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meets both of the following conditions:

- the combined holding by the AIF of a derivative instrument representing a long position in the given financial asset and cash which is invested in cash equivalent as defined in Article 7(a) is equivalent to holding a long position in the given financial asset;
- hedging arrangements shall be used for the purpose of calculating the exposure of an AIF only if they comply with all the following conditions:

- the positions in the underlying assets and the derivative instruments used for hedging relationship do not aim to generate a return and general and specific risks are offset;
- there is a verifiable reduction of the AIF's risks linked to derivative instruments, general and specific, if any, are offset;
- the hedging arrangements used for the purpose of calculating the exposure of an AIF are efficient in stressed market conditions.

Subject to paragraph 6, derivative instruments used for the purpose of calculating the exposure of an AIF shall not be included in the calculation.

A derivative instrument shall not be included in the calculation of the exposure of an AIF in any of the following cases:

- between derivative instruments, provided they refer to the same underlying asset and the maturity date of the derivative instruments is different;
- between a derivative instrument whose underlying asset is a transferable financial instrument or units in a collective investment undertaking as referred to in points 1 to 3 of Section C of Annex I to Directive 2004/39/EC and the underlying asset of the derivative instrument;
- AIFMs managing AIFs that, in accordance with their core investment policy, primarily invest in derivative instruments shall make use of specific duration netting rules in order to take into account the correlation between the maturity segments of the derivative instruments and the maturity of the underlying assets.

When calculating exposure AIFMs shall use the methods set out in Annex I for the situations referred to therein.

AIFMs shall use the conversion methodologies set out in Annex II for the derivative instruments referred to therein.

Duration netting rules shall be applied by AIFMs when calculating the exposure of AIFs according to Article 9(1). Duration-netting rules shall not be used where they would lead to a misrepresentation of the risk profile of the AIF. AIFMs availing themselves of duration-netting rules shall not include other sources of risk such as volatility in their interest rate strategy. Consequently, interest rate arbitrage strategies shall not be used. The use of those duration-netting rules shall not generate any unjustified level of leverage through investment in derivative instruments. Short-dated interest rate derivatives shall not be the main source of performance for an AIF with medium duration which uses the duration-netting rules. Interest rate derivatives shall be converted into their equivalent underlying asset position and netted in accordance with Annex III. The use of the duration-netting rules may still make use of the hedging framework. Duration netting rules may be applied only to the interest rate derivatives which are not included in hedging arrangements.

CONTENT

The professional liability risks to be covered pursuant to Article 9(7) of Directive 2011/61/EU shall be risks incurred by a relevant person through the negligent performance of activities for which the AIFM has legal responsibility.

Professionals defined in paragraph 1 shall include, without being limited to, risks of:

- loss of documents evidencing transactions;
- misrepresentations or misleading statements made to the AIF or its investors;
- acts, errors or omissions resulting in a breach of legal and regulatory obligations;
- duty of skill and care towards the AIF and its investors;
- failure to comply with obligations of confidentiality;
- AIF rules or instruments of incorporation;
- terms of appointment of the AIFM by the AIF.

The AIFM shall establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; improperly calculate assets or calculation of unit/share prices; losses arising from business disruption, system failures, failure of transaction processing, management.

Professional liability risks shall be covered at all times either through appropriate additional own funds in accordance with Article 14 or through appropriate coverage of professional indemnity insurance determined in accordance with Article 15.

An AIFM shall implement effective internal operational risk management policies and procedures in order to manage and monitor appropriately operational risks including professional liability risks to which the AIFM is or could be reasonably expected to be exposed. Management activities shall be performed independently as part of the risk management policy.

An AIFM shall set up a historic database of operational failures, loss and damage experience shall be recorded. This database shall record, without being limited to, any professional liability risks referred to in Article 12(2) that have materialised.

Within the risk management framework the AIFM shall make use of its internal data where appropriate of external data, scenario analysis and factors reflecting the business environment and internal control systems. Exposures and loss experience shall be monitored on an ongoing basis and shall be subject to regular internal reporting.

An AIFM shall ensure that its management policies and procedures shall be well documented. An AIFM shall have arrangements in place for ensuring compliance with management policies and effective measures for the treatment of non-compliance with these policies. An AIFM shall have procedures in place to take appropriate corrective action.

The operational risk management policies and procedures and measurement systems shall be reviewed at least on an annual basis.

An AIFM shall maintain financial resources adequate to its assessed risk profile.

This Article shall apply to AIFMs that choose to cover professional liability risks through additional own funds. AIFMs shall provide additional own funds for covering liability risks arising from professional negligence at least equal to 0,01 % of the value of the AIF's managed assets.

The value of the portfolios of AIFs managed shall be the sum of the absolute value of all assets of all AIFs managed by the AIFM acquired through use of leverage, whereby derivative instruments shall be valued at their market value.

The additional own funds to be provided in paragraph 2 shall be recalculated at the end of each financial year and the amount of additional own funds shall be adjusted accordingly to reflect changes in the value of the portfolios of AIFs managed and the amount of additional own funds shall be adjusted accordingly to reflect changes in the value of the portfolios of AIFs managed, calculated in accordance with paragraph 2. Where, before the annual recalculation referred to in the first subparagraph, the value of the portfolios of AIFs managed has increased significantly, the AIFM shall without undue delay recalculate the additional own funds requirement and shall adjust the additional own funds requirement accordingly.

The competent authority of the home Member State of the AIFM may authorise the AIFM to provide additional own funds lower than those required in paragraph 2 only if it is satisfied that on the basis of the historical loss data of the AIFM as recorded over an observation period of at least 12 months that the AIFM provides sufficient additional own funds to appropriately cover professional liability risks. The authorised additional own funds shall be not less than 0,008 % of the value of the portfolios of AIFs managed by the AIFM.

The competent authority of the home Member State of the AIFM may request the AIFM to provide additional own funds higher than the amount referred to in paragraph 2 if it is not satisfied that the AIFM provides sufficient additional own funds to appropriately cover professional liability risks. The competent authority shall give reasons why it considers the additional own funds are insufficient.

This Article shall apply to AIFMs that choose to cover professional liability risks through professional indemnity insurance.

The AIFM shall take out and maintain at all times professional indemnity insurance that:

- shall have a minimum coverage of at least 100 million EUR;
- shall have a notice period for cancellation of at least 90 days;
- shall cover professional liability risks as defined in paragraph 1;
- is taken out from an EU or non-EU undertaking authorised to provide professional indemnity insurance, in accordance with the requirements set out in paragraph 1;
- is provided by a third party entity.

Any agreed defined excess shall be fully covered by own funds which are in addition to the insurance cover provided in accordance with Article 9(1) and (3) of Directive 2011/61/EU.

The coverage of the insurance for an individual claim shall be not less than 100 million EUR.

The coverage of the insurance for aggregate claims shall be not less than 100 million EUR.

The AIFM calculated as set out in the second subparagraph of Article 14(2).

The AIFM shall review the professional indemnity insurance policy and its compliance with the requirements laid down in this Article at least once a year and in the event of any change which affects the policy's compliance with the requirements laid down in this Article.

SUBTITLE GENERAL PROVISIONS

TITLE CHAPTER II

ARTICLE

CONTENT

When assessing the AIFM's compliance with Article 12(1) of Directive 2011/61/EU, the competent authorities shall take into account the criteria laid down in this Section.

AIFMs shall apply policies and procedures for preventing malpractices, including those that might reasonably be expected to adversely affect the stability and integrity of the market.

AIFMs shall ensure that the AIFs they manage or the investors in these AIFs are not exposed to undue risk.

AIFMs shall apply a high standard of diligence in the selection and ongoing monitoring of investments.

AIFMs shall ensure that they have adequate knowledge and understanding of the assets in which the AIF is invested.

AIFMs shall establish, implement and procedures on due diligence and implement effective arrangements for ensuring that investment decisions on behalf of the AIF are made in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the AIF.

The policies and procedures referred to in paragraph 3 shall be regularly reviewed and updated.

Where AIFMs invest in assets of limited liquidity and where such investment is preceded by a negotiation phase, in addition to the requirements laid down in Article 18:

- set out and document the business plan consistent with the duration of the AIF and market conditions;
- seek and select possible transactions consistent with the business plan referred to in point (a);
- assess the selected transactions in consideration of opportunities, if any, and overall related risks, all relevant factors, financial or other value affecting factors, human and material resources, and strategies, including exit strategies;
- perform due diligence on the transactions prior to arranging execution;
- monitor the performance of the AIF with respect to the business plan referred to in point (a);
- AIFMs shall retain records of the activities carried out pursuant to paragraph 1 for at least five years.

damage to the interests of the AIF or its investors;- procedures to be followed and measures to be adopted in order to prevent, conflicts.

The AIFM that manages an open-ended AIF shall identify, manage and monitor conflicts of interest arising between the AIFM's investments and investors wishing to maintain their investments in the AIF, and any conflicts between the AIFM's investments and the AIF's redemption policy in accordance with its obligations under Article 14(1) of Directive 2011/61/EU.

The procedures and measures established for the prevention or management of conflicts of interest shall include the relevant persons engaged in different business activities involving a risk of conflict of interest carry out these activities having a duty of care appropriate to the size and activities of the AIFM and of the group to which it belongs, and to the materiality of the risk of damage to investors. Where necessary and appropriate for the AIFM to ensure the requisite degree of independence, the procedures and measures to be adopted in accordance with point (b) of Article 31(2) shall include the following:

- the effect or control the exchange of information between relevant persons engaged in collective portfolio management activities or other activities and (4) of Directive 2011/61/EU involving a risk of conflict of interest where the exchange of information may harm the interest of one or more investors;
- the separate supervision of relevant persons, whose principal functions involve carrying out collective portfolio management activities providing services to, clients or investors, whose interests may conflict, or who otherwise represent different interests that may conflict with the AIFM;
- the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- measures to prevent or restrain any person from exercising inappropriate influence over the way in which a relevant person carries out management activities;
- measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate management activities or other activities pursuant to Article 6(2) and (4) of Directive 2011/61/EU where such involvement may impair the conflicts of interest.

Where the adoption or the application of one or more of those measures and procedures does not ensure independence, the AIFM shall adopt such alternative or additional measures and procedures as are necessary and appropriate for those

Where the organisational or administrative arrangements made by the AIFM are not sufficient to ensure, with respect to the risks of damage to the interests of the AIF or investors in the AIF are prevented, the senior management or other competent internal body shall promptly informed in order to take any necessary decision or action to ensure that the AIFM acts in the best interests of the AIF or the investors.

The AIFM shall keep and regularly update a record of the types of activities undertaken by or on behalf of the AIFM of interest entailing a material risk of damage to the interests of one or more AIFs or its investors has arisen or, in the case of an ongoing activity, Senior management shall receive on a frequent basis, and at least annually, written reports on activities referred to in paragraph 1.

The information to be disclosed to investors in accordance with Article 14(1) and (2) of Directive 2011/61/EU shall be disclosed to investors in a durable medium or by means of a website. Where information referred to in paragraph 1 is provided by means of a website, the information shall be accessible continuously by means of that website for such period as the investor has agreed. Where the information is not provided by means of a website, the information shall be accessible continuously by means of that website for such period as the investor has agreed. Where the information is not provided by means of a website, the information shall be accessible continuously by means of that website for such period as the investor has agreed.

An AIFM shall develop adequate and effective strategies for determining when and how any voting rights in the AIF or its investments are to be exercised, to the exclusive benefit of the AIF concerned and its investors. The strategy referred to in paragraph 1 shall be developed in accordance with the measures and procedures for:

- monitoring relevant corporate actions;
- ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant AIF;
- preventing or managing any conflicts of interest arising from the exercise of voting rights.

