of the investments of the AIF, including the liquidity profile of the AIF's assets, the profile of redemption terms and the terms of financing provided by counterparties to the AIF.
- (e) information on the main categories of assets in which the AIF is investing, including the corresponding short market value and long market value, the turnover and performance during the reporting period; and

- (f) the results of periodic stress tests, under normal and exceptional circumstances, performed in accordance with paragraphs 14(10) and 15.

(4) An AIFM managing AIFs employing leverage on a substantial basis must make available to the Authority –

- (a) the overall level of leverage employed by each AIF it manages;
- (b) a break-down between leverage arising from borrowing of cash or securities and leverage embedded in financial derivatives, and
- (c) the extent to which the AIF's assets have been reused under leveraging arrangements;
- (d) the identity of the five largest sources of borrowed cash or securities for each of the AIFs managed or marketed by the AIFM and the amounts of leverage received from each of those sources for each of those AIFs.

(5) The information required in paragraph (4) must be reported to the Authority as follows –

- (a) every six months by an AIFM managing portfolios of AIFs whose assets under management in total do not exceed the equivalent of EUR 1 billion, for each of their AIFs;
- (b) on a quarterly basis by an AIFM managing portfolios of AIFs whose assets under management in total exceed the equivalent of EUR 1 billion, for each of their EU AIFs;

- (c) on a quarterly basis by an AIFM which is subject to the requirements referred to in subparagraph (a) of this paragraph, for each AIF whose assets under management, including any assets acquired through use of leverage, in total exceed the equivalent of EUR 500 million, in respect of that AIF;
- (d) on an annual basis by an AIFM in respect of each unleveraged AIF under its management which, in accordance with its core investment policy, invests in non-listed companies and issuers in order to acquire control.

(6) The Authority may require all or part of the information required in subparagraph (5) to be reported within different timeframes.

(7) The Authority may require an AIFM to provide it with any of the following documents upon request -

- (a) an annual report of each AIF managed by the for each financial year;
- (b) a list of all AIFs which the AIFM manages on a quarterly basis;
- (c) where necessary, for the effective monitoring of systemic risk, the Authority may require other information to be provided to it on a periodic and ad-hoc basis.

(8) For the purposes of this paragraph “leverage” shall be considered by the Authority to be employed on a substantial basis when the exposure of an AIF (calculated in accordance with the commitment method) exceeds three times its net asset value.

### **AIFMs managing leveraged AIFs**

40. An AIFM shall ensure and demonstrate that the leverage limits set by it for each AIF that it manages are appropriate and that the AIF complies with such limits at all times.

### **Limits on leverage**

41. (1) The Authority must—
- (a) assess the risks arising out of the use of leverage by an AIF managed by an AIFM;
  - (b) if required, impose the measures in subparagraph (2) on an AIFM, in order to ensure the stability and integrity of the financial system in Bermuda or the jurisdiction where an AIF is authorised or established; to limit the extent to which the use of leverage by an AIF managed by an AIFM contributes to—
    - (i) the build-up of systemic risk in the financial system; or
    - (ii) the risks of disorderly markets.
- (2) The measures are—
- (a) issuing a direction to impose limits on the level of leverage that such an AIFM may employ; or
  - (b) issuing a direction to impose other restrictions on the management of an AIFM.
- (3) The Authority may use its powers under sections 20 and 21 of the Act (restriction of licence) to impose limits on leverage or other restrictions on the management of an AIFM.

*Obligations for AIFMs managing AIFs which acquire control of non-listed companies or issuers*

**Ways of acquiring control of shares**

42. (1) This paragraph applies where control is acquired of a non-listed company or issuer in one of the following ways—

- (a) one AIF acquires control individually;
- (b) two or more AIFs, managed by the same AIFM, acquire control jointly on the basis of an agreement aimed at acquiring such control; or
- (c) two or more AIFs, managed by two or more AIFMs, acquire control jointly on the basis of an agreement aimed at acquiring such control.

(2) This paragraph does not apply where the non-listed company or issuer is—

- (a) a small or medium-sized enterprise; or
- (b) a special purpose vehicle with the purpose of holding or administering real estate.

(3) In this paragraph “small or medium enterprise” means the category of micro, small and medium-sized enterprises (SMEs), made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding the equivalent of EUR 50 million or an annual balance sheet total not exceeding the equivalent of EUR 43 million.

**Notification of the acquisition or disposal of major holdings and control of non-listed companies**

43. (1) When an AIF acquires, disposes of, or holds shares of a non-listed company, the AIFM managing the AIF must notify the Authority in writing of the proportion of voting rights of the non-listed company held by the AIF at any time when that proportion reaches, exceeds or falls below the thresholds of 10%, 20%, 30%, 50% and 75%.

(2) When an AIF acquires control of a non-listed company, the AIFM managing the AIF must notify the following persons of such control—

- (a) the non-listed company;
- (b) the non-listed company's shareholders of which the identities and addresses are available to the AIFM or can be made available by the non-listed company or through a register to which AIFM has or can access; and
- (c) the Authority.

