AIFMD Consultation Paper - Guidelines on reporting obligations under Art. 3 and Art. 24

KBC Asset Management N.V.

KBC Asset Management welcomes the possibility to reply to ESMA’s Discussion Paper mentioned in reference.

KBC AM has its registered **head office in Brussels** but also owns a managing entities (100%-owned) in Luxembourg (KBC Asset Management SA) , Ireland ( KBC Fund Management Ltd Dublin) and Poland (KBC Towarzystwo Funduszy Inwestycyjnych S.A.)

KBC AM has  **affiliates in its second “home market”**: CSOB Asset Management (Czech Republic, Slovakian Republic), K&H Asset Management (Hungary).

These entities are active in the local markets in brokerage, research and fund management of local funds/mandates.

In the Asian Pacific region, KBC AM is involved in a joint venture with Union Bank of India: Union - KBC AM in Mumbai (India).

KBC Asset Management has its activities

* over different regions;
* over its investment products & services (to become the actual market leader in Belgium for both retail funds and institutional portfolios);
* KBC AM is market leader in sustainable investment in Belgium;
* KBC AM has acquired unique expertise in SRI and offers a broad range of sustainable investments.

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| QUESTION LIST |

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

**the reasons for your answer.**

No. As there is a lot of overlap with reporting for accounting/fiscal purposes, we believe reporting in line with fiscal years (as opposed to calendar years), has 2 significant advantages :

(i) for ESMA : the occurrence of system risk does not synchronize with calendar periods, so a more dynamic reporting frequency (instead of fixing everything at calendar end) allows ESMA to receive a quicker/continuous view on the build-up of systemic risk

(ii) for AIFMs : operational efficiency is fostered by aligning AIFMD-reporting with existing reporting cycles, allowing AIFMs to comply with AIFMD in a cost-efficient way

**Q2:Do you agree that ESMA should provide clarification on how AIFMs should manage**

**change 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

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

**examples.**

No

**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 answer.**

Yes

Remark : does this connect with item 4 AIF name: Master AIF national identifier ?

**Q5:Do you agree with the approach proposed by ESMA? If not, please state the reasons for**

**your answer? Do you think ESMA should provide further clarification? If yes, please**

**give examples.**

Yes

**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 alternative approach to the identification of principal markets and instruments?**

Yes

**Q7: Do you agree that AIFMs 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 reasons**

**for your answer and identify more meaningful information that could be reported.**

Yes

**Q8: Do you think that the list of investment strategies should be widened? If yes, please**

**provide ESMA with suggestions of additional investment strategies**

Yes

As some asset managers have a lot of traditional, long-only, liquid strategies (UCITS-like) under AIFMD, we think these traditional strategies should be mentioned explicitly:

(i) We suggest to add 'Fund of equity funds', 'Fund of fixed income funds', 'Fund of equity and fixed income funds' to the list of possible 'Fund of Fund Strategies', as these funds currently fall under 'Other fund of funds'**.**

(ii) We suggest to add 'Structured Fund - with capital protection' and 'Structured Fund - without capital protection' to the list of possible 'Other Strategies', as these funds currently fall under 'Other fund'.

**Q9:Do you agree that AIFMs should also calculate the geographical focus based on the total**

**value of the assets of the AIF?**

Yes

**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.**

No

This information is only relevant for High Frequency Trading funds (HFTs). ESMA can request this information from them only.

**Q11: Do you agree with the proposed list of types of transactions and the respective definitions?**

**If not, please state the reason for your answer. Can you think of any other type of**

**transactions that ESMA should add to the list?**

no answer

**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?**

No

We reject the suggestion of having obligatory additional risk measures.

The reason is that we do not believe in a one size fits all approach i.e. a set of risk measures that would be suitable to cover the subtleties of all investment strategies.

We believe it would be a far better approach if the manager - after approval of the AIF's BoD - uses and monitors risk measures which he deems to be appropriate for the investment strategy at hand. The selection process of such measures as well as the monitoring by the various risk committees is to be documented in the Risk Management System to ensure transparency.

In particular, the re-introduction of VaR is methodologically questionable. See European Commission Staff Working Document SWD(2012) 386 for an evaluation of the flaws in VaR.

Moreover, the proposed parameters for AIFMD-VaR (500 days time horizon, 1-day holding period) do not align with what UCITSIV prescribes. This will lead to complete confusion on behalf of the clients, who cannot compare the VaR-results for similar products of which one is brought under UCITSIV and the other under AIFMD.

Finally, bucketing of DV01 and CS01 does not help the client as she/he is interested in the sensitivity of the overall portfolio to a shift in market parameters.

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| Remark Annex VII |

Annex VII: SEC\_CBN en SEC\_CBI is used for Corporate as well as for Convertible Bonds

Is this final our does ESMA foresees an update of the codes ?

KBC Asset Management hopes that you find its input useful and is always at your disposal for any questions you may have in the context of this matter.

Chris Muyldermans

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