A summary description of the strategies and details of the actions taken on the basis of those strategies shall be made available to the investors on their request.

CONTENT

For the purposes of this Section, risk management systems shall be understood as systems comprised of relevant organisational structure of the AIFM, with a central role for a permanent risk management function, policies and procedures related to the AIFM's investment strategy, and arrangements, processes and techniques related to risk measurement and management in relation to each AIF it manages.

An AIFM shall establish and maintain a permanent risk management function that shall:

- implement effective risk management policies and procedures in order to identify, measure, manage and monitor on an ongoing basis the AIFM's investment strategy to which each AIF is or may be exposed;
- ensure that the risk profile of the AIF disclosed to investors in accordance with Article 23(4) of Directive 2011/61/EU is consistent with the risk limits that have been set in accordance with Article 44 of this Regulation;
- monitor compliance with the risk limits set in accordance with Article 44 and notify the AIFM's governing body and, where it exists, the supervisory function in a timely manner when it considers the AIFM's risk profile inconsistent with these limits or sees a material risk to become inconsistent with these limits;
- provide the following regular updates to the governing body of the AIFM and where it exists, the supervisory function at a frequency which is in accordance with the nature, scale and complexity of the AIF or the AIFM's activities:

- the consistency between and compliance with the risk limits set in accordance with Article 44 and the risk profile disclosed to investors in accordance with Article 23(4)(c) of Directive 2011/61/EU;
- the adequacy and effectiveness of the risk management function in particular whether appropriate remedial measures have been or will be taken in the event of any actual or anticipated default;
- provide regular updates to the senior management outlining the current level of risk incurred by each managed AIF and any actual or anticipated breaches of risk limits set in accordance with Article 44, so as to ensure that prompt and appropriate action can be taken.

The risk management function shall have the necessary authority and access to all relevant information necessary to fulfil the tasks set out in paragraph 1.

An AIFM shall establish, implement and maintain an adequate and documented risk management policy which shall include:

- the relevant risks to which the AIFs it manages are or may be exposed;
- The risk management policy shall comprise such procedures and arrangements as are necessary to enable the AIFM to assess for each AIF it manages the exposure of that AIF to market, liquidity and counterparty risks, and the exposure of the AIFM to the risks of the AIFs it manages, including operational risks, which may be material for each AIF it manages.

The AIFM shall address at least the following risks in its risk management policy:

- the techniques, tools and arrangements that enable it to comply with Article 44 of Directive 2011/61/EU;
- the techniques, tools and arrangements that enable liquidity risk of the AIF to be assessed and monitored under normal and exceptional liquidity conditions;
- the limits set in accordance with Article 44 of this Regulation and a justification of how these are aligned with the risk profile of the AIFM;
- the terms, contents, frequency and addressees of the information to be disclosed to investors in accordance with Article 23(4)(c) of Directive 2011/61/EU;
- the terms, contents, frequency and addressees of the information to be disclosed to investors in accordance with Article 39 of Directive 2011/61/EU;
- The risk management policy shall include a description of the measures to be taken to ensure that the AIFM's risk management policy is consistent with the risk profile of the AIFM and the risk profile of the AIFs it manages.

AIFMs shall assess, monitor and periodically, at least once a year, review:

- the effectiveness of the risk management policy and of the arrangements, processes and techniques referred to in Article 45;
- the degree to which the AIFM's risk management policy and with the arrangements, processes and techniques referred to in Article 45;
- the adequacy and effectiveness of measures aimed at ensuring the functional and hierarchical separation of the risk management function from the AIFM's other functions.

The frequency of the periodic review referred to in the first subparagraph shall be decided by the senior management of the AIFM in accordance with the principle of proportionality given the nature, scale and complexity of the AIFM's business and the AIF it manages. In accordance with paragraph 1, the risk management systems shall be reviewed where:

- material changes to the risk management policies and procedures and to the arrangements, processes and techniques referred to in Article 45;
- internal control systems indicate that an additional review is required;
- material changes are made to the investment strategy and objectives of an AIF that the AIFM manages;
- The AIFM shall update the risk management systems on the basis of the outcome of the review referred to in paragraph 1.

The AIFM shall notify the competent authority of its home Member State of any material changes to the risk management policy and arrangements, processes and techniques referred to in Article 45.

The risk management function shall be considered as functionally and hierarchically separated from the AIFM's other functions, including the portfolio management function, only where all the following conditions are satisfied:

- the performance of the risk management function are not supervised by those responsible for the performance of the operating units, including the portfolio management function, of the AIFM;
- persons engaged in the performance of the risk management function are not engaged in the performance of the operating units, including the portfolio management function;
- persons engaged in the performance of the risk management function are compensated in accordance with the achievement of the objectives linked to that function, independently of the performance of the operating units, including the portfolio management function;
- the remuneration of senior officers in the risk management function is directly overseen by the governing body, where such a committee has been established.

The functional and hierarchical separation of the risk management function from the AIFM's other functions shall be ensured throughout the whole hierarchical structure of the AIFM, up to its governing body. It shall be ensured that the supervisory function of the AIFM, the competent authorities of the home Member State and the way in which the AIFM has applied paragraphs 1 and 2 on the basis of the criteria laid down in the second subparagraph of Article 15(1) of Directive 2011/61/EU.

The safeguards against conflicts of interest referred to in Article 15(1) of Directive 2011/61/EU shall ensure that:

- decisions taken by the risk management function are based on reliable data, which are subject to an appropriate review by the risk management function;
- the remuneration of those engaged in the performance of the risk management function is not linked to the risk management function, independently of the performance of the business areas in which they are engaged;
- the risk management function is subject to an appropriate independent review to ensure that decisions are being arrived at independently;
- the risk management function is represented in the governing body or the supervisory function, where it has been established, at least with the same authority as the other members of the governing body;
- any conflicting duties are properly segregated.

Where proportionate, taking into account the scale and complexity of the AIFM, the safeguards referred to in paragraph 1 shall also ensure that:

- the risk management function is functionally and hierarchically separated from the AIFM's other functions, including the portfolio management function, only where all the following conditions are satisfied:

management function is reviewed regularly by the internal audit function, or, if the latter has not been established, by an external party governing body;

where a risk committee has been established, it is appropriately resourced and its non-independent members influence over the performance of the risk management function;

The governing body of the AIFM and, where it exists, the risk committee shall establish the safeguards against conflicts of interest laid down in paragraphs 1 and 2, regularly review their effectiveness and take appropriate action to address any deficiencies.

<ol class="crrNumList"> An AIFM shall establish and implement quantitative or qualitative risk limits, or both, for each AIF it manages all relevant risks. Where only qualitative limits are set, the AIFM shall be able to justify this approach to the competent authority. quantitative risk limits for each AIF shall, at least, cover the following risks:<p> <ol class="crrCharList"> market risks; credit risks; counterparty risks; operational risks. When setting risk limits, the AIFM shall take into account assets employed in respect of each AIF it manages as well as the national rules applicable to each of those AIFs. Those risk limits shall be profile of the AIF as disclosed to investors in accordance with point (c) of Article 23(4) of Directive 2011/61/EU and approved by the governing body of the AIFM.

AI FMs shall adopt adequate and effective arrangements, processes and techniques in order to:

- identify, measure, manage and monitor at any time the risks to which the AIFs under their management are or might be exposed;
- with the limits set in accordance with Article 44, the arrangements, processes and techniques referred to in paragraph 1 proportionate to the nature, scale and complexity of the business of the AIFM and of each AIF it manages and shall be consistent with those disclosed to investors in accordance with point (c) of Article 23(4) of Directive 2011/61/EU.

For the purposes of paragraph 1, the following actions for each AIF it manages:

- put in place such risk measurement arrangements, processes and techniques as are necessary to ensure that the risks of positions taken and their contribution to the overall risk profile are accurately measured on the basis of data and that the risk measurement arrangements, processes and techniques are adequately documented;
- conduct periodic backtests of the validity of risk measurement arrangements which include model-based forecasts and estimates;
- conduct, periodic appropriate scenario analyses to address risks arising from potential changes in market conditions that might adversely impact the AIF;
- ensure that the AIF complies with the risk limits set in accordance with Article 44;
- establish, implement and maintain adequate procedures to identify and anticipate breaches of the risk limits of the AIF, result in timely remedial actions in the best interest of investors;
- ensure that the AIF has adequate liquidity management systems and procedures for each AIF in line with the requirements laid down in Article 46.

CONTENT

<div class="crrArticle">AIFMs shall be able to demonstrate to the competent authorities of their home Member State that an appropriate system and effective procedures referred to in Article 16(1) of Directive 2011/61/EU are in place taking into account the investment strategy and the redemption policy of each AIF.</div>

(c) The liquidity management system and procedures referred to in Article 46 shall at least, ensure that:

(i) the AIFM maintains a level of liquidity in the AIF appropriate to its underlying obligations, based on an assessment of the AIF's assets in the market, taking account of the time required for liquidation and the price or value at which those assets can sensibly be sold; and

(ii) the AIFM monitors the liquidity profile of the AIF's portfolio of assets, having regard to the contribution of individual assets which may have a material impact on liquidity, and the material liabilities and commitments, contingent upon the fulfilment of its underlying obligations. For these purposes the AIFM shall take into account the profile of the investor base of investors, the relative size of investments and the redemption terms to which these investments are subject;

(iii) the AIFM, where it manages collective investment undertakings, monitors the approach adopted by the managers of those other collective investment undertakings in which it invests. Subject to Article 16(1) of Directive 2011/61/EU, this obligation shall not apply where the other collective investment undertakings are actively traded on a regulated market within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC or an equivalent.

market; and (iii) the AIFM implements and maintains appropriate liquidity measurement arrangements and procedures to assess the risks of positions and of intended investments which have a material impact on the liquidity profile of the portfolio of the AIF's assets the overall liquidity profile to be appropriately measured. The procedures employed shall ensure that the AIFM has the appropriate knowledge of the liquidity of the assets in which the AIF has invested or intends to invest including, where applicable, the trading volume and sensitivity may be, or spreads of individual assets in normal and exceptional liquidity conditions; (iv) the AIFM considers and puts into effect arrangements, including special arrangements, necessary to manage the liquidity risk of each AIF under its management. The AIFM shall in circumstances where these tools and arrangements may be used in both normal and exceptional circumstances, taking into account the investors in relation to each AIF under management. The AIFM may use such tools and arrangements only in these circumstances and if have been made in accordance with Article 108. (v) AIFMs shall document their liquidity management policies and procedures in paragraph 1, review them on at least an annual basis and update them for any changes or new arrangements. (vi) AIFMs shall include measures in their liquidity management system and procedures, as referred to in paragraph 1, to address anticipated or actual liquidity distressed situations of the AIF. (vii) Where the AIFM manages an AIF which is a leveraged closed-ended AIF, point (e) of paragraph

(c) AIFMs shall, where appropriate, considering the nature, scale and complexity of each AIF they manage, impose adequate limits for the liquidity or illiquidity of the AIF consistent with its underlying obligations and redemption policy and in accordance with Article 44 relating to quantitative and qualitative risk limits.

AIFMs shall monitor compliance with those limits and where likely to be exceeded, they shall determine the required (or necessary) course of action. In determining appropriate action, AIFMs shall take account of the liquidity management policies and procedures, the appropriateness of the liquidity profile of the AIF's assets and the effect of changes in market conditions on the liquidity of the AIF.

AIFMs shall regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable them to assess the impact of changes in market conditions on the liquidity of the AIF.