(3) The notification required under subparagraphs (1) and (2) must contain the following additional information—

- (a) the resulting voting rights in the non-listed company acquired by the AIF;
- (b) the conditions subject to which control was acquired, information about the identity of the different shareholders involved, any person entitled to exercise voting rights on their behalf and, if applicable, the chain of undertakings through which voting rights are effectively held; and
- (c) the date on which control was acquired.

(4) The AIFM must—

- (a) in its notification to the non-listed company, request the governing body of the non-listed company to inform the employees' representatives or, where there are none, the employees themselves, without undue delay of the acquisition of control by the AIF and of the information in subparagraph (3); and
- (b) use its best efforts to ensure the governing body complies with its request.

(5) The notifications required under this paragraph by an AIFM must be made as soon as possible, and in any event no later than ten business days after the date on which the AIF reaches, exceeds or falls below the relevant threshold or acquires control over the non-listed company.

#### **Disclosure in case of acquisition of control**

44. (1) When an AIF acquires control of a non-listed company or an issuer in accordance with paragraph 43, the AIFM managing the AIF must make available the information in subparagraph (2) to—

- (a) the non-listed company or issuer;
- (b) the shareholders of the non-listed company or issuer of which the identities and addresses available to the AIFM or can be made available by the non-listed company or issuer or through a register to which the AIFM has or can obtain access; and
- (c) the Authority.

(2) The information is—

- (a) the identity of the AIFM which either individually or in agreement with other AIFMs manages the AIF or AIFs that have acquired control;
  - (b) the policy for preventing and managing conflicts of interest, in particular between the AIFM, the AIF(s), and the non-listed company, or the issuer, as applicable;
  - (c) the specific safeguards to ensure that any agreement between the AIFM, the AIF(s), the non-listed company and the issuer, as applicable, is concluded at arm's length; and
  - (d) the policy for external and internal communication relating to the non-listed company or issuer, in particular as regards employees of the non-listed company or issuer.
- (3) The AIFM must—
- (a) in its notification to the non-listed company or issuer, request the governing body of the non-listed company or issuer to give the employees' representatives, where there are none, the employees themselves, without undue delay the information in subparagraph (2); and
  - (b) use its best efforts to ensure that the governing body complies with its request.

**Additional disclosure when control is acquired of non-listed companies**

45. (1) When an AIF acquires control of a non-listed company, the AIFM managing the AIF must ensure that within a period of 20 business days starting on the day on which control is acquired of the AIF, or the

AIFM acting on behalf of the AIF, discloses its intentions with regard to the matters in subparagraph (2) to—

- (a) the non-listed company; and
- (b) the shareholders of the non-listed company of which the identities and addresses are available to the AIFM or can be made available by the non-listed company or through a register to which the AIFM has or can obtain access.

(2) The matters are the future business of the non-listed company and the likely repercussions on employment by the non-listed company, including any material change in the conditions of employment.

(3) The AIFM must—

- (a) request that the governing body of the non-listed company notifies the employees' representatives or, where there are none, the employees themselves, about the AIF's intentions with regard to the matters in subparagraph (2); and
- (b) use its best efforts to ensure the governing body complies with its request.

(4) When an AIF acquires control of a non-listed company, the AIFM managing the AIF must provide the Authority and the AIF's investors with information on the financing of the acquisition.

#### **Annual report of AIFs exercising control of non-listed companies**

46. (1) When an AIF acquires control of a non-listed company, the AIFM managing the AIF must, in addition to the information outlined in paragraph 36, include in the AIF's annual report information prescribed in subparagraph (3) relating to the non-listed company.

(2) An AIFM shall use its best efforts to ensure that—

- (a) the annual report of the non-listed company contains the information in subparagraph (3); and
  - (b) the report is made available by the governing body of the non-listed company to the employees' representatives or, where there are none, to the employees themselves within the period in which the annual report must be drawn up.
- (3) The information is—
- (a) a fair review of the development of the non-listed company's business representing the situation at the end of the period covered by the annual report;
  - (b) any important events that have occurred since the end of the financial year;
  - (c) the non-listed company's likely future development; and
  - (d) in relation to the non-listed company's acquisition or disposal of its own shares—
    - (i) the reasons for acquisitions made during the financial year;
    - (ii) the number and nominal or, in the absence of a nominal value, the accountable part of the shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent;
    - (iii) in the case of acquisition or disposal for a value, the consideration for the shares; and

- (iv) the number and nominal value or, in the absence of a nominal value, the accountable part of all the shares acquired and held by the non-listed company and the proportion of the subscribed capital which they represent.

(4) If the information in subparagraph (3) is included in the non-listed company's annual report, the AIFM must make the information available to the investors of the AIF in so far as already available within six months following the end of the financial year of the AIF, and in any event, no later than the date on which the annual report of the non-listed company must be drawn up in accordance with the law applicable in the jurisdiction in which the non-listed company has its registered office.

