

Chapter 3

Requirements for alternative investment fund managers

3.4 Reporting obligations to the FCA

Application

3.4.1 **R** This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Reporting obligations

3.4.2 **R** An *AIFM* must regularly report to the *FCA* on behalf of each *AIF* it manages:

- (1) the main instruments in which it is trading;
- (2) the principal markets of which it is a member or where it actively trades; and
- (3) the principal exposures and most important concentrations of each *AIF* it manages.

[Note: article 24(1) of *AIFMD*]

Content of reporting information

3.4.3 **R** An *AIFM* must, for each *UK AIF* and *EEA AIF* it manages, and for each *AIF* it markets in the *EEA*, provide the following to the *FCA*:

- (1) the percentage of the *AIF*'s assets that are subject to special arrangements arising from their illiquid nature;
- (2) any new arrangements for managing the liquidity of the *AIF*;
- (3) the current risk profile of the *AIF* and the risk management systems employed by the *AIFM* to manage the *market risk*, *liquidity risk*, *counterparty risk* and other risks, including *operational risk*;
- (4) information on the main categories of assets in which the *AIF* is invested; and

- (5) the results of the stress tests performed in accordance with
 - FUND 3.6.3R (2) (Liquidity systems and procedures) and
 - FUND 3.7.5R (2)(b) (Risk management systems).

[Note: article 24(2) of AIFMD]

3.4.4 **R** An AIFM must, at the FCA's request, provide at the end of each quarter a detailed list of all AIFs which it manages.

[Note: article 24(3)(b) of AIFMD]

AIFs that employ leverage on a substantial basis

3.4.5 **R** An AIFM managing an AIF that employs *leverage* on a substantial basis must make the following information available to the FCA about that AIF:

- (1) the overall level of leverage employed by the AIF;
- (2) a breakdown of *leverage* arising from borrowing of cash or *securities* and *leverage* embedded in financial *derivatives*;
- (3) the extent to which the AIF's assets have been reused under leveraging arrangements; and
- (4) the identity of the five largest sources of borrowed cash or *securities* for the AIF, and the amounts of *leverage* received from each of those sources.

[Note: article 24(4) of AIFMD]

Meaning of employing leverage on a substantial basis

3.4.6 **EU** Use of leverage on a 'substantial basis'

- 1. Leverage shall be considered to be employed on a substantial basis for the purposes of Article 24(4) of Directive 2011/61/EU when the exposure of an AIF as calculated according to the commitment method under Article 8 of this Regulation exceeds three times its net asset value.

[Note: article 111(1) of the AIFMD level 2 regulation]

Additional information

3.4.6A **R** In addition to the information in ■ FUND 3.4.2 R, an AIFM must regularly report the following information to the FCA:

- (1) on behalf of each AIF it manages:
 - (a) the geographical focus of investments expressed as a percentage of the total value of assets under management;
 - (b) an indication of whether a short position is used to hedge a position with a similar economic exposure;
 - (c) the Value at Risk (VaR), if this is calculated for the AIF for any other purpose; and

- (d) the portfolio's sensitivity to a change in foreign exchange rates and commodity prices, if this is calculated for the *AIF* for any other purpose; and
- (2) the information in ■ FUND 3.4.3 R for each *non-EEA AIF* it manages that is not *marketed* in the *EEA*, if:
 - (a) the *AIFM* is subject to quarterly reporting under article 110 of the *AIFMD level 2 regulation* (see ■ SUP 16.18.4EU); and
 - (b) that *AIF* is the *master AIF* of a *feeder AIF* which the *AIFM* also manages and that *feeder AIF* is:
 - (i) an *EEA AIF*; or
 - (ii) a *non-EEA AIF* that is marketed in the *EEA*.

[Note: article 24(5) of *AIFMD*]

3.4.6B G Further details in relation to the additional reporting requirements in ■ FUND 3.4.6A R can be found in *ESMA's opinion on the "Collection of information for the effective monitoring of systemic risk under article 24(5), first sub-paragraph, of the AIFMD"* (*ESMA 2013/1340*)

(https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-esma-1340_opinion_on_collection_of_information_under_aifmd_for_publication.pdf) dated 1 October 2013.

3.4.6C R In addition to the information in ■ FUND 3.4.2R, an *AIFM* must regularly report to the *FCA* the information in ■ FUND 3.4.3R for each *non-EEA AIF* it manages that is not *marketed* in the *EEA* if the *AIFM* is subject to quarterly reporting under article 110 of the *AIFMD level 2 regulation* (see ■ SUP 16.18.4EU) for that *AIF*.

[Note: article 24(5) of *AIFMD*]

Subordinate measures

3.4.7 G Articles 110 and 111 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.

Guidelines

3.4.8 G *ESMA's guidelines on reporting obligations under articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD* (*ESMA 2013/1339*)

(https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-1339_final_report_on_esma_guidelines_on_aifmd_reporting_for_publication_revised.pdf)

provide further details in relation to the requirements in this section.

Further information

3.4.9 G Further information in relation to *AIFMD* reporting can be found in ■ SUP 16.18 (*AIFMD* reporting), including information in relation to the frequency of reporting.