The stress tests shall:

- be conducted on the basis of reliable and quantifiable terms or, where this is not appropriate, in qualitative terms;
- where appropriate, simulate a shortage of liquidity of atypical redemption requests;
- cover market risks and any resulting impact, including on margin calls, collateral requirements or other obligations;
- be conducted at a frequency which is appropriate to the nature of the investment strategy, liquidity profile, type of investor and redemption policy of the AIF, and at least once a year;

the best interest of investors in relation to the outcome of any stress tests.

<ol class="crrNumList">

CONTENT

For the purposes of this Section:

- securitisation means a securitisation within the meaning of Article 4(36) of Directive 2006/48/EC;
- securitisation position means a securitisation position within the meaning of Article 4(40) of Directive 2006/48/EC;
- sponsor means a sponsor within the meaning of Article 4(42) of Directive 2006/48/EC;
- tranche means a tranche within the meaning of Article 4(42) of Directive 2006/48/EC.

Article 122a(3) of Directive 2006/48/EC

AIFMs shall assume exposure to the credit risk of a securitisation on behalf of one or more AIFs it manages, sponsor or original lender has explicitly disclosed to the AIFM that it retains, on an ongoing basis, a material net economic interest, which is less than 5 %.

Only any of the following shall qualify as retention of a material net economic interest of not less than 5 %:

- retention of no less than 5 % of the nominal value of each of the tranches sold or transferred to the investors;
- securitisations of revolving exposures, retention of the originator's interest of no less than 5 % of the nominal value of the securitised exposures;
- retention of randomly selected exposures, equivalent to not less than 5 % of the nominal value of the securitised exposures, where such exposures have been securitised in the securitisation, provided that the number of potentially securitised exposures is not less than 100;
- retention of the first loss tranche and, if necessary, other tranches having the same or a more severe risk profile than those transferred 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;
- retention of a first loss exposure of not less than 5 % of every securitised exposure in the securitisation.

The net economic interest shall be measured at the origination and shall be maintained on an ongoing basis. The net economic interest, including retained exposures, shall not be subject to any credit risk mitigation or any short positions or any other hedge and shall not be sold. The net economic interest shall be determined by the notional value for off-balance sheet items.

There shall be no multiple applications of the retention requirements in paragraph 1.

Paragraph 1 shall not apply where the securitised exposures are claims or contingent claims on or fully, unconditionally guaranteed by the institutions listed in the first subparagraph of Article 122a(3) of Directive 2006/48/EC, and shall not apply to those transactions referred to in the second subparagraph of Article 122a(3) of Directive 2006/48/EC.

<div class="crrArticle"> <p>Prior to an AIFM assuming exposure to the credit risk of a securitisation on behalf of one or more AIFs, it s sponsor and originator:</p> <ol class="crrCharList"> grant credit based on sound and well-defined criteria and clearly establish the amending, renewing and re-financing loans to exposures to be securitised as they apply to exposures they hold; have in place a systems to manage the ongoing administration and monitoring of their credit risk-bearing portfolios and exposures, including for identifi problem loans and for making adequate value adjustments and provisions; adequately diversify each credit portfolio based on t overall credit strategy; have a written policy on credit risk that includes their risk tolerance limits and provisioning policy and c measures, monitors and controls that risk; grant readily available access to all materially relevant data on the credit quality an individual underlying exposures, cash flows and collateral supporting a securitisation exposure and such information that is necessary t comprehensive and well informed stress tests on the cash flows and collateral values supporting the underlying exposures. For that pu data shall be determined as at the date of the securitisation and where appropriate due to the nature of the securitisation thereafter; </ available access to all other relevant data necessary for the AIFM to comply with the requirements laid down in Article 53; disc retained net economic interest as referred to in Article 51, as well as any matters that could undermine the maintenance of the minimum interest as referred to in that Article. </div>

Before becoming exposed to the credit risk of a securitisation on behalf of one or more AIFs, and as a result of the securitisation, AIFMs shall be able to demonstrate to the competent authorities for each of their individual securitisation positions that they have a thorough understanding of those positions and have implemented formal policies and procedures appropriate to the risk profile of the securitisation positions for analysing and recording information disclosed under Article 4(1)(a) of Regulation (EU) 2019/1781.

sponsors to specify the net economic interest that they maintain, on an ongoing basis, in the securitisation;

the risk characteristics of the exposures underlying the securitisation position;

the reputation of the originators or sponsors in the relevant exposure classes underlying the securitisation position;

the disclosures made by the originators or sponsors, or their agents or advisors, about their due diligence on the securitised exposures and the quality of the collateral supporting the securitised exposures;

where applicable, the methodologies and concepts on which collateral supporting the securitised exposures is based and the policies adopted by the originator or sponsor to ensure the independence of the structural features of the securitisation that can materially impact the performance of the institution's securitisation position;

contractual waterfall and waterfall related triggers, credit enhancements, liquidity enhancements, market value triggers, and deal-specific features;

Where an AIFM has assumed exposure to a material value of the credit risk of a securitisation on behalf of one or more investors, the AIFM shall regularly perform stress tests appropriate to such securitisation positions in accordance with point (b) of Article 15(3) of Directive 2011/17/EU. The stress tests shall be commensurate with the nature, scale and complexity of the risk inherent in the securitisation positions.

AIFMs shall establish procedures in line with the principles laid down in Article 15 of Directive 2011/61/EU commensurate with the risk profile of the relevant securitisation positions. Such information shall include (if relevant to the specific type of securitisation and not limited to such types of securitisation as described herein), the exposure type, the percentage of loans more than 30, 60 and 90 days past due, default rates, prepayment rates, the collateral type and occupancy, frequency distribution of credit scores or other measures of credit worthiness across underlying exposures, geographical diversification and frequency distribution of loan to value ratios with bandwidths that facilitate adequate sensitivity analysis.

Exposures are themselves securitisation positions, AIFMs shall have the information set out in this subparagraph not only on the underlying tranches, such as the issuer name and credit quality, but also on the characteristics and performance of the pools underlying those securities.

AIFMs shall apply the same standards of analysis to participations or underwritings in securitisation issues purchased from third parties for purposes of appropriate risk and liquidity management, AIFMs assuming exposure to the credit risk of a securitisation on behalf of one or more investors, properly identify, measure, monitor, manage, control and report the risks that arise because of mismatches between the assets and liabilities, concentration risk or investment risk arising from these instruments. The AIFM shall ensure that the risk profile of such securitisation positions, the size, overall portfolio structure, investment strategies and objectives of the relevant AIF as laid down in the AIF rules or instruments prospectus and offering documents.

AIFMs shall ensure, in line with the requirements laid down in Article 18 of Directive 2011/17/EU, an adequate degree of internal reporting to the senior management so that senior management is fully aware of any material assumption or change in assumptions and that the risks arising from those exposures are adequately managed.

AIFMs shall include appropriate information on exposures to the credit risk of securitisation and their risk management procedures in this area in the reports and disclosures to be submitted with Articles 22, 23 and 24 of Directive 2011/61/EU.

AIFMs shall take such corrective action as is in the best interest of the investors in the relevant AIF where the assumption of an exposure to a securitisation, that the determination and disclosure of the retained interest did not meet the requirements of the Regulation.

AIFMs shall take such corrective action as is in the best interest of the investors in the relevant AIF, where the retained interest is less than 5 % at a given moment after the assumption of the exposure and this is not due to the natural payment mechanism of the transaction.

Articles 51 to 54 shall apply in relation to new securitisations issued on or after 1 January 2011. Articles 51 to 54 shall apply in relation to existing securitisations where new underlying exposures are added or substituted after that date.

In the absence of specific interpretation given by ESMA or by the Joint Committee of the European Supervisory Authorities, the provisions of this Section shall be interpreted in a consistent manner with the corresponding provisions of Directive 2006/48/EC and with Article 122a of the Capital Requirements Directive of 31 December 2010 Committee of European Banking Supervisors, Guidelines to Article 122a of the Capital Requirements Directive of 31 December 2010, <http://www.eba.europa.eu/cpbs/media/Publications/Standards%20and%20Guidelines/2010/Application%20of%20Art.%20122a%20of%20the%20CRD%20Guidelines> issued by the Committee of European Banking Supervisors and their subsequent amendments.

CONTENT

AIFMs shall:

establish, implement and maintain decision-making and organisational structure which specifies reporting lines and allocates functions and responsibilities clearly and in a documented manner;

ensure that the relevant persons are aware of the procedures to be followed for the proper discharge of their responsibilities;

establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the AIFM;

maintain effective internal reporting and communication of information at all relevant levels of the AIFM and effective information flows within the AIFM;

maintain adequate and orderly records of their business and internal organisation.

AIFMs shall take into account the nature and complexity of their business and the nature and range of services and activities undertaken in the course of that business.

AIFMs shall implement and maintain systems and procedures that are adequate to safeguard the security, integrity and confidentiality of information and the nature of the information in question.

AIFMs shall establish, implement and maintain an adequate business continuity policy aimed at ensuring the continuity of the AIFM's operations in the event of an interruption to their systems and procedures, the preservation of essential data and functions, and the maintenance of services where that is not possible, the timely recovery of such data and functions and the timely resumption of their services and activities.

AIFMs shall establish, implement and maintain accounting policies and procedures and valuation rules that enable them, at the request of the competent authorities, to provide in a timely manner to the competent authority financial reports which reflect a true and fair view of their financial position and which comply with accounting standards and rules.

AIFMs shall implement appropriate policies and procedures to ensure that the redemption proceeds are distributed to investors, in sufficient detail, before they invest in the AIF and in the event of material changes.

AIFMs shall monitor, evaluate the adequacy and effectiveness of their systems, internal control mechanisms and arrangements established in accordance with paragraph 5, and take appropriate measures to address any deficiencies.

AIFMs shall make appropriate and sufficient arrangements for suitable electronic systems so as to permit the recording of each portfolio transaction or subscription or, where relevant, redemption order.

AIFMs shall ensure a high standard of electronic data processing and integrity and confidentiality of the recorded information, as appropriate.

AIFMs shall employ accounting policies and procedures as referred to in Article 57(4) so as to ensure the proper recording of the assets and liabilities of the AIF.

The accounting records shall be kept in such a way that all assets and liabilities of the AIF can be directly identified at all times. If an AIF has multiple compartments, separate accounts shall be maintained for those compartments.

AIFMs shall establish, implement and maintain policies and procedures so as to ensure that the net asset value of each AIF is accurately calculated on the basis of the applicable accounting standards.

When allocating functions internally, AIFMs shall ensure that the governing body, the senior management and the supervisory function are responsible for the AIFM's compliance with its obligations under Directive 2011/61/EU.

An AIFM's senior management:

is responsible for the implementation of the general investment policy for each risk class where relevant, in the fund rules, the instruments of incorporation, the prospectus or the offering documents;

oversees the application of the investment strategies for each managed AIF;

is responsible for ensuring that valuation policies and procedures in accordance with Article 15 of Directive 2011/61/EU are established and implemented;

is responsible for ensuring that the AIFM has a permanent and effective compliance function is performed by a third party;

ensures and verifies on a periodic basis that the general investment policy, the investment limits of each managed AIF are properly and effectively implemented and complied with, even if the risk management function is performed by a third party;

approves and reviews on a periodic basis the adequacy of the internal procedures for undertaking investment decisions for each managed AIF, ensuring that such decisions are consistent with the approved investment strategies;

approves and reviews on a periodic basis the investment policy and the arrangements, processes and techniques for implementing that policy, including the risk limit system for each AIF if managed by a third party;

is responsible for establishing and applying a remuneration policy in line with Annex II to Directive 2011/61/EU.