(5) If the information in subparagraph (3) is included in the AIF's annual report, the AIFM must request and use its best efforts to ensure that the governing body of the non-listed company makes that information available to employees' representatives of the non-listed company or, where there are none, to the employees themselves, no later than six months following the end of the financial year of the AIF.

### **Asset stripping**

47. (1) When an AIF acquires control of a non-listed company or an issuer, for a period of 24 months following the acquisition of control, the AIFM managing the AIF—

- (a) must not facilitate, support or instruct any distribution, capital reduction, share redemption or acquisition by the non-listed company or issuer of its own shares;
- (b) in so far as the AIFM is authorised to vote on behalf of the AIF at the meetings of the governing body of

the non-listed company or issuer, must not vote in favour of a distribution, capital reduction, share redemption or acquisition by the non-listed company or issuer of its own shares; and

- (c) in any event must use its best efforts to prevent distributions, capital reductions share redemptions or the acquisition by the non-listed company or issuer of its own shares.

(2) The obligations imposed on an AIFM pursuant to subparagraph (1) shall relate to the following —

- (a) any distribution to shareholders made when on the closing date of the last financial year the net assets as set out in the non-listed company or issuer's annual accounts are, or following such a distribution would become, lower than the amount of the subscribed capital plus those reserves which may not be distributed under the law or the constitution, on the understanding that where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, this amount must be deducted from the amount of subscribed capital;
- (b) any distribution to shareholders the amount of which would exceed the amount of the profits at the end of last financial year plus any profits brought forward and sums drawn from reserves available for this purpose, less any losses brought forward and sums placed to reserves in accordance with the law or the constitution.

(c) to the extent that acquisitions of own shares are permitted, the acquisitions by the non-listed company, including shares previously acquired by the non-listed company and held by it, and shares acquired by a person acting in his own name but on the non-listed company's behalf, that would have the effect of reducing the net assets below the amount mentioned in sub-subparagraph (a).

(3) For the purposes of this paragraph-

(a) in subparagraph (1) "distribution" means a distribution to shareholders, including a payment of dividends and of interest relating to shares;

(b) the requirements relating to capital reductions shall not apply on a reduction in the subscribed capital, for which the purpose is to offset losses incurred; or to include sums of money in a non-distributable reserve, provided that, the amount of such reserve is not more than 10% of the reduced subscribed capital.

## **SCHEDULE I – REMUNERATION POLICY**

1. When establishing and applying the total remuneration policies, inclusive of salaries and discretionary pension benefits, for those categories of staff, including senior management control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the AIFMs or of AIFs they manage, AIFMs shall comply with the following requirements in a way and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities:
  - (a) the remuneration policy shall be consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the AIFs they manage;
  - (b) the remuneration policy shall be in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages or the investors of such AIFs, and includes measures to avoid conflicts of interest;
  - (c) the management body of the AIFM, in its supervisory function, adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation;
  - (d) the implementation of the remuneration policy shall be, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the management body in its supervisory function;

- (e) staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
- (f) the remuneration of the senior officers in the risk management and compliance functions shall be directly overseen by the remuneration committee;
- (g) where remuneration shall be performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or AIF concerned and of the overall results of the AIFM, and when assessing individual performance, financial as well as non-financial criteria are taken into account;
- (h) the assessment of performance shall be set in a multi-year framework appropriate to the duration of the AIFs managed by the AIFM in order to ensure that the assessment process is based on longer term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs it manages and their investment risks;
- (i) guaranteed variable remuneration shall be considered by the Authority to be exceptional, occurs only in the context of hiring new staff and is limited to the first year;
- (j) fixed and variable components of total remuneration shall be appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component;

- (k) payments related to the early termination of a contract reflect performance achieved over time and shall be designed in a way that does not reward failure;
- (l) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components shall include a comprehensive adjustment mechanism to integrate all relevant types of current and future risks;
- (m) subject to the legal structure of the AIF and its rules or constitution, at least 50% of any variable remuneration shall consist of units of the AIF, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments. unless the management of AIFs accounts for less than 50% of the total portfolio managed by the AIFM, in which case the minimum of 50% does not apply. The instruments referred to in paragraph shall be subject to an appropriate retention policy designed to align incentives with the interests of the AIFM and the AIFs it manages and the investors of such AIFs;
- (n) a substantial portion, and in any event at least 40%, of the variable remuneration component, shall be deferred over a period which is appropriate in view of the duration and redemption policy of the AIF and is correctly aligned with the nature of the risks of the AIF. The period referred to in this paragraph shall be at least three to five years unless the duration of the AIF is shorter; remuneration payable under deferral arrangements vests no faster than on a pro-rata basis; in the case of a variable remuneration component of a particularly high amount, at least 60% of the amount is deferred;
- (o) the variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the AIFM as a whole, and justified according to the performance of

the business unit, the AIF and the individual concerned. The total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the AIFM or of the AIF occurs, taking into account both current compensation and reductions in pay-outs of amounts previously earned, including through malus or clawback arrangements;

