

We welcome the initiative undertaken by ESMA to provide further guidelines on the reporting requirements as defined in the regulation 231/2013. We also support standardisation of the format of the information to be sent to national competent authorities as it will also facilitate set up of reporting systems for AIFM's and AIF's operating across Europe.

Whilst we fully appreciate ESMA's needs for complete and comprehensive information in order to identify market systemic risks, we would like to raise ESMA's attention on two major practical concerns faced by our members:

- The granularity of the information required and the high number of data fields to be extracted, computed or created, will imply significant system developments and reporting costs. Many of the existing AIF's are "plain vanilla" funds ("long only") and funds not leading to any systemic risks. We are therefore concerned that the developments costs mentioned above be disproportionate vis-à-vis of the objectives pursued by ESMA. We are conscious that the proposed reporting guidelines cannot derogate to the reporting framework as per Annex IV of the regulation 231/2013. We would nevertheless urge ESMA to limit to the extent possible the additional fields requests as well as considered an approach more tailored to risk profile of the AIF's wherever possible (and when the regulation will be updated/modified);
- The timing is a real concern for our members. Implementation work conducted so far has identified that significant IT developments will be required in order to produce such report as only a small portion of data field are readily available (30-40%). May other fields will either have to be calculated/classified (new calculation engine to be developed) or created. Such developments can only be finalised when the final guidelines will be published. Therefore, a first report for the period from July 23, 2013 to December 31, 2013 might be not achievable, given the development time required. We would encourage ESMA to limit the level of information required at a first stage (for instance, template 1) and to condition the full reporting to the AIFM authorisation.

***Q1: Do you agree with the proposed approach for the reporting periods? If not, please state the reasons for your answer.***

In general we welcome the clarification on the reporting periods provided by ESMA.

However ESMA should further detail the guideline in this respect.

- a) The time and frequency of the reporting is determined by the AuM. From the guidelines, it is not clear whether it is permitted for AIFMs which, based on the AuM are subjected to a half yearly or yearly reporting frequencies to report on more frequent basis (quarterly). In particular for large size Asset Management Groups, which may have several AIFMs which are subjected to different reporting frequencies, it is from an operational aspect more challenging to report on different frequencies than align the reporting frequency for the group. ESMA should clearly allow AIFMs to report on a more frequent reporting period as required based on the AuM they manage (e.g. per default quarterly)
- b) In case NAV closing date of the AIF is different to the required reporting frequency for the AIFM, ESMA should further clarify to which extent a valuation of the portfolio assets and unofficial NAV calculation and accounting run for the reporting will be required. ESMA should take into consideration, that for some asset classes (typically for non financial assets) this would require a valuation process by the valuation agent to prepare the valuation reports which takes quite a long

time and would lead to significant additional costs for the AIFM/AIF. Therefore ESMA should clarify, that accounting and valuation data of the latest official NAV calculation can be used.

- c) For the sake of avoiding any confusion, we would welcome clarification on the effect date of the Non-EU AIFM reporting.
- d) We also like to draw ESMA attention that due to difference in timing (i.e. regulatory reporting due one month after period end and annual report due 6 months after the year end), there is a risk that the information as per the annual report might differ from the information reported to the authorities (portfolio valuation, subsequent adjustment,...).

**Q2: Do you agree that ESMA should provide clarification on how AIFMs should manage changes in reporting frequency? Do you agree with the scenario identified by ESMA and the guidelines provided? If not, please state the reasons for your answer.**

Yes, we agree. As stated above, we would nevertheless welcome the clarification that AIFM's may choose a more frequent reporting, to avoid for instance AIFM's closed to frequency threshold to be required to change frequency back and forwards...