An AIFM's senior management and, where appropriate, its governing body or supervisory function:

assesses the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations laid down in Directive 2011/61/EU;

takes appropriate measures to address any deficiencies.

An AIFM shall ensure that its senior management receives on a frequent basis, at least annually, written reports on matters of compliance, internal audit and risk management indicating in particular whether appropriate measures have been taken in the event of any deficiencies.

An AIFM shall ensure that its senior management receives on a regular basis written reports on the implementation of investment strategies and of the internal procedures for taking investment decisions referred to in points (b) to (e) of paragraph 4.

An AIFM shall ensure that the governing body or the supervisory function, if any, receives on a regular basis written reports on the effectiveness of the internal control mechanisms and arrangements.

AIFMs shall establish, implement and maintain adequate policies and procedures designed to detect any risk to comply with its obligations under Directive 2011/61/EU, and the associated risks, and put in place adequate measures and procedures to manage such risk and to enable the competent authorities to exercise their powers effectively under that Directive.

The AIFM shall take into account the scale and complexity of its business, and the nature and range of services and activities undertaken in the course of that business.

AIFMs shall establish and maintain a permanent and effective compliance function which operates independently and has the following responsibilities:

monitoring and, on a regular basis, evaluating the adequacy and effectiveness of the measures, policies and procedures in accordance with paragraph 1 and the actions taken to address any deficiencies in the AIFM's compliance with its obligations;

persons responsible for carrying out services and activities and assisting them in complying with the AIFM's obligations under Directive 2011/61/EU;

In order to enable the compliance function referred to in paragraph 2 to perform its responsibilities properly and in accordance with the requirements of the Regulation, the AIFM shall ensure that:

the compliance function has the necessary authority, resources, expertise and access to information;

a compliance officer is appointed and is responsible for the compliance function and for reporting on a frequent basis to the senior management on matters of compliance, indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies;

persons in the compliance function are not involved in the performance of services or activities they monitor;

determining the remuneration of a compliance officer and other persons in the compliance function do not affect their objectivity and are not based on the performance of the AIFM;

However, the AIFM shall not be required to comply with point (c) or (d) of the first subparagraph where it is able to demonstrate that the scale and complexity of its business, and the nature and range of its services and activities, that the requirement is not proportionate as the function continues to be effective.

AIFMs shall, where appropriate and proportionate in view of the nature, scale and complexity of their business, establish an internal audit function to monitor and report on the effectiveness of the internal control mechanisms and arrangements.

The internal audit function referred to in paragraph 4 shall:

establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the internal control mechanisms and arrangements;

issue recommendations based on the results of work carried out in accordance with the internal control mechanisms and arrangements referred to in point (b);

report internal audit matters.

<ol class="crrNumList"> <p>For any relevant person who is involved in activities that may give rise to a conflict of interest, or who information within the meaning of Article 1(1) of Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 or market manipulation (market abuse) OJ L 96, 12.4.2003, p. 16. or to other confidential information relating to an AIF or transactions with shall establish, implement and maintain adequate arrangements aimed at preventing such relevant persons from:</p> <ol class="crrCh into a personal transaction in financial instruments or other assets which fulfils one of the following criteria: <ol class="crrRomanL is subject to Article 2(1) of Directive 2003/6/EC; the transaction involves the misuse or improper disclosure of confidential infor transaction conflicts or is likely to conflict with an obligation of the AIFM under Directive 2011/61/EU; advising or inducing proper course of his employment or contract for services, any other person to enter into a personal transaction referred to in point (a)(i) otherwise constitute a misuse of information relating to pending orders; disclosing, other than in the normal course of his empl services and without prejudice to Article 3(a) of Directive 2003/6/EC, any information or opinion to any other person if the relevant perso ought to know, that as a result of that disclosure that other person would or would be likely to take either of the following steps: < entering into a personal transaction referred to in point (a)(i) and (ii) in financial instruments or other assets or that would otherwise information relating to pending orders; advising or inducing another person to enter into such a personal transaction. <p>The arrangements referred to in paragraph 1 shall in particular be designed to ensure that:</p> <ol class="crrCharList"> each aware of the restrictions on personal transactions referred to in paragraph 1, and of the measures established by the AIFM in connectio transactions and disclosure, pursuant to paragraph 1; the AIFM is informed promptly of any personal transaction entered into i covered by paragraph 1, either by notification of that transaction or by other procedures enabling the AIFM to identify such transaction: kept of the personal transaction notified to the AIFM or identified by it, including any authorisation or prohibition in connection with suc For the purposes of point (b) of the first subparagraph, where certain activities of the AIFM are performed by third parties, the AIF entity performing the activity maintains a record of personal transactions entered into by any relevant person covered by paragraph 1 a information to the AIFM promptly on request. <p>Paragraphs 1 and 2 shall not apply to personal transactions:</p> <ol class= effected under a discretionary portfolio management service where there is no prior communication in connection with the transact manager and the relevant person or other person for whose account the transaction is executed; in UCITs or AIFs that are subj the law of a Member State which requires an equivalent level of risk spreading in their assets, where the relevant person and any other account the transactions are effected are not involved in the management of that undertaking. <p>For the purpos personal transaction shall also include a transaction in a financial instrument or other asset effected on behalf or for the account of:</p> class="crrCharList"> a relevant person; any person with whom the relevant person has a family relationship or with whom close links; a person whose relationship with the relevant person is such that the relevant person has a direct or indirect materi outcome of the trade, other than a fee or commission for the execution of the trade.

<ol class="crrNumList"> AIFMs shall make without delay for each portfolio transaction relating to AIFs it manages a record of infor to reconstruct the details of the order and the executed transaction or of the agreement. <p>With regard to portfolio transact venue, the record referred to in paragraph 1 shall include the following information:</p> <ol class="crrCharList"> the name or othe and of the person acting for the account of the AIF; the asset; where relevant, the quantity; the type of the or the price; for orders, the date and exact time of the transmission of the order and the name or other designation of the per was transmitted, or for transactions, the date and exact time of the decision to deal and the execution of the transaction; where the person transmitting the order or executing the transaction; where applicable, the reasons for the revocation of an order;</ transactions the counterparty and execution venue identification. <p>With regard to portfolio transactions by the venue, the record referred to in paragraph 1 shall include the following information:</p> <ol class="crrCharList"> the name or othe the legal and other documentation that forms the basis of the portfolio transaction, including in particular the agreement as e: price. For the purposes of paragraphs 2 and 3, an execution venue shall include a systematic internaliser as referre 4(1) of Directive 2004/39/EC, a regulated market as referred to in point (14) of Article 4(1) of that Directive, a multilateral trading facility ; (15) of Article 4(1) of that Directive, a market maker as referred to in point (8) of Article 4(1) of that Directive or other liquidity provider o a similar function in a third country to the functions performed by any of the foregoing.

<ol class="crrNumList"> AIFMs shall take all reasonable steps to ensure that received AIF subscriptions and, where relevant, rede recorded without undue delay after receipt of any such order. <p>That record shall include information on the following:</p> the relevant AIF; the person giving or transmitting the order; the person receiving the order; the date an the terms and means of payment; the type of the order; the date of execution of the order; the number of equivalent amounts subscribed or redeemed; the subscription or, where relevant, redemption price for each unit or share or; w amount of capital committed and paid; the total subscription or redemption value of the units or shares; the gross val charges for subscription, or the net amount after charges for redemption. Information under points (i), (j) and (k) shall be rec available.

<ol class="crrNumList"> AIFMs shall ensure that all required records referred to in Articles 64 and 65 are retained for a period of a
However, competent authorities may require AIFMs to ensure that any or all of those records are retained for a longer period, takir nature of the asset or portfolio transaction, where it is necessary to enable the authority to exercise its supervisory functions under Dire Following the termination of the authorisation of an AIFM, the records are to be retained at least for the outstanding term of the fiv in paragraph 1. Competent authorities may require retention for a longer period.
Where the AIFM transfers its responsibilities in re another AIFM, it shall ensure that the records referred to in paragraph 1 are accessible to that AIFM. <p>The records shall be that allows the storage of information in a way accessible for future reference by the competent authorities, and in such a form and man class="crrCharList"> the competent authorities are able to access them readily and to reconstitute each key stage of the processing transaction; corrections or other amendments, and the contents of the records prior to such corrections or amendments, may b no other manipulation or alteration is possible.

CONTENT

<ol class="crrNumList"> AIFMs shall establish, maintain, implement and review, for each AIF they manage, written policies and proc sound, transparent, comprehensive and appropriately documented valuation process. The valuation policy and procedures shall cover a valuation process and valuation procedures and controls in respect of the relevant AIF.
Without prejudice to requirements under na and instruments of incorporation, the AIFM shall ensure that fair, appropriate and transparent valuation methodologies are applied for t valuation policies shall identify and the procedures shall implement the valuation methodologies used for each type of asset in which the accordance with applicable national law, the AIF rules and the instruments of incorporation. The AIFM shall not invest in a particular typ unless an appropriate valuation methodology or methodologies have been identified for that specific type of asset.
The policies and valuation methodologies shall include inputs, models and the selection criteria for pricing and market data sources. They shall provide t from independent sources whenever possible and appropriate. The selection process of a particular methodology shall include an asses relevant methodologies, taking into account their sensitivity to changes in variables and how specific strategies determine the relative v portfolio. The valuation policies shall set out the obligations, roles and responsibilities of all parties involved in the valuation pr management of the AIFM. The procedures shall reflect the organisational structure as set out in the valuation policies.
<p>The val procedures shall address at least the following:</p> <ol class="crrCharList"> the competence and independence of personnel who the valuation of assets; the specific investment strategies of the AIF and the assets the AIF might invest in; the contro valuation inputs, sources and methodologies; the escalation channels for resolving differences in values for assets; the adjustments related to the size and liquidity of positions, or to changes in the market conditions, as appropriate; the appropria for valuation purposes; the appropriate frequency for valuing assets. Where an external valuer is appointe procedures shall set out a process for the exchange of information between the AIFM and the external valuer to ensure that all necessa the purpose of performing the valuation task is provided.
The valuation policies and procedures shall ensure that the AIFM conduct diligence on third parties that are appointed to perform valuation services. Where the valuation is performed by the AIFM itself description of the safeguards for the functionally independent performance of the valuation task in accordance with point (b) of Article 1 2011/61/EU. Such safeguards shall include measures to prevent or restrain any person from exercising inappropriate influence over the carries out valuation activities.

<ol class="crrNumList"> If a model is used to value the assets of an AIF, the model and its main features shall be explained and justi and procedures. The reason for the choice of the model, the underlying data, the assumptions used in the model and the rationale for us limitations of the model-based valuation shall be appropriately documented. The valuation policies and procedures shall ensure model is validated by a person with sufficient expertise who has not been involved in the process of building that model. The validation i appropriately documented. The model shall be subject to prior approval by the senior management of the AIFM. Where the moc performs the valuation function itself, the approval by the senior management shall be without prejudice to the competent authorityâ€™s Article 19(9) of Directive 2011/61/EU that the model be verified by an external valuer or an auditor.

<ol class="crrNumList"> An AIFM shall ensure that the valuation policies and procedures and the designated valuation methodolog The valuation policies and procedures and the designated methodologies shall be applied to all assets within an AIF taking int strategy, the type of asset and, if applicable, the existence of different external valuers. Where no update is required, the polici applied consistently over time and valuation sources and rules shall remain consistent over time. The valuation procedures and methodologies shall be applied consistently across all AIFs managed by the same AIFM, taking into account the investment strategies ar the AIFs, and, if applicable, the existence of different external valuers.