- (p) the pension policy is in line with the business strategy, objectives, values and long-term interests of the AIFM and the AIFs it manages. If an employee leaves the AIFM before retirement, discretionary pension benefits shall be held by the AIFM for a period of five years in the form of instruments defined in paragraph (m). In the case of an employee reaching retirement, discretionary pension benefits shall be paid to the employee in the form of instruments defined in paragraph (m), subject to a five year retention period;
  - (q) employees are required to undertake to not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
  - (r) variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of these Rules.
2. The requirements set out in paragraph 1 shall apply to remuneration of any type paid by the AIFM, to any amount paid directly by the AIF itself, including carried interest, and to any transfer of units or shares of the AIF, made to the benefits of those categories of staff, including senior executive, and any employee receiving total remuneration within in the same remuneration bracket as senior executives, whose professional activities have a material impact on its risk profile or the risk profiles of the AIF that they manage.
  3. AIFMs that are significant in terms of their size or the size of the AIFs they manage, and the nature, scale and the complexity of their activities

shall establish a remuneration committee. The remuneration committee shall be constituted in a manner that enables it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk. The remuneration committee shall be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the AIFM or the AIF and which are to be taken by the governing body. The remuneration committee shall be chaired by a member of the governing body who does not perform executive functions in the AIFM. The members of the remuneration committee shall be members of the governing body who do not perform the executive functions of the AIFM.

**SCHEDULE II – REPORTING TEMPLATES**

**AIFM-specific information to be reported**

	Most important market/instrument	Second most important market/instrument	Third most important market/instrument	Fourth most important market/instrument	Fifth most important market/instrument
1 Principal markets in which it trades on behalf of the AIFs it manages					
2 Principal instruments in which it trades on behalf of the AIFs it manages					
3 Values of assets under management for all AIFs managed, calculated as set out in AIFM Rules	In base currency (if the same for all AIFs)			In EUR	
Please provide official name, location and jurisdiction of markets					

**Detailed list of all AIFs which the AIFM manages**  
to be provided on request for the end of each quarter

Name of the AIF	Fund identification code	Inception date	AIF type (Hedge Fund, Private Equity, Real Estate, Fund of Funds, Other <u>(1)</u> )	NAV	EU AIF: Yes/No
-----------------	--------------------------	----------------	---	-----	-------------------

Monetary values should be reported in the base currency of the AIF.

**AIF-specific information to be provided**

Data Type		Reported Data	
Identification of the AIF			
1	<b>AIF name</b>		EU AIF: yes/no
2	<b>Fund manager</b> <i>(Legal name and standard code, where available)</i>		EU AIFM: yes/no
3	<b>Fund identification codes,</b> as applicable		
4	<b>Inception date of the AIF</b>		
5	<b>Domicile of the AIF</b>		
6	<b>Identification of prime broker(s) of the AIF</b> <i>(Legal name and standard code, where available)</i>		
7	<b>Base currency of the AIF according to ISO 4217 and assets under management calculated in accordance with auditing standards employed by the AIF</b>	Currency	Total AuM
8	<b>Jurisdictions of the three main funding sources</b> (excluding units or shares of the AIF bought by investors)		
9	<b>Predominant AIF type</b> <i>(select one)</i>	Hedge Fund Private Equity Fund Real Estate Fund Fund of Funds Other None	
10	<b>Breakdown of investment strategies</b>		

<i>(Provide a breakdown of the investment strategies of the AIF depending on the predominant AIF type selected in question 1. See guidance notes for further information on how to complete this question.)</i>		
	Indicate the strategy that best describe the AIF's strategy	Share in NAV (%)
a) Hedge Fund Strategies		
<i>Indicate the hedge fund strategies that best describe the AIFs strategies</i> Equity: Long Bias Equity: Long/Short Equity: Market Neutral Equity: Short Bias Relative Value: Fixed Income Arbitrage Relative Value: Convertible Bond Arbitrage Relative Value: Volatility Arbitrage Event Driven: Distressed/Restructuring Event Driven: Risk Arbitrage/Merger Arbitrage Event Driven: Equity Special Situations Credit Long/Short Credit Asset Based Lending Macro Managed Futures/CTA: Fundamental Managed Futures/CTA: Quantitative Multi-strategy hedge fund Other hedge fund strategy		
b) Private Equity Strategies		
<i>Indicate the private equity strategies that best describe the AIFs strategies</i> Venture Capital Growth Capital Mezzanine Capital Multi-strategy private equity fund Other private equity fund strategy		
c) Real Estate Strategies		
<i>Indicate the real estate strategies that best describe the AIFs strategies</i> Residential real estate		

