

Submission Date

28/05/2021

ESMA_QA_1023

Status: Answer Published

Additional Information

Level 1 Regulation

Alternative Investment Fund Managers Directive (AIFMD) Directive 2011/61/EU

Topic

AIFMD reporting

Subject Matter

Reporting to national competent authorities under Articles 3, 24 and 42

Question

Which risk is measured by Net Equity Delta? How shall it be reported?

28-05-2021

Original language

[ESMA 34-32-352 AIFMD Q&A, Section 3, 86]

Net equity delta is used to analyse portfolio's sensitivity to movements in equity prices. Assume all equity prices the AIF is exposed to decline by 1% at the end of the reporting period. Report the effect on the total net asset value of the AIF (taking into account all the positions (including derivative positions) of the portfolio) as a monetary value in base currency. In the case of derivative positions, a decline of 1% in the value of the underlying should be considered, and not in the value of the derivative. Hence, it shall report: (i) a negative value if the variation of the net asset value is negative; (ii) a positive value if the variation is positive and (iii) a zero if the AIF is neutral or not exposed at all to this risk. In case a measure of risk is not applicable for an AIF or when AIFM report a zero value, the reasons should be explained in the "Risk Measure Description" (data field 147).

Example:

1. Assume at the quarter-end that the NAV sensitivity of an AIF to a 1% equity price decline is -0.5% and that its NAV is 100M EUR, then the figure to be reported under the field "net equity delta" would be "-500000".
2. Assume the AIF is fully exposed to fixed-income instruments, then a zero would be reported under the field "net equity delta" and "Not applicable given AIF's predominant type" would be reported in the Risk Measure Description field (147).