<ol class="crrNumList"> Valuation policies shall provide for a periodic review of the policies and procedures, including of the valuat review shall be carried out at least annually and before the AIF engages with a new investment strategy or a new type of asset that is nc valuation policy. The valuation policies and procedures shall outline how a change to the valuation policy, including a methodolo what circumstances this would be appropriate. Recommendations for changes to the policies and procedures shall be made to the senio review and approve any changes. The risk management function referred to in Article 38 shall review and, if needed, provide a concerning the policies and procedures adopted for the valuation of assets.

<ol class="crrNumList"> An AIFM shall ensure that all assets held by the AIF are fairly and appropriately valued. The AIFM shall do way the appropriateness and fairness of the individual values is assessed. The AIFM shall at all times be able to demonstrate that the pc are properly valued. <p>The valuation policies and procedures shall set out a review process for the individual values of asset an inappropriate valuation exists, such as in the following cases:</p> <ol class="crrCharList"> the valuation is based on prices only counterparty or broker source; the valuation is based on illiquid exchange prices; the valuation is influenced by partie the valuation is influenced by other entities that may have a financial interest in the AIF–s performance; the valuation is

the valuation is influenced by other entities that may have a material interest in the value of the portfolio, and the counterparty who originated an instrument, in particular where the originator is also financing the AIF's position in the instrument influenced by one or more individuals within the AIFM.

The valuation policies and procedures shall describe the sufficient and appropriate checks and controls on the reasonableness of individual values. Reasonableness shall be assessed in terms of appropriate degree of objectivity. Such checks and controls shall include at least:

- verifying values by a counterparty-sourced pricings and over time;
- validating values by comparison of realised prices with recent carrying values;
- reputation, consistency and quality of the valuation source;
- a comparison with values generated by a third party;
- an evidence of documentation of exemptions;
- highlighting and researching any differences that appear unusual or vary by valuation benchmark;
- testing for stale prices and implied parameters;
- a comparison with the prices of any related assets or their historical inputs used in model-based pricing, in particular of those to which the model's price exhibits significant sensitivity.

policies and procedures shall include appropriate escalation measures to address differences or other problems in the valuation of assets.

An AIFM shall ensure that for each AIF it manages the net asset value per unit or share is calculated on the subscription or redemption or cancellation of units or shares, but at least once a year.

An AIFM shall ensure that the procedure calculating the net asset value per unit or share are fully documented. The calculation procedures and methodologies and their application regular verification by the AIFM, and the documentation shall be amended accordingly.

An AIFM shall ensure that remedial provision of an incorrect calculation of the net asset value.

An AIFM shall ensure that the number of units or shares in issue is subject at least as often as the unit or share price is calculated.

External valuers shall provide upon request professional guarantees to demonstrate their ability to perform. Professional guarantees to be furnished by external valuers shall be in written form.

The professional guarantees shall cover the external valuer's qualification and capability to perform proper and independent valuation, including, at least, evidence of:

- sufficient personnel and technical resources;
- adequate procedures safeguarding proper and independent valuation;
- understanding of the investment strategy of the AIF and of the assets the external valuer is appointed to value;
- a sufficiently good sufficient experience with valuation.

Where the external valuer is subject to mandatory professional registration with or another entity of the state where it is established, the professional guarantee shall contain the name of this authority or entity, including information. The professional guarantee shall indicate clearly the legal or regulatory provisions or rules of professional conduct to which subject.

The valuation of financial instruments held by open-ended AIFs shall take place every time the net asset value calculated pursuant to Article 72(1).

The valuation of other assets held by open-ended AIFs shall take place at least once a year evidence that the last determined value is no longer fair or proper.

CONTENT

When delegating the task of carrying out one or more functions on their behalf, AIFMs shall comply, in part, with the following general principles:

- the delegation structure does not allow for the circumvention of the AIFM's responsibilities;
- the obligations of the AIFM towards the AIF and its investors are not altered as a result of the delegation;
- the conditions must comply in order to be authorised and carry out activities in accordance with Directive 2011/61/EU are not undermined;
- the delegation takes the form of a written agreement concluded between the AIFM and the delegate;
- the AIFM ensures that the delegate carries out functions effectively and in compliance with applicable law and regulatory requirements and must establish methods and procedures for the basis the services provided by the delegate. The AIFM shall take appropriate action if it appears that the delegate cannot carry out the functions in compliance with applicable laws and regulatory requirements;
- the AIFM supervises effectively the delegated functions and maintains contact with the delegation. For this purpose the AIFM shall have at all times the necessary expertise and resources to supervise the delegated functions set out in the agreement its right of information, inspection, admittance and access, and its instruction and monitoring rights against the delegate. The AIFM shall also ensure that the delegate properly supervises the performance of the delegated functions, and adequately manages the risks associated with the delegation;
- the AIFM ensures that the continuity and quality of the delegated functions or of the delegated task of carrying out functions in the event of termination of the delegation either by transferring the delegated functions or the delegated task of carrying out functions to another performing them itself;
- the respective rights and obligations of the AIFM and the delegate are clearly allocated and set out in the agreement;
- the AIFM shall contractually ensure its instruction and termination rights, its rights of information, and its right to inspections and access to the AIFM's records. The agreement shall make sure that sub-delegation can take place only with the consent of the AIFM;
- where it concerns portfolio management, the AIFM shall ensure that the delegation is in accordance with the investment policy of the AIF. The delegate shall be instructed by the AIFM how to implement the investment policy. The AIFM shall monitor whether the delegate complies with it on an ongoing basis;
- the AIFM ensures that the delegate discloses to investors that may have a material impact on the delegate's ability to carry out the delegated functions effectively and in compliance with applicable law and regulatory requirements;
- the AIFM ensures that the delegate protects any confidential information relating to the AIFM, the AIF affected by the delegation and investors in that AIF;
- the AIFM ensures that the delegate establishes, implements and maintains a contingency plan for disaster recovery and testing of backup facilities while taking into account the types of delegated functions.

The AIFM shall provide the competent authorities with a detailed description, explanation and evidence of the reasons for delegation. When assessing whether the entire delegation structure is based on objective reasons within the meaning of Article 20(1) of Directive 2011/61/EU, the following criteria shall be considered:

- optimising of business functions and processes;
- access to the expertise of the delegate in administration or in specific markets or investments;
- access of the delegate to global trading capabilities;
- Upon request by the competent authorities, an AIFM shall provide further explanations and provide documents proving that the entire delegation is based on objective reasons.

A delegate shall have sufficient resources and shall employ sufficient personnel with the skills, knowledge and experience for the proper discharge of the tasks delegated to it and have an appropriate organisational structure supporting the performance of the tasks.

Persons who effectively conduct the activities delegated by the AIFM shall have sufficient experience, appropriate theoretical knowledge and practical experience in the relevant functions. Their professional training and the nature of the functions they have performed in the past shall be taken into account.

Persons who effectively conduct the business of the delegate shall not be deemed of sufficiently good repute if they have negative records relevant both for the assessment of good repute and for the proper performance of the delegated tasks or if there is information which affects their good reputation. Such negative records shall include but shall not be limited to criminal offences, judicial proceedings, sanctions relevant for the performance of the delegated tasks. Special attention shall be given to any offences related to financial activities, such as limited to obligations relating to the prevention of money laundering, dishonesty, fraud or financial crime, bankruptcy or insolvency. Other factors, such as information such as that indicating that the person is not trustworthy or honest.

Where the delegate is regulated in the Member States or in services within the Union, factors referred to in the first subparagraph shall be deemed to be satisfied when the relevant supervisory authorities are satisfied that the criterion of good repute within the authorisation procedure unless there is evidence to the contrary.

This Article shall apply where the delegation of portfolio management or risk management is concerned.

Entities shall be deemed to be authorised or registered for the purpose of asset management and subject to supervision in accordance with Directive 2011/61/EU:

- management companies authorised under Directive 2009/65/EC;
- investment managers authorised under Directive 2004/39/EC to perform portfolio management;
- credit institutions authorised under Directive 2006/48/EC having performed portfolio management under Directive 2004/39/EC;
- external AIFMs authorised under Directive 2011/61/EU;
- third countries authorised or registered for the purpose of asset management and effectively supervised by a competent authority in those countries.

Where the delegation is conferred on a third-country undertaking the following conditions shall be fulfilled in accordance with point (b) of Article 20(2) of Directive 2011/61/EU:

- a written arrangement shall exist between the competent authorities of the home Member State of the AIFM and the supervisory authorities of the undertaking to which delegation is conferred;
- with respect to the undertaking to which delegation is conferred, the arrangement referred to in point (a) allows the competent authorities to:
- obtain on request information necessary to carry out their supervisory tasks as provided for in Directive 2011/61/EU;
- obtain access to the documents and information necessary for the performance of their supervisory duties maintained in the third country;
- carry out on-site inspections on the premises of the undertaking where the functions were delegated. The practical procedures for on-site inspections shall be detailed in the written arrangement;
- receive information from the supervisory authority in the third country for the purpose of investigating apparent breaches of the requirements of the AIFM, its implementing measures;
- cooperate in enforcement in accordance with the national and international law applicable to the Member State of the third country and the EU competent authorities in cases of breach of the requirements of Directive 2011/61/EU and its implementing measures.

A delegation shall be deemed to prevent the effective supervision of the AIFM where:

- the AIFM and the competent authorities do not have effective access to data related to the delegated functions and to the business premises of the AIFM;
- the competent authorities are not able to exercise those rights of access;
- the delegate does not cooperate with the competent authorities in connection with the delegated functions;
- the AIFM does not make available on request to the competent authorities all information necessary for the performance of their supervisory tasks;
- the competent authorities are unable to supervise the compliance of the performance of the delegated functions with the requirements of Directive 2011/61/EU and its implementing measures.

In accordance with point (b) of Article 20(2) of Directive 2011/61/EU, the criteria to assess whether a delegation is in the interests of the AIFM or the investor in the AIF shall at least include:

- where the AIFM and the delegate are part of the same group or have any other contractual relationship, the extent to which the delegate controls the AIFM or has the ability to influence its actions;
- where the AIFM and the investor in the relevant AIF are members of the same group or have any other contractual relationship, the extent to which the delegate or has the ability to influence its actions;
- the likelihood that the delegate makes a financial gain, or avoids a financial loss, for the AIF or the investors in the AIF;
- the likelihood that the delegate has an interest in the outcome of a service or an activity provided by the AIF;
- the likelihood that the delegate has a financial or other incentive to favour the interest of another client over the interests of the AIF;
- the likelihood that the delegate receives or will receive from a person other than the AIFM an inducement in relation to the management activities provided to the AIFM and the AIFs it manages in the form of monies, goods or services other than the standard commission for the service.

The portfolio or risk management function may be considered to be functionally and hierarchically separated from other potentially conflicting tasks only where the following conditions are satisfied:

- persons engaged in portfolio management are not engaged in the performance of potentially conflicting tasks such as controlling tasks;
- persons engaged in risk management are not engaged in the performance of potentially conflicting tasks such as operating tasks;
- persons engaged in risk management functions are not responsible for the performance of operating tasks;
- the separation is ensured throughout the whole hierarchical structure of the AIFM and the governing body and is reviewed by the governing body and, where it exists, the supervisory function of the delegate.

with a third party are sent to the depositary, so that the depositary is able to perform its own reconciliation procedure.