	Commercial real estate Industrial real estate Multi-strategy real estate fund Other real estate strategy		
d) Fund of Fund Strategies			
	<i>Indicate the 'fund of fund' strategy that best describe the AIFs strategies</i> Fund of hedge funds Fund of private equity Other fund of funds		
e) Other Strategies			
	<i>Indicate the 'other' strategy that best describe the AIFs' strategies</i> Commodity fund Equity fund Fixed income fund Infrastructure fund Other fund		
Principal exposures and most important concentration			
<b>11 Main instruments in which the AIF is trading</b>			
	Type of instrument/instrument code	Value (as calculated under paragraph 2)	Long/short position
	Most important instrument		
	2nd most important instrument		
	3rd most important instrument		
	4th most important instrument		
	5th most important instrument		
<b>12 Geographical focus</b>			
	Provide a geographical breakdown of the investments held by the AIF by percentage of the total net asset value of the AIF	% of NAV	

	Africa					
	Asia and Pacific (other than Middle East)					
	Europe (EEA)					
	Europe (other than EEA)					
	Middle East					
	North America					
	South America					
	Supranational/multiple region					
13	<b>10 principal exposures of the AIF at the reporting date</b> (most valuable in absolute terms):					
	Type of asset/liability	Name/description of the asset/liability	Value	% of gross market value	Long/short position	Counterparty (where relevant)
	1st					
	2nd					
	3rd					
	4th					
	5th					
	6th					
	7th					
	8th					
	9th					
	10th					
14	<b>5 most important portfolio concentrations:</b>					
	Type of asset/liability	Name/description of the market	Value of aggregate exposure	% of gross market value	Long/short position	Counterparty (where relevant)
	1st					
	2nd					
	3rd					
	4th					
	5th					
15	<b>Typical deal/position size</b> (Complete this question if you selected as your predominant AIF type 'private equity fund' in question 1)				[Select one]	
					Very small	
					Small	
					Lower mid market	
					Upper mid market	

		Large cap	
		Mega cap	
16	<b>Principal markets in which AIF trades</b>		
	Please enter name and identifier (e.g. MIC code) where available, of market with greatest exposure		
	Please enter name and identifier (e.g. MIC code) where available, of market with second greatest exposure		
	Please enter name and identifier (e.g. MIC code) where available, of market with third greatest exposure		
17	<b>Investor Concentration</b>		
	Specify the approximate percentage of the AIF's equity that is beneficially owned by the five beneficial owners that have the largest equity interest in the AIF (as a percentage of outstanding units/shares of the AIF; <b>look-through to the beneficial owners where known or possible</b> )		
	Breakdown of investor concentration by status of investors (estimate if no precise information available):	%	
	— Individuals who meet the requirements for exemption under the IBA		
	— Retail investors:		

Monetary values should be reported in the base currency of the AIF.

**AIF-specific information to be provided to competent authorities**

Paragraph 39 of the Rules

	Data Type	Reported Data	
Identification of the AIF			
1	<b>AIF name</b>	EU AIF: yes/no	
2	<b>Fund manager</b>	EU AIFM: yes/no	
1	AIF name		
2	Fund manager		
3	Fund identification codes, as applicable		
4	Inception date of the AIF		
5	Base currency of the AIF <b>according to ISO 4217</b>	Currency	Total AuM
6	Identification of prime broker(s) of the AIF		
7	Jurisdictions of the three main funding sources		
Instruments Traded and Individual Exposures			
8	<b>Individual Exposures in which it is trading and the main categories of assets in which the AIF invested as at the reporting date:</b>		
	<b>a) Securities</b>	Long Value	Short Value

Cash and cash equivalents			
<i>Of which are:</i>	<i>Certificates of deposit</i>		
	<i>Commercial papers</i>		
	<i>Other deposits</i>		
	<i>Other cash and cash equivalents (excluding government securities)</i>		
Listed equities			
<i>Of which are:</i>	<i>Issued by financial institutions</i>		
	<i>Other listed equity</i>		
Unlisted equities			
Corporate bonds not issued by financial institutions			
<i>Of which are:</i>	<i>Investment grade</i>		
	<i>Non-investment grade</i>		
Corporate bonds issued by financial institutions			
<i>Of which are:</i>	<i>Investment grade</i>		
	<i>Non-investment grade</i>		
Sovereign bonds			
<i>Of which are:</i>	<i>EU bonds with a 0-1 year term to maturity</i>		
	<i>EU bonds with a 1 + year term to maturity</i>		
	<i>Non-G10 bonds with a 0-1 year term to maturity</i>		
	<i>Non-G10 bonds with a 1 + year term to maturity</i>		
Convertible bonds not issued by financial institutions			
<i>Of which are:</i>	<i>Investment grade</i>		
	<i>Non-investment grade</i>		