**Q3: Do you think that ESMA should provide further clarification? If yes, please provide examples.**

We believe the transitional arrangements for the reporting introduced by ESMA will be a challenge for the industry. As stated in our general remarks, the implementation of the reporting requirements is one of the major operational challenges of the AIFMD. Therefore we welcome the approach to postpone the first reporting to be delivered by January 2014. However, following the current clarification provided in the draft guidelines (first reporting should cover the period starting 23 July 2013 – 31 December 2013) would mean that there is no grandfathering granted for the reporting as the industry need to be prepared and operationally ready starting to collect data as of 22 July 2013. Considering the short timeframe we believe this is very challenging to implement. Furthermore we believe the transitional arrangements for the reporting are not in line with the transitional provisions introduced by Art. 61 of the AIFM Directive as transposed in many Member States (one year transitional period till 22 July 2014).

We understand that transparency is one of the major objectives of the AIFMD and therefore the reporting is crucial. However considering the before mentioned aspects, we believe the transitional arrangements for the reporting need to be revised and the first full reporting period should not start before January 2014 or the date of authorisation of the AIFM.

**Q4: Do you agree with the proposed approach for the reporting obligations for feeder AIFs and umbrella AIFs? If not, please state the reasons for your answers?**

We agree that the sub funds of Umbrella AIFs should be reported on an individual basis

However, the question of Master/Feeder Structures is somewhat more complex:

- The guidelines foresee that if you have an EU Master with an EU Feeder, the Feeder should report separately. Where the Feeder holds 100% of the master this will be effectively a duplication
- Where the feeder is reported separately, we assume that the interest in the master will be represented as its shares held in the master?

- Paragraph 24: Reporting the feeders and the masters could lead to double counting, in so far as an aggregate of the feeder AUMs will not equal the total AIFM assets, is this a concern?
- Please see below our understanding of Master/Feeder obligations

Structure		Scope		Reporting	Notes
Master	Feeder	Master	Feeder		
EU	ALL	Out of Scope	In Scope	Neither Report	Non UCITS Master UCITS Feeder
EU/Non EU	ALL	In Scope	In Scope	Feeder & Master report under Article 24 (1&2)	2 separate AIF forms
EU/Non EU	ALL	In Scope	Out of Scope	Master report under Article 24 (1&2)	
Non EU	ALL	Out of Scope	In Scope	Feeder & Master report under Article 24 (1&2)	Master in Scope for ONLY regulatory reporting

Moreover, we would like to stress out that obtaining the detailed master information in the format required by ESMA might not be achievable when the master is not controlled by the AIFM.

Finally we would like to clarify that when an AIF invests most of its assets in a UCITS, as it does not meet the definition of article 4, 1., (m) of the directive, it shall be not considered as a feeder AIF for the purpose of the application of the directive and in particular for the purpose of reporting.

**Q5: Do you agree with the proposed approach proposed by ESMA? If not, please state the reasons for your answer? Do you think ESMA should provide further clarification? If yes, give examples.**

We have concerns about the use of LEI's as identifiers. Referring to LEI's means referring to a legal identifier provided in a different piece of EU legislation which is however not yet finalized. This entails uncertainty as to which level of the entity it will finally refer to as well as to what will be the practical steps to be applied in the intermediate period. If LEIs are issued merely for the purposes of filing regulatory reporting for AIFMD, this should not bring further obligations upon the AIF or the AIFM in relation to registering this number for other purposes. We believe that reference to a not yet finalized piece of legislation leads to too much uncertainty and should be avoided.

We have a certain number of questions in relation with the practical applications of these requirements:

- Do we expect the NCA's to provide the 'national identification code'? For EU AIFM, we assume that this would come from the home regulator, however for non-EU AIFM, would the non EU regulators be expected to issue such numbers?
- This paragraph notes that the filers is to provide the "code used by the competent authorities of home Member States". As an Article 42 registrant could have multiple "home Member States" for reporting purposes, how will the number system work?
- Will these be internationally accepted as with ISINs?
- For AIFMs, could existing tax numbers be used as LEIs?

- We assume each individual sub fund will have its own identifier, despite the fact that the legal entity is at the Umbrella level. Is this understanding correct?