An AIFM shall ensure that the depositary is provided with information about payments made by or on behalf of it in respect of the subscription of units or shares of an AIF at the close of each business day when the AIFM, the AIF or a party acting on behalf of it, such as the investor, makes such payments or an order from the investor. The AIFM shall ensure that the depositary receives all other relevant information it needs to ensure that payments are then booked in cash accounts opened in the name of the AIF or in the name of the AIFM acting on behalf of the AIF or in the name of the AIFM acting on behalf of the AIF in accordance with the provisions of Article 21(7) of Directive 2011/61/EU.

Financial instruments belonging to the AIF or to the AIFM acting on behalf of the AIF which are not admitted to trading on a regulated market shall be included in the scope of the custody duties of the depositary where all of the following requirements are met:

- they are transferable securities including those which embed derivatives as referred to in the last subparagraph of Directive 2009/65/EC and Article 10 of Commission Directive 2007/16/EC;
- they are capable of being registered or held in an account directly or indirectly in the name of the depositary;
- they are not subject to any restrictions on their transferability;
- in accordance with applicable national law, are only directly registered in the name of the AIF with the issuer itself or a registrar or a transfer agent, shall not be held in custody;

Financial instruments belonging to the AIF or the AIFM acting on behalf of the AIF which are not admitted to trading on a regulated market shall always be included in the scope of the custody duties of the depositary.

In order to comply with the obligations laid down in point (a) of Article 21(8) of Directive 2011/61/EU with regard to instruments to be held in custody, a depositary shall ensure at least that:

- the financial instruments are held in custody in accordance with Article 21(8)(a)(ii) of Directive 2011/61/EU;
- records and segregated accounts are maintained in a way that ensures that the depositary can at any time provide evidence of the financial instruments and cash held for AIFs;
- reconciliations are conducted as often as the depositary's internal accounts and records and those of any third party to whom custody functions are delegated in accordance with Directive 2011/61/EU;
- due care is exercised in relation to the financial instruments held in custody in order to ensure a high standard of care;
- all relevant custody risks throughout the custody chain are assessed and monitored and the AIFM is informed of any material risk identified;
- organisational arrangements are introduced to minimise the risk of loss or diminution of the financial instruments, or of rights in connection with the financial instruments as a result of fraud, poor administration, inadequate registering or negligence;
- the AIF's ownership right or the AIFM acting on behalf of the AIF over the assets is verified;

In relation to point (c) of the first subparagraph, the frequency of reconciliations shall be determined on the basis of the following:

- the normal trading activity of the AIF;
- any trade in the AIF;
- any trade occurring on behalf of any other client whose assets are held by the third party in the same fund;

Where a depositary has delegated its custody functions to a third party in accordance with Article 21(8)(a)(ii) of Directive 2011/61/EU, it shall remain subject to the requirements of points (a) to (e) of paragraph 1 of this Article. It shall also ensure that the third party complies with the requirements of points (b) to (g) of paragraph 1 and segregation obligations laid down in Article 99. A depositary's safe-keeping duties shall apply on a look-through basis to underlying assets held by financial and, as the case may be, or legal structure indirectly by the AIF or the AIFM acting on behalf of the AIF.

The requirement referred to in the first subparagraph shall not apply to master-feeder structures where the underlying funds have a depositary which keeps in custody the assets of these funds.

An AIFM shall provide the depositary, upon commencement of its duties and on an ongoing basis, with all relevant information in order to comply with its obligations pursuant to point (b) of Article 21(8) of Directive 2011/61/EU, and ensure that the depositary is able to perform its obligations pursuant to point (b) of Article 21(8) of Directive 2011/61/EU. The depositary shall at least:

- have access without undue delay to all relevant information it needs in order to perform its obligations pursuant to point (b) of Article 21(8) of Directive 2011/61/EU;
- verify and record-keeping duties, including relevant information to be provided to the depositary by third parties;
- possess the information for it to be satisfied of the AIF's ownership right or of the ownership right of the AIFM acting on behalf of the AIF over the assets for which it is satisfied that the AIF or the AIFM acting on behalf of the AIF holds the ownership. In order to comply with the obligation referred to in point (b) of Article 21(8) of Directive 2011/61/EU, the depositary shall:

- register in its record, in the name of the AIF, assets, including their respective notional amounts;
- be able to provide at any time a comprehensive statement of the AIF's assets, including their respective notional amounts.

For the purpose of point (c)(ii) of paragraph 2, the depositary shall ensure that the AIF or the AIFM acting on behalf of the AIF holds the ownership of the assets referred to in point (b) of Article 21(8) of Directive 2011/61/EU. There are procedures in place so that registered assets cannot be assigned, transferred, exchanged or delivered without the depositary being informed of such transactions and the depositary shall have access without undue delay to documentary evidence of each transaction entered into by the AIF or the AIFM acting on behalf of the AIF. The AIFM shall ensure that the relevant third party provides the depositary without undue delay with certificates or other documents in support of the sale or acquisition of assets or a corporate action resulting in the issue of financial instruments and at least once a year. The depositary shall ensure that the AIFM has and implements appropriate procedures to verify that the assets acquired by the AIF are managed in accordance with the AIF's investment policy and that the AIFM acting on behalf of the AIF, and to check the consistency between the position of the AIF and the assets for which the depositary is satisfied that the AIF or the AIFM acting on behalf of the AIF holds the ownership. The AIFM shall ensure that the depositary is able to perform its obligations pursuant to point (b) of Article 21(8) of Directive 2011/61/EU. A depositary shall set up and implement an escalation procedure for situations where an anomaly is identified in the AIFM and of the competent authorities if the situation cannot be clarified and, as the case may be, or corrected.

- keeping duties referred to in paragraphs 1 to 4 shall apply on a look-through basis to underlying assets held by financial and, as the case may be, or legal structure indirectly by the AIF or the AIFM acting on behalf of the AIF for the purposes of investing in the underlying assets and which are covered by the AIF or by the AIFM acting on behalf of the AIF.

The requirement referred to in the first subparagraph shall not apply to master-feeder structures where the underlying funds have a depositary which provides ownership verification and record-keeping functions for the assets of these funds.

Where a prime broker has been appointed, the AIFM shall ensure that from the date of that appointment the prime broker is required to make available to the depositary in particular a statement in a durable medium which contains the values of the items listed in paragraph 3 at the close of each business day.

The values of the items listed in paragraph 3 at the close of each business day shall be made available to the depositary in accordance with Article 21(11) of Directive 2011/61/EU.

The statement referred to in paragraph 1 shall be made available to the depositary no later than the close of the next business day to which it relates.

The items referred to in point (a) of paragraph 1 shall include:

- the total value of assets held by the prime broker for the AIF, where safe-keeping functions are delegated in accordance with Article 21(9) of Directive 2011/61/EU. The value of each of the following:

- cash loans made to the AIF and accrued interest thereon;
- current settlement amounts to be paid by the AIF to the prime broker in respect of short positions entered into on behalf of the AIF;
- short sale cash proceeds held by the prime broker in respect of short positions entered into on behalf of the AIF;
- open futures contracts entered into on behalf of the AIF. This obligation is in addition to the obligation referred to in point (b) of Article 21(8) of Directive 2011/61/EU;
- mark-to-market close-out exposures of any OTC transaction entered into on behalf of the AIF;
- total secured obligations of the AIF to the prime broker; and
- all other assets relating to the AIF;

the value of other assets referred to in point (b) of Article 21(8) of Directive 2011/61/EU held as collateral by the prime broker in respect of secured transactions entered into under a prime brokerage agreement;

the prime broker has exercised a right of use in respect of the AIF's assets;

a list of all the institutions at which the prime broker holds the AIF in an account opened in the name of the AIF or in the name of the AIFM acting on behalf of the AIF in accordance with Article 21(7) of Directive 2011/61/EU.

At the time of its appointment, the depositary shall assess the risks associated with the nature, scale and complexity of the AIF's investment strategy and the AIFM's organisation in order to devise oversight procedures which are appropriate to the AIF and the assets in which it invests and which are implemented and applied. Such procedures shall be regularly updated.

In performing its oversight duties under Article 21(9) of Directive 2011/61/EU, the depositary shall perform ex-post controls and verifications of processes and procedures that are under the responsibility of the AIFM, the AIF or the AIFM acting on behalf of the AIF. The depositary shall in all circumstances ensure that an appropriate verification and reconciliation procedure exists which is implemented and applied frequently reviewed. The AIFM shall ensure that all instructions related to the AIF's assets and operations are sent to the depositary in a way that ensures that the depositary is able to perform its own verification or reconciliation procedure.

A depositary shall establish a clear and comprehensive escalation procedure for situations where potential irregularities are detected in the course of its oversight duties, the details of which shall be made available to the AIFM upon request.

An AIFM shall provide the depositary, upon commencement of its duties and on an ongoing basis, with all relevant information in order to comply with its obligations pursuant to Article 21(9) of Directive 2011/61/EU including information to be provided to the depositary by third parties. The AIFM shall particularly ensure that the depositary is able to have access to the books and perform on-site visits on premises of the AIF or the AIFM acting on behalf of the AIF. The AIFM shall ensure that the depositary is able to have access to the books and perform on-site visits on premises of the AIF or the AIFM acting on behalf of the AIF, such as administrators or external valuers and, as the case may be, or to review repo records and recognised external certifications by qualified independent auditors or other experts in order to ensure the adequacy and relevance of the information provided to the depositary.

In order to comply with point (a) of Article 21(9) of Directive 2011/61/EU the depositary shall meet the following requirements:

- The depositary shall ensure that the AIF, the AIFM or the designated entity has established, implemented and applied a consistent procedure to:

- reconcile the subscription orders with the subscription proceeds, and the redemption orders with the redemption proceeds received by the AIF;
- reconcile the redemption orders with the redemptions paid, and the subscription orders with the subscriptions received by the AIF;
- verify on a regular basis that the reconciliation procedure is appropriate;

points (i), (ii) and (iii), the depositary shall in particular regularly check the consistency between the total number of units or shares in the AIF and the total number of outstanding shares or units that appear in the AIF's register.

A depositary shall ensure and regularly check that the AIFM complies with the applicable national law and its implementing measures and with the AIF rules and instruments of incorporation, and as the case may be, or to review repo records and recognised external certifications by qualified independent auditors or other experts in order to ensure the adequacy and relevance of the information provided to the depositary.

In order to comply with point (b) of Article 21(9) of Directive 2011/61/EU the depositary shall:

- verify on an ongoing basis that appropriate and consistent procedures are established and applied for the valuation of the assets of the AIF;
- implement measures and with the AIF rules and instruments of incorporation; and
- ensure that the AIFM acting on behalf of the AIF complies with the applicable national law and its implementing measures.

A depositary's procedures shall be consistent with the frequency of the AIF's valuation policy as defined in Article 19 of Directive 2011/61/EU and its implementing measures. The depositary shall ensure that the calculation of the value of the shares or units of the AIF has not been performed in compliance with applicable national law and its implementing measures, and as the case may be, or to review repo records and recognised external certifications by qualified independent auditors or other experts in order to ensure the adequacy and relevance of the information provided to the depositary.

Where an external valuer has been appointed, a depositary shall check that the external valuer complies with Article 19 of Directive 2011/61/EU and its implementing measures.