Convertible bonds issued by financial institutions			
Of which are:	Investment grade		
	Non-investment grade		
Loans			
Of which are:	Leveraged loans		
	Other loans		
Structured/securitised products			
Of which are:	ABS		
	RMBS		
	CMBS		
	Agency MBS		
	ABCP		
	CDO/CLO		
	Structured certificates		
	ETP		
	Other		
<b>b) Derivatives</b>		<i>Long Value</i>	<i>Short Value</i>
Equity derivatives			
Of which are:	Related to financial institutions		
	Other equity derivatives		
Fixed income derivatives			
CDS			
Of which are:	Single name financial CDS		
	Single name sovereign CDS		
	Single name other CDS		
	Index CDS		
	Exotic (incl. credit default tranche)		
		<i>Gross Value</i>	
Foreign exchange (for investment purposes)			
Interest rate derivatives			

		<i>Long Value</i>	<i>Short Value</i>
	Commodity derivatives		
	<i>Of which are:</i>		
	Energy		
	<i>Of which:</i>		
	— Crude oil		
	— Natural gas		
	— Power		
	Precious metals		
	<i>Of which: Gold</i>		
	<i>Other commodities</i>		
	<i>Of which:</i>		
	— Industrial metals		
	— Livestock		
	— Agricultural products		
	Other derivatives		
	<b>c) Physical (Real/Tangible) Assets</b>	<i>Long Value</i>	
	Physical: Real estate		
	<i>Of which are:</i>		
	Residential real estate		
	Commercial real estate		
	Physical: Commodities		
	Physical: Timber		
	Physical: Art and collectables		
	Physical: Transportation assets		
	Physical: Other		
	<b>d) Collective Investment Undertakings</b>	<i>Long Value</i>	
	Investments in CIU operated/managed by the AIFM		
	<i>Of which are:</i>		
	Money Market Funds and Cash management CIU		
	ETF		
	Other CIU		
	Investments in CIU not operated/managed by the AIFM		
	<i>Of which are:</i>		
	Money Market Funds and Cash management CIU		
	ETF		
	Other CIU		

	<b>e) Investments in other asset classes</b>		<i>Long Value</i>	<i>Short Value</i>
	Total Other			
9	<b>Value of turnover in each asset class over the reporting months</b>			
	<b>a) Securities</b>		<i>Market Value</i>	
	Cash and cash equivalents			
	Listed equities			
	Unlisted equities			
	Corporate bonds not issued by financial institutions			
	<i>Of which are:</i>	<i>Investment grade</i>		
		<i>Non-investment grade</i>		
	Corporate bonds issued by financial institutions			
	Sovereign bonds			
	<i>Of which are:</i>	<i>EU Member State bonds</i>		
		<i>Non-EU Member State bonds</i>		
	Convertible bonds			
	Loans			
	Structured/securitised products			
	<b>b) Derivatives</b>		<i>Notional Value</i>	<i>Market Value</i>
	Equity derivatives			
	Fixed income derivatives			
	CDS			
	Foreign exchange (for investment purposes)			
	Interest rate derivatives			
	Commodity derivatives			
	Other derivatives			
	<b>c) Physical (Real/Tangible) Assets</b>		<i>Market Value</i>	
	Physical: Commodities			
	Physical: Real estate			
	Physical: Timber			
	Physical: Art and collectables			
	Physical: Transportation assets			

	Physical: Other			
	<b>d) Collective investment undertakings</b>			
	<b>e) Other asset classes</b>			
	<b>Currency of Exposures</b>			
10	<b>Total long and short value of exposures (before currency hedging) by the following currency groups:</b>	<i>Long Value</i>	<i>Short Value</i>	
	AUD			
	CAD			
	CHF			
	EUR			
	GBP			
	HKD			
	JPY			
	USD			
	Other			
11	<b>Typical deal/position size</b> (Complete this question if you selected as your predominant AIF type 'private equity fund' above)	<i>[Select one]</i> Very small (< EUR 5 m) Small (EUR 5 m to < EUR 25 m) Low/mid market (EUR 25 m to < EUR 150 m) Upper mid market (EUR 150 m to EUR 500 m) Large cap (EUR 500 m to EUR 1 bn) Mega cap (EUR 1 bn and greater)		
12	<b>"Controllers" as defined under the IBA</b> (Complete this question if you selected as your predominant AIF type 'private equity fund' above; please complete for each company over which the AIF has a dominant influence (leave blank if none)	<i>Name</i>	<i>% Voting Rights</i>	<i>Transaction Type</i>