**Q6: Do you agree with the proposed approach for the principal markets and instruments in which AIFMs are trading on behalf of the AIFs they manage? If not, what would you propose as an alternative approach for the identification of principal markets and instruments?**

To use the same basis of calculation for the Principal markets and instruments in which the fund is trading seems logical. However, the calculation of the AUM under Article 2 is not clear in this regards and we would welcome further clarification as those are key for the development of the calculation algorithms.

Level 2 regulation and explanatory notes use different wording in describing the calculation of the AUM in particular reference to “liabilities”.

In Paragraph 3.2.1 it states

*“The AIFM has to calculate total AuM by determining the value of all assets it manages, without deducting liabilities, and valuing financial derivative instruments (FDIs) at the value of an equivalent position in the underlying assets.”*

Article 2 does not refer to liabilities and how those shall be defined. One interpretation could be to take the gross assets from an accounting perspective, back out the market value of the FDIs and add back in the Notional Value. However, this would exclude short positions and other negative balances from the calculation.

A better approach might be to include the Market Value of all Non Derivative Long Positions + Notional Value of all FDIs (both long and short) + Absolute Value of Non Derivative Short Positions + cash. We would welcome a specific formula with regards to this calculation.

**Q7 Do you agree that AIFM’s should report information on high frequency trading? If not, please state the reasons for your answer. If yes, do you agree that this information should be expressed as a percentage of the NAV of the AIF? If not, please state the reason for your answer and identify more meaningful information that could be reported.**

As a principle, as stated in our general remarks, we believe that the level of information required as per the AIFMR template is already heavy and cumbersome and we do not see any merit in increasing the number of fields and data. If such information was to be provided, we do not see any issue in disclosing it as a percentage of the NAV. It would nevertheless be more accurate/practical to report such information as at the end of the reporting period rather than a percentage over the reporting period. We also believe that this would better suit the ESMA need of prospective information.

**Q8 Do you think that the list of investment strategies should be widened? If yes, please provide ESMA with suggestions of additional strategies.**

Whilst we fully appreciate that such classification directly stems from the regulation 231/2013, we would like to raise ESMA attention to practical implications of the proposed classification table and process.

Given the AIF definition as per the directive, many of the AIF's reported will in fact pursue a non-alternative strategy. It is rather confusing to see that these funds would be mingled with commodity and infrastructure funds in an "other" category.

We would suggest to clarify whether money market funds are to be classified as fixed income funds or other funds.

A common category of funds is the balanced funds (invested in securities and bonds): would it be easier to create such a category rather than splitting such strategy between equity and bonds.

It seems moreover that the category other funds of funds will include funds of a very diversified nature: funds invested in UCITS, (or similar transferable securities funds), ETF's, will be mixed with commodity and infrastructure funds.

We also wonder how to classify funds that combine investments in other funds with direct investment in securities – should they switch from one category to another depending on which pocket of assets is the larger at the end of the period?

***Q9 Do you agree that AIFM should also calculate the geographical focus based on the total value of the assets of the AIF?***

As a principle, we believe that the level of information required as per the AIFMR template is already heavy and cumbersome and we do not see any merit in increasing the number of fields and data.

We would also welcome some clarification on how to calculate the total value of the assets of the AIF: it is unclear to us how should direct short position be reflected in the total assets (see our comment to question 6). Should they be excluded from the total assets calculation (on the understanding that liabilities are not considered), they would then be excluded from the geographical split.

**Q10 - Do you agree that information on the turnover should also be expressed in number of transactions? If not, please state the reasons for your answer.**

We are of the opinion that the value of transactions is more relevant than numbers. As one of the goals of the reporting is to identify potential signs of systemic risk in the early stage, having a high number of transactions but for very small amounts is not expected to generate material impact on the market. However, major transactions in value could generate material impacts.

We would also welcome some clarification on how cash movements are to be considered for the purpose of such reporting.