In order to comply with point (c) of Article 21(9) of Directive 2011/61/EU the depositary shall at least:

- set up and implement appropriate procedures to verify that the AIF and AIFM comply with applicable laws and regulations and with the AIF rules and instruments of incorporation. In particular, the depositary shall monitor the AIF's compliance with investment restrictions and leverage ratios and offer documents. Those procedures shall be proportionate to the nature, scale and complexity of the AIF;

SECTION

- Where safekeeping functions have been delegated wholly or partly to a third party, a depositary shall to whom safe-keeping functions are delegated pursuant to Article 21(11) of Directive 2011/61/EU, acts in accordance with the segregation point (iii) of Article 21(11)(d) of that Directive by ensuring and verifying that the third party:

 - correctly financial instruments in the financial instruments account, which is opened in the third party's books, in order to hold in custody the financial instruments of the depositary's clients, which excludes proprietary financial instruments of the depositary and of the third party and of the third party's other clients;
 - matches the quantity of the identified financial instruments recorded in the accounts opened in the depositary's books in the third party's books with the quantity of the financial instruments held by the third party's clients or in the name of the AIFM acting on behalf of the AIF;
 - keeps all necessary records and financial instruments accounts up to date and without delay to distinguish assets of the depositary's clients from the third party's own assets, assets of the third party's other clients, and assets of the third party's other clients;
 - maintains records and financial instruments accounts in a way that ensures their accurate correspondence to the assets kept safe for the depositary's AIF clients and on the basis of which the depositary can at any time establish the ownership status of those assets;
 - provides the depositary with a statement, on a regular basis and in any case whenever a reconciliation occurs, detailing the assets of the depositary's AIF clients;
 - conducts reconciliations, as often as necessary, between its financial instruments accounts and those of the third party to whom it has delegated safe-keeping functions in accordance with Article 21(11) of Directive 2011/61/EU;
 - introduces adequate organisational arrangements to ensure the frequency of the reconciliation shall be determined in accordance with Article 89(1) of Directive 2011/61/EU, in order to prevent the loss or diminution of financial instruments or of rights in connection with those financial instruments as a result of misuse of the financial instruments by the third party, fraud, error, negligence, or inadequate record-keeping or negligence;
 - where the third party is an entity referred to in points (a), (b) and (c) of Article 206/73/EC, which is subject to effective prudential regulation and supervision that has the same effect as Union law and is effectively supervised, takes the necessary steps to ensure that the AIF's cash is held in an account or accounts in accordance with Article 21(7) of Directive 2011/61/EU.

Where a depositary has delegated its custody functions to a third party in accordance with Article 21(11) of Directive 2011/61/EU, the depositary's compliance with its segregation obligations shall ensure that the financial instruments belonging to its clients are protected from the third party. If, according to the applicable law, including in particular the law relating to property or insolvency, the requirements laid down in this paragraph are not sufficient to achieve that objective, the depositary shall assess what additional arrangements are to be made in order to minimise the risk of loss or diminution of financial instruments or of rights in connection with those financial instruments as a result of misuse of the financial instruments by the third party, fraud, error, negligence, or inadequate record-keeping or negligence.
- Where a depositary delegates its custody functions to a third party located in a third country, in accordance with Article 21(11) of Directive 2011/61/EU, in addition to the requirements of paragraph 1 of this Article, the depositary shall ensure the following:

 - the depositary receives legal advice from an independent natural or legal person confirming that the applicable law of the third country provides for adequate protection of the assets of the depositary's clients from the third party's own assets and from the assets held by the third party for the depositary's own account;
 - the assets of the depositary's clients are not part of the third party's estate in case of insolvency;
 - the assets of the depositary's AIF clients are unavailable for distribution to the benefit of, creditors of the third party to whom custody functions have been delegated in accordance with Article 21(11) of Directive 2011/61/EU;
 - the third party takes the following steps:
 - it ensures that the conditions laid down in point (a) are met with the third party's delegation agreement with the depositary and on an ongoing basis for the entire duration of the delegation;
 - it immediately informs the depositary whenever any of the conditions referred to in point (i) are no longer met;
 - it informs the depositary about any changes to applicable law that may affect the effective application.

Paragraphs 1, 2 and 2a shall apply mutatis mutandis when the third party, to whom safekeeping functions have been delegated in accordance with Article 21(11) of Directive 2011/61/EU, has decided to delegate all or part of its safe-keeping functions to a third party.

Article 11 **Loss of financial instrument held in custody within the meaning of Article 21(12) of Directive 2011/61/EU**

1. A loss of a financial instrument held in custody within the meaning of Article 21(12) of Directive 2011/61/EU taken place when, in relation to a financial instrument held in custody by the depositary or by a third party to whom the custody of financial instrument has been delegated, any of the following conditions is met:

(a) the financial instrument has been definitively disposed of its right of ownership over the financial instrument;

(b) the AIF has been definitively deprived of its right of ownership in respect of a particular instrument, but this instrument is still another financial instrument or instruments;

(c) In the event of insolvency of the third party to whom the custody of financial instrument has been delegated, the loss of a financial instrument held in custody shall be ascertained by the AIFM as soon as one of the conditions listed in paragraph 2 is fulfilled.

2. There shall be certainty as to whether any of the conditions set out in paragraph 1 is fulfilled at the latest at the end of the financial instrument's life cycle. The AIFM and the depositary shall monitor closely the insolvency proceedings to determine whether all or some of the financial instruments held in custody of financial instruments has been delegated are effectively lost.

3. A loss of a financial instrument held in custody within the meaning of Article 21(12) of Directive 2011/61/EU shall be ascertained by the AIFM as soon as one of the conditions listed in paragraph 1 are the result of fraud, negligence or other intentional or non-intentional breach of the AIFM's duties.

appropriate actions, if any, to prevent or mitigate the loss of financial instruments held in custody, where actual or potential external events are believed to present a significant risk of loss of a financial instrument held in custody. <p>The requirements of paragraph 1 may be deemed to be fulfilled in the following circumstances:</p> <ol class="crrCharList"> natural events beyond human control, including the adoption of any law, decree, regulation, decision or order by any government or governmental body, including any court or tribunal, or instruments held in custody; war, riots or other major upheavals. The requirements referred to in points (a) to (c) are not deemed to be fulfilled in cases such as an accounting error, operational failure, fraud, failure to apply the segregation requirements, depositary or a third party to whom the custody of financial instruments held in custody in accordance with point (a) of Article 21(8) of Directive 2014/65/EU delegated. This Article shall apply mutatis mutandis to the delegate when the depositary has contractually transferred its liability to a third party in accordance with Article 21(13) and (14) of Directive 2014/65/EU.

The objective reasons for contracting a discharge pursuant to Article 21(13) of Directive 2011/61/EU

The objective reasons for contracting a discharge pursuant to Article 21(13) of Directive 2011/61/EU are limited to precise and concrete circumstances characterising a given activity; consistent with the def decisions.

The objective reasons shall be established each time the depositary intends to discharge itself of liability. shall be deemed to have objective reasons for contracting the discharge of its liability in accordance with Article 21(13) of Directive 2011 can demonstrate that it had no other option but to delegate its custody duties to a third party. In particular, this shall be the case where the law of a third country requires that certain financial instruments be held in custody by a local entity and local entities exist that laid down in Article 21(11) of Directive 2011/61/EU; or the AIFM insists on maintaining an investment in a particular jurisdiction depositary as to the increased risk this presents.

SUBTITLE	DEPOSITORY
TITLE	CHAPTER IV

	ARTICLE
	CONTENT
	<p><div class="crrArticle">All information provided in the annual report, including the information specified in this Section, shall be presented in a clear and understandable manner and shall provide materially relevant, reliable, comparable and clear information. The annual report shall contain the information investors need to make their investment decisions.</p> <p></div></p> <p><ol class="crrNumList"><p>The balance sheet or statement of assets and liabilities shall contain at least the following elements in accordance with point (a) of Article 22(2) of Directive 2011/61/EU:</p><ol class="crrCharList">assets comprising the resources or result of past events and from which future economic benefits are expected to flow to the AIF. Assets shall be sub-classified according toinvestments, including, but not limited to, debt and equity securities, real estate and property and cash equivalents, including, but not limited to, cash-in-hand, demand deposits and qualifying short-term liquid investments;amounts receivable in relation to dividends and interest, investments sold, amounts due from brokers and prepayments, and amounts paid in advance in relation to expenses of the AIF;liabilities, comprising present obligations of the AIF arising from settlement of which is expected to result in an outflow from the AIF of resources embodying economic benefits. Liabilities shall be subdivided into the following line items:payables, including, but not limited to, amounts payable in relation to the redemption of units or shares in the AIF and amounts due to brokers and accrued expenses, including, but not limited to, liabilities for net fees, performance fees, interest and other expenses incurred in the course of operations of the AIF;borrowings, including, but not limited to, amounts due to banks and other counterparties;other liabilities, including, but not limited to, amounts due to counterparties for collateral securities loaned, deferred income and dividends and distributions payable;net assets, representing the residual interests after deducting all its liabilities.<p>The income and expenditure account shall contain at least the following elements:</p><ol class="crrCharList">income, representing any increases in economic benefits during the accounting period in the form of enhancements of assets or decreases of liabilities that result in increases in net assets other than those relating to contributions from investors;investment income, which can be further subdivided into:dividend income, relating to dividends on equity investments to which the AIF is entitled,interest income, relating to investments and on cash to which the AIF is entitled,rental income, relating to rental income from property invested in;realised gains on investments, representing gains on the disposal of investments;unrealised gain or loss on investments, representing gains on the revaluation of investments; andother income including, but not limited to, fee income from securities, miscellaneous sources.expenses, representing decreases in economic benefits during the accounting period in the form of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to investors. Expense recognition shall be based on the following line items:investment advisory or management fees, representing contractual fees due to the manager;other expenses, including, but not limited to, administration fees, professional fees, custodian fees and interest. Individual items should be disclosed separately,realised loss on investments, representing loss on the disposal of investments,net income or expenditure over income, as applicable.<p>The layout, nomenclature and terminology of line items shall comply with the accounting standards applicable to or the rules adopted by the AIF, and shall comply with legislation applicable where the AIF is established, amended or extended to ensure compliance with the above.Additional line items, headings and subtotals shall be presented where relevant to the understanding of an AIF's financial position in the balance sheet or statement of assets and liabilities or an AIF's financial position in the income and expenditure account. Where relevant additional information shall be presented in the notes to the financial statements to the purpose of the notes shall be to provide narrative descriptions or disaggregation of items presented in the primary statements and information not qualify for recognition in these statements.Each material class of similar items shall be presented separately. Individual items shall be disclosed. Materiality shall be assessed under the requirements of the accounting framework adopted.The presentation and classification of the balance sheet or statement of assets and liabilities shall be retained from one reporting or accounting period to the next unless it is appropriate or classification would be more appropriate, as when a shift in the investment strategy leads to different trading patterns, standard has required a change in presentation.With respect to the content and format of the income and expenditure account, items of income and expense shall be recognised in a given period in the income and expenditure account unless an accounting standard requires otherwise.</p> <p><ol class="crrNumList"><p>The report on activities of the financial year shall include at least:</p><ol class="crrCharList">an overview of the AIF's portfolio at year-end or period end;material changes as defined below in the information listed in Article 23 of Directive 2011/61/EU not already present in the financial statements;The report shall include a fair and balanced review of the activities and performance of the AIF, containing also a discussion of risks and investment or economic uncertainties that the AIF might face.To the extent necessary for an understanding of the AIF or its performance, the analysis shall include both financial and non-financial key performance indicators relevant to that AIF. The information shall be consistent with national rules where the AIF is established.The information in the report on the activities of the financial year shall be presented alongside the financial statements of the AIF.</p> <p><ol class="crrNumList"><p>Any changes in information shall be deemed material within the meaning of point (d) of Article 22(2) of Directive 2011/61/EU if they have a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, or if the information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of investors in the AIF.</p>In order to comply with point (d) of Article 22(2) of Directive 2011/61/EU, AIFMs shall assess changes in the information disclosed during the financial year in accordance with paragraph 1 of this Article.Information shall be disclosed in the financial statements and accounting rules adopted by the AIF together with a description of any potential or anticipated impact on the AIF, or investors in the AIF. Additional disclosures shall be made when compliance with specific requirements of the accounting standards may be insufficient to enable investors to understand the impact of the change.Where the information required to be disclosed in the financial statements is not covered by the accounting standards applicable to an AIF, or its accounting rules, a description of the material change with any potential or anticipated impact on the AIF and, as the case may be, or investors in the AIF.</p> <p><ol class="crrNumList"><p>When information required by point (e) of Article 22(2) of Directive 2011/61/EU is given, it shall be specified whether the remuneration relates to any of the following:</p><ol class="crrCharList">the total remuneration of the entire staff of the AIF;the total remuneration of those staff of the AIFM who are fully or partly involved in the activities of the AIF, indicating the proportion of the total remuneration of the staff of the AIFM attributable to the AIF, indicating the number of staff of the AIFM whose remuneration is linked to the performance of the AIF;Where relevant, the total remuneration for the financial year shall also mention the carried interest paid by the AIF.Voting rights held by the AIFM, an allocation or breakdown shall be provided in relation to each AIF, in so far as this information exists; part of this disclosure, a description of how the allocation or breakdown has been provided shall be included.AIFMs shall provide information relating to the financial and non-financial criteria of the remuneration policies and practices for relevant categories of staff to enable investors to understand the incentives created. In accordance with the principles set out in Annex II to Directive 2011/61/EU, AIFMs shall disclose at least the information necessary for an understanding of the risk profile of the AIF and the measures it adopts to avoid or manage conflicts of interest.</p> <p><ol class="crrNumList"><p>The information referred to in Article 23(4) of Directive 2011/61/EU shall be presented in a clear and understandable manner and shall provide materially relevant, reliable, comparable and clear information. The annual report shall contain the information investors need to make their investment decisions.</p><p>When disclosing the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature in accordance with point (a) of Article 22(2) of Directive 2011/61/EU the AIFM shall:</p><ol class="crrCharList">provide an overview of any special arrangements in place to side pockets, gates or other similar arrangements, the valuation methodology applied to assets which are subject to such arrangements and performance fees apply to these assets;disclose this information as part of the AIF's periodic reporting to investors in accordance with the AIFM's rules or instruments of incorporation, or at the same time as the prospectus and offering document and as a minimum in the annual report is made available in accordance with Article 22(1) of Directive 2011/61/EU.<p>The percentage of the AIF's assets which are subject to special arrangements as defined in Article 1(5) shall be calculated as the net value of those assets subject to special arrangements divided by the total value of the AIF's assets.</p><p>For any new arrangements for managing the liquidity of the AIF in accordance with point (b) of Article 22(2) of Directive 2011/61/EU the AIFM shall:</p><ol class="crrCharList">for each AIF that they manage which is not an unleveraged closed-ended AIF, notify investors of any changes to the liquidity management systems and procedures referred to in Article 16(1) of Directive 2011/61/EU which are material in the context of the AIF's investment objectives;immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to deactivate them;provide an overview of the changes to arrangements concerning liquidity, whether or not these are special arrangements. Where the circumstances determining when management discretion applies shall be included. Also any suspension of redemptions shall be included, the length of any lock-up or any provision concerning first in line or pro-rating on gates and suspensions shall be included.<p>The disclosure of the risk profile of the AIF in accordance with point (c) of Article 23(4) of Directive 2011/61/EU shall outline:</p><ol class="crrCharList">the main risks facing the AIF, including the credit, market, operational and liquidity risks, and the measures taken to mitigate these risks;the AIF's exposure to leverage, including the use of derivatives, and the measures taken to manage these exposures;the AIF's exposure to counterparty risk, including the use of derivatives, and the measures taken to manage these exposures;the AIF's exposure to concentration risk, including the use of derivatives, and the measures taken to manage these exposures;the AIF's exposure to currency risk, including the use of derivatives, and the measures taken to manage these exposures;the AIF's exposure to interest rate risk, including the use of derivatives, and the measures taken to manage these exposures;the AIF's exposure to environmental, social and governance risks, including the use of derivatives, and the measures taken to manage these exposures;the AIF's exposure to other risks, including the use of derivatives, and the measures taken to manage these exposures;</p>