Risk Profile of the AIF			
1. Market Risk Profile			
13	<b>Expected annual investment return/IRR in normal market conditions (in %)</b>		
	<b>Net Equity Delta</b>		
	<b>Net DV01:</b>		
	<b>Net CS01:</b>		
2. Counterparty Risk Profile			
14	<b>Trading and clearing mechanisms</b>		
	<b>a) Estimated % (in terms of market value) of securities traded:</b> % <i>(leave blank if no securities traded)</i>		
	On a regulated exchange		
	OTC		
	<b>b) Estimated % (in terms of trade volumes) of derivatives that are traded:</b> % <i>(leave blank if no derivatives traded)</i>		
	On a regulated exchange		
	OTC		
	<b>c) Estimated % (in terms of trade volumes) of derivatives transactions cleared:</b> % <i>(leave blank if no derivatives traded)</i>		
	By a CCP		
	Bilaterally		
	<b>d) Estimated % (in terms of market value) of repo trades cleared:</b> % <i>(leave blank if no repos traded)</i>		
	By a CCP		
	Bilaterally		
	Tri-party		
15	<b>Value of collateral and other credit support that the AIF has posted to all counterparties</b>		
	<b>a) Value of collateral posited in the form of cash and cash equivalents</b>		
	<b>b) Value of collateral posited in the form of other securities (excluding cash and cash equivalents)</b>		
	<b>c) Value of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support)</b>		
16	<b>Of the amount of collateral and other credit support that the</b>		

	<b>reporting fund has posted to counterparties: what percentage has been re-hypothecated by counterparties?</b>							
17	<b>Top Five Counterparty Exposures (excluding CCPs)</b>							
	<b>a) Identify the top five counterparties to which the AIF has the greatest mark-to-market net counterparty credit exposure, measured as a % of the NAV of the AIF</b>						<i>Name</i>	<i>Total Exposure</i>
	Counterparty 1							
	Counterparty 2							
	Counterparty 3							
	Counterparty 4							
	Counterparty 5							
	<b>b) Identify the top five counterparties that have the greatest mark-to-market net counterparty credit exposure to the AIF, measured as a percentage of the NAV of the AIF.</b>						<i>Name</i>	<i>Total Exposure</i>
	Counterparty 1							
	Counterparty 2							
	Counterparty 3							
	Counterparty 4							
	Counterparty 5							
18	<b>Direct clearing through central clearing counterparties (CCPs)</b>							
	<b>a) During the reporting period, did the AIF clear any transactions directly through a CCP?</b>						Yes No (if no, skip remainder of the question and go to question 21)	
	<b>b) If you answered 'yes' in 18(a), identify the top three central clearing counterparties (CCPs) in terms of net credit exposure</b>						<i>Name</i>	<i>Value held</i>
	CCP 1 <i>(leave blank if not applicable)</i>							
	CCP 2 <i>(leave blank if not applicable)</i>							
	CCP 3 <i>(leave blank if not applicable)</i>							
3. Liquidity Profile								
Portfolio Liquidity Profile								
19	<b>Investor Liquidity Profile</b>							
	Percentage of portfolio capable of being liquidated within:							
	1 day or less	2-7 days	8-30 days	31-90 days	91-180 days	181-365 days	more than 365 days	

20	<b>Value of unencumbered cash</b>							
Investor Liquidity Profile								
21	<b>Investor Liquidity Profile</b>							
Percentage of investor equity that can be redeemed within (as % of AIF's NAV)								
	1 day or less	2-7 days	8-30 days	31-90 days	91-180 days	181-365 days	more than 365 days	
22	<b>Investor redemptions</b>							
<b>a) Does the AIF provide investors with withdrawal/redemption rights in the ordinary course?</b>						Yes	No	
<b>b) What is the frequency of investor redemptions (if multiple classes of shares or units, report for the largest share class by NAV)</b>						[Select one] Daily Weekly Fortnightly Monthly Quarterly Half-yearly Annual Other N/A		
<b>c) What is the notice period required by investors for redemptions in days</b> <i>(report asset weighted notice period if multiple classes or shares or units)</i>								
<b>d) What is the investor 'lock-up' period in days (report asset weighted notice period if multiple classes or shares or units)</b>								
23	<b>Special arrangements and preferential treatment</b>							
<b>a) As at the reporting date, what percentage of the AIFs NAV is subject to the following arrangements:</b>						% of NAV		
Side pockets								
Gates								
Suspension of dealing								
Other arrangements for managing illiquid assets <i>(please specify)</i>						[Type]	[%]	
<b>b) Indicate the percentage of net asset value of AIF's assets that are currently subject to the special arrangements arising from their illiquid nature under paragraph 37 of</b>								