**Q11 - Do you agree with the proposed list of types of transaction and the respective definitions? If not, please state the reason for your answer. Are there any other types of transaction that ESMA should add to the list?**

Based on our review of the proposed list, we have the following comments:

- We would prefer refer to strategy instead of transaction. The main reason for our comment is that for the following "transactions" mentioned: "acquisition capital", "consolidations", "corporate divestures" the actual transactions will not be made by the fund itself but usually through the purchased company (e.g. "Consolidation" – the fund buys A and the company A buys B that are then merged). Therefore, it is the strategy that we shall be focusing on and not the transactions of the Fund itself.

- Furthermore, referring to strategies will align PE funds with the approach that is specified for Hedge funds and others included in the reporting framework.
- Should we then go for the main strategies, we would keep most of those that are proposed (e.g. “Buyouts”, “turnarounds” – we are less comfortable with “ESOP”) and add others (e.g. Venture capital).
- Also, we would be more specific on some strategies like “Buyouts” which can be leveraged but also unleveraged.

**Q12 - Do you agree with the introduction of additional measures of market risks? If not, please state the reason for your answer. If yes, do you believe that ESMA should further clarify how these measures should be computed?**

We are fine with the proposed additional risk measures as long as they remain optional. In that respect, and by referring to the page 83 of the consultation document, the “risk measurement type” is mentioning a repetition going from [1...n].

By referring to the level 2 guidelines provided by the European Commission, we understand that CS01 and DV01 are the mandatory ones within the list. However, these two will not be relevant for investment strategies not exposed to Bonds or Credit related instruments. Therefore we assume when these measures are irrelevant for the AIF strategy, a “0” field can also be used.

Should the AIFM consider a Risk measure as not relevant, this will need to be justified. In that respect, our understanding is that “not relevant” is a sufficient justification as these additional measures are optional and their relevance is dependent on the investment strategy pursued. Is this aligned with ESMA’s expectations?

Finally, the “parametric” approach is not included in the proposed methods to compute the VaR for the reporting. As that method is accepted for Risk Management measurement (except when no-linear instruments are traded) the reporting principles are in contradiction with the ESMA guidelines 10-788. We therefore recommend adding that method in the list of the page 84 “VaR Calculation Method Code Type”.

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#### **Additional comments/questions on the guidelines**

- **Page 20, “Net Asset Value”:** we find the definition rather confusing – based on the text of the proposed guidelines, we assume that ESMA refers here the Total Net Asset Value as per accounting records, but the terminology used (“aggregate value”) could lead to think that it is the total value of assets under management as calculated in accordance with article 2 and 10 of the regulation.

- We would welcome clarification on the level of reporting to be made by non-EU AIF’s managed by non-EU AIFM’s and subject to reporting obligation as per article 42 of the directive: we assume that only the AIF’s template need to be filled in (as opposed to the AIFM’s ones). Such templates shall be filled with the total value of assets (or total NAV of the AIF’s) for each NCA’s of the country when such funds are sold.

- **Last business day:** we would like to clarify that when the guidelines refer to last business day, it shall be understood as last business day of the AIFM’s.

- **Point 91/Appendix VI:** We would appreciate some guidance on how to treat movements in cash accounts and cash position. Moreover, whilst the appendix VI refer to table 1 (in the technical guidance column for item 9 – value of turnover), we believe that this should be read as a reference to table 2?



- **Point 119:** Gross net returns provided at the level of AIF: as such information is to be reported in % and is normally calculated at share class level, we assume that the most relevant share class can be used as a proxy in order to calculate such information.

- **Point 105:** We would welcome ESMA clarification that all collateral subject to re-hypothecation means all assets over which a counterparty would have a re-hypothecation right, even if such possibility is not used by the counterparty.

- **Point 113 and table 9** seem to impose a breakdown of investors which was not foreseen in Annex IV of CR 231/2013. Such breakdown will be very cumbersome, costly or impossible (marketing through intermediaries) to obtain. We urge ESMA not to exceed the requirements of regulation 231/2013 and to stick to the professional clients/retail investors classification only.