CONTENT

<p class="title-gr-seq-level-1">Methods of increasing the exposure of an AIF</p> <ol class="crrNumList">
borrowings are invested they have the propensity to increase the exposure of the AIF by the total amount of those borrowings. Therefore borrowing. It might be higher if the value of the investment realised with the borrowing is greater than the borrowed amount. To avoid c finance the exposure shall not be included within the calculation. If the cash borrowings are not invested but remain in cash or cash equ the exposure of the AIF.
Secured cash borrowings: Secured cash borrowings are similar to unsecured cash borrowings but the l asset. If the cash borrowings are not invested but remain in cash or cash equivalent as defined in Article 7(a) they will not increase the e Convertible borrowings are purchased debt which has the ability, under certain circumstances, to enable the holder or issuer to conver the market value of such borrowings.
Interest rate swaps: An interest rate swap is an agreement to exchange interest rate cas specified intervals (payment dates) during the life of the agreement. Each partyâ€™s payment obligation is computed using a different i
Contracts for differences: A contract for differences (CFD) is an agreement between two parties â€™ the investor and the CFD provid underlying asset. Depending on which way the price moves, one party pays the other the difference from the time the contract was agre market value of the underlying asset. The same treatment must be applied to financial spread bets.
Futures contracts: A future amount of a security, currency, commodity, index or other asset at a specific future date and at a pre-agreed price. The exposure is the m
Total return swaps: A total return swap is an agreement in which one party (total return payer) transfers the total economic perform (return receiver). Total economic performance includes income from interest and fees, gains or losses from market movements, and credit the equivalent reference assets which have a bearing on the economic performance of the swap.
Forward agreements: A forwar exchange an asset or cash flows at a specified future settlement date at a forward price agreed on the trade date. One party to the forw price on the settlement date; the other is the seller (short), who agrees to receive the forward price. Entering into a forward contract ty exposure of the AIF is the market value of the equivalent underlying asset. This may be replaced by the notional value of the contract wh option is an agreement that gives the buyer, who pays a fee (premium), the right â€™ but not the obligation â€™ to buy or sell a specified a or exercise price) on or until the expiration of the contract (expiry). A call option is an option to buy, and a put option an option to sell. Th side a potential unlimited exposure and on the other side an exposure that is limited to the higher of the premium paid or the market val bounds is determined as the delta (an options delta measures the sensitivity of an optionâ€™s price solely to a change in the price of the position. The same approach must be adopted for embedded derivatives, e.g. in structured products. The structure should be broken d derivative exposures must be adequately captured.
Repurchase agreements: The repurchase agreement normally occurs where and agrees to buy them back at an agreed price in the future. The AIF will incur a financing cost from engaging in this transaction and w (effectively cash collateral) in order to generate a return greater than the financing cost incurred. This reinvestment of cash collateral m AIF and consequently must be taken into account in the global exposure calculation. The economic risks and rewards of the sold securiti almost always give rise to leverage as the cash collateral will be reinvested. In the event that non-cash collateral is received as part of th of another repo, or stock-loan agreement, the full market value of the collateral must be included in the global exposure amount. The exp the cash collateral.
Reverse repurchase agreements: This transaction occurs where an AIF purchases securities from a repo co price in the future. AIFs normally engage in these transactions to generate a low-risk money-market type return, and the purchased secu generated; nor does the AIF take on the risks and rewards of the purchased securities, i.e. there is no incremental market risk. However used as part of a repo or security-loan transaction, as described above, and in that case the full market value of the securities must be in risks and rewards of the purchased securities remain with the counterparty and therefore this does not increase the exposure of the AIF engaging in a securities lending transaction will lend a security to a security-borrowing counterparty (who will normally borrow the secu agreed fee. The security borrower will deliver either cash or non-cash collateral to the AIF. Only where cash collateral is reinvested in ins will global exposure be created. If the non-cash collateral is further used as part of a repo or another security lending transaction, the fu global exposure amount as described above. Exposure is created to the extent that the cash collateral has been reinvested.
Sec the borrowing of securities will borrow a security from a security-lending counterparty for an agreed fee. The AIF will then sell the secu the extent that the cash proceeds from the sale are reinvested this will also increase the exposure of the AIF. Exposure is the market val created to the extent that the cash received is reinvested.
Credit default swaps: A credit default swap (CDS) is a credit derivati the full recovery, in case the reference entity defaults or suffers a credit event. In return the seller of the CDS receives from the buyer a r the exposure is the higher of the market value of the underlying reference assets or the notional value of the credit default swap. For the the underlying reference asset.

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Duration netting rules

An interest rate derivative underlying asset position in accordance with the following methodology:

The equivalent underlying asset position of each interest rate derivative divided by the target duration of the AIF and multiplied by the equivalent underlying asset position:

$$\text{Equivalent Underlying Asset Position} = \frac{\text{Duration FDI}}{\text{Duration Target}} \times \text{Underlying Asset Position}$$

Duration FDI is the duration (sensitivity of the market value of the financial derivative instrument to interest rate movements) of the derivative.

Duration target is in line with the investment strategy, the directional positions and the expected level of risk at any time and will be determined under normal market conditions.

CV derivative is the converted value of the derivative position as defined by the equivalent underlying asset positions calculated in accordance with paragraph 1 shall be netted as follows:

CharList

allocated to the appropriate maturity range of the following maturity-based ladder:

Maturities ranges

0-1 years

1-5 years

5-15 years

15+ years

The long and short equivalent underlying asset positions shall be netted within each maturity range with the latter is the netted amount for that maturity range.

Starting with the shortest maturity range, the netted amount shall be calculated by netting the amount of the remaining unnetted long (or short) position in the maturity range (i) with the amount of the remaining unnetted short (or long) position in the maturity range (i).

Starting with the shortest maturity range, the netted amounts between two remote maturity ranges separated by one or more maturity ranges shall be calculated between the remaining unnetted long and short positions of the two most remote maturity ranges.

0% of the netted amount for each maturity range.

40% of the netted amount for each maturity range.

75% of the netted amounts between two remote maturity ranges separated by another one, meaning maturity ranges separated by two remote maturity ranges.

100% of the remaining unnetted positions.

Reporting Templates:

Most important market/instrument	Fourth most important market/instrument	Fifth most important market/instrument	Sixth most important market/instrument	Seventh most important market/instrument	Eighth most important market/instrument	Ninth most important market/instrument	Tenth most important market/instrument	Eleventh most important market/instrument	Twelfth most important market/instrument	Thirteenth most important market/instrument	Fourteenth most important market/instrument	Fifteenth most important market/instrument	Sixteenth most important market/instrument	Seventeenth most important market/instrument	Eighteenth most important market/instrument	Nineteenth most important market/instrument	Twentieth most important market/instrument
<1>	<2>	<3>	<4>	<5>	<6>	<7>	<8>	<9>	<10>	<11>	<12>	<13>	<14>	<15>	<16>	<17>	<18>

Please provide official name, location and jurisdiction of markets.

Name of the AIF	Type of AIF	Hedge Fund	Private Equity	Real Estate	Fund of Funds	Other	NAV	Date
<Name of the AIF>	<Type of AIF>	<Hedge Fund>	<Private Equity>	<Real Estate>	<Fund of Funds>	<Other>	<NAV>	<Date>

[illegible]

[illegible]