	<b>these Rules</b>							
	Special arrangements as a % of NAV							
	<b>c)Are there any investors who obtain preferential treatment or the right to preferential treatment (e.g. through a side letter) and therefore are subject to disclosure to the investors in the AIF in accordance with paragraph 38 (q) of these Rules</b>						(Yes or no)	
	<b>d)If 'yes' to letter c) then please indicate all relevant preferential treatment:</b>							
	Concerning different disclosure/reporting to investors							
	Concerning different investor liquidity terms							
	Concerning different fee terms for investors							
	Preferential treatment other than that specified above							
24	<b>Provide the breakdown of the ownership of units in the AIF by investor group (as % of NAV of AIF assets; look-through to the beneficial owners where known or possible)</b>							
25	<b>Financing liquidity</b>							
	<b>a)Provide the aggregate amount of borrowing by and cash financing available to the AIF (including all drawn and undrawn, committed and uncommitted lines of credit as well as any term financing)</b>							
	<b>b)Divide the amount reported in letter a) among the periods specified below depending on the longest period for which the creditor is contractually committed to provide such financing:</b>							
	1 day or less	2-7 days	8-30 days	31-90 days	91-180 days	181-365 days	longer than 365 days	
4. Borrowing and Exposure Risk								
26	<b>Value of borrowings of cash or securities represented by:</b>							
	Unsecured cash borrowing:							
	Collateralised/secured cash borrowing — Via Prime Broker:							
	Collateralised/secured cash borrowing — Via (reverse) repo:							
	Collateralised/secured cash borrowing — Via Other:							
27	<b>Value of borrowing embedded in financial instruments</b>							
	Exchange-traded	Derivatives:	Gross					

	Exposure less margin posted			
	OTC Derivatives: Gross Exposure less margin posted			
28	<b>Value of securities borrowed for short positions</b>			
29	<b>Gross exposure of financial and, as the case may be, or legal structures controlled by the AIF as set out in guidance issued by the Authority</b>			
	<i>Financial and, as the case may be, or legal structure</i>			
	<i>Financial and, as the case may be, or legal structure</i>			
	<i>Financial and, as the case may be, or legal structure</i>			
	...			
30	<b>Leverage of the AIF</b>			
	<b>a) as calculated under the Gross Method</b>			
	<b>b) as calculated under the Commitment Method</b>			
5. Operational and Other Risk Aspects				
31	<b>Total number of open positions</b>			
32	<b>Historical risk profile</b>			
	<b>a) Gross Investment returns or IRR of the AIF over the reporting period (in %, gross of management and performance fees)</b>			
	1st Month of Reporting Period			
	2nd Month of Reporting Period			
	...			
	...			
	Last Month of Reporting Period			
	<b>b) Net Investment returns or IRR of the AIF over the reporting period (in %, net of management and performance fees)</b>			
	1st Month of Reporting Period			
	2nd Month of Reporting Period			
	...			
	...			
	Last Month of Reporting Period			

<b>c) Change in Net Asset Value of the AIF over the reporting period (in %, including the impact of subscriptions and redemptions)</b>			
1st Month of Reporting Period			
2nd Month of Reporting Period			
...			
...			
Last Month of Reporting Period			
<b>d) Subscriptions over the reporting period</b>			
1st Month of Reporting Period			
2nd Month of Reporting Period			
...			
...			
Last Month of Reporting Period			
<b>e) Redemptions over the reported period</b>			
1st Month of Reporting Period			
2nd Month of Reporting Period			
...			
...			
Last Month of Reporting Period			

Monetary values should be reported in the base currency of the AIF.

**Results of stress tests**

Please provide the results of the stress tests performed in accordance with subparagraph 14(10) (Risks associated with each investment position of the AIF and their overall effect on the AIF's portfolio can be identified, measured, managed and monitored on an on-going basis, including through the use of appropriate stress testing procedures).

Monetary values should be reported in the base currency of the AIF.

Please provide the results of the stress tests performed in accordance with subparagraph 15(2). (AIFMs shall regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable them to assess the liquidity risk for the AIFs and monitor the liquidity risk of the AIFs accordingly).

**AIF-specific information to be made available to the competent authorities**

<b>Data Type</b>	<b>Reported Data</b>	
<b>1) Of the amount of collateral and other credit support that the reporting AIF</b>		

	<b>has posted to counterparties: what percentage has been re-hypothecated by counterparties?</b>		
Borrowing and Exposure Risk			
2	<b>Value of borrowings of cash or securities represented by:</b>		
	Unsecured cash borrowing:		
	Collateralised/secured cash borrowing — Via Prime Broker:		
	Collateralised/secured cash borrowing — Via (reverse) repo:		
	Collateralised/secured cash borrowing — Via Other:		
3	<b>Value of borrowing embedded in financial instruments</b>		
	Exchange-traded Derivatives: Gross Exposure less margin posted		
	OTC Derivatives: Gross Exposure less margin posted		
4	<b>Five largest sources of borrowed cash or securities (short positions):</b>		
	Largest:		
	2nd largest:		
	3rd largest:		
	4th largest:		
	5th largest:		
5	<b>Value of securities borrowed for short positions</b>		
6	<b>Gross exposure of financial and, as the case may be, or legal structures controlled by the AIF</b>		
	<i>Financial and, as the case may be, or legal structure</i>		
	<i>Financial and, as the case may be, or legal structure</i>		
	<i>Financial and, as the case may be, or legal structure</i>		
	...		
7	<b>Leverage of the AIF:</b>		
	<b>a) Gross Method</b>		
	<b>b) Commitment Method</b>		

Monetary values should be reported in the base currency of the AIF.

[\(1\)](#) If Other please indicate the strategy that best describes the AIF type.