



AIFMD Reporting Workshop
General Overview of Regulatory Developments in relation to Disclosure Requirements

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AIFMD... the next challenge

- By 22 July 2014 all AIFMs sought authorisation under AIFMD directive
- A number of new regulatory requirements have kicked in impacting on the way Fund Managers operate
- As a run up to this 22 July milestone Fund Managers need to gear up to another important challenge...that of regulatory reporting
- By now Fund Managers should have stepped up their preparations for this reporting and possibly also implemented some dry runs

Number of Fund Managers, CISs and Service Providers registered in Malta (as at November 2014)

Fund Managers	
UCITS Managers	13
- of which with a De Minimis Licence	3
- of which with a AIFMD Licence	2
AIFMs	16
De Minimis Licence Holders	29
- of which with a MiFID Licence	22
Total Fund Managers	58
Collective Investment Schemes	
Retail UCITS	22
- of which Self-Managed	2
Retail Non-UCITS	7
- of which Self-Managed	0
PIFs	208
- of which Self-Managed	60
AIFs	3
- of which Self-Managed	2
Total Collective Investment Schemes	240
- of which Self-Managed	64
Fund Administrators	28
Custodians	9

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Disclosure Requirements of AIFMs

AIFMs are required to submit the following periodic returns to the MFSA:

Return	Due Date (from reference period end)	Rules Reference
Annual Financial Return	One Month	SLC 6.18 and Appendix 2B to Part BIII of the ISR for ISPs
Annual Audited Financial Return	Four Months	SLC 6.19/ SLC 40 of Section IV of Part BIII and Appendix 2B to the ISR for ISPs
Interim Financial Return	One Month	SLC 6.21 of Part BIII of the ISR for ISPs
Annual Audited Financial Statements (including Management Letter and Auditor's Report)	Four Months	SLC 6.19/ SLC 40 of Section IV of Part BIII to the ISR for ISPs
AIFMD Returns under Articles 3 and 24 of the AIFMD	One Month	Appendix 13 to Part BIII of ISR for ISP and MFSA Circular dated 26 March 2014
Note: Self-managed AIFs/ PIFs may submit interim financial statements in line with the disclosures in the relevant Offering Documentation.		

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The Contents of the Annual Report and Audited Financial Statements

The annual report of an AIF licensed in Malta should contain at least the following basic information:

1. A statement of financial position (balance sheet) or statement of assets and liabilities;
2. A statement of comprehensive income or income and expenditure account for the accounting period;
3. A report on the activities of the financial year;
4. Any material changes regarding:
 - a. Percentage of assets subject to special arrangements;
 - b. New arrangements for managing the liquidity of the AIF;
 - c. Risk profile and risk management systems;
 - d. Any material changes in the maximum leverage level of an AIF or to the rights of the re-use of collateral and the nature of any guarantees granted;
5. Disclosures on remuneration; and
6. An duly signed auditor's report on the financial statements including any qualifications.

The annual report should be submitted to the MFSA within **6 months** from the end of the reporting period end.

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Objectives of Guidelines on Reporting Obligations under Articles 3(3)(d) and 24 (1), (2) and (4) of the AIFMD

1

Ensure uniform and consistent application of the reporting obligations to National Competent Authorities.

2

Provide clarifications on the information that AIFMs need to report.

3

Enhance transparency to allow National Competent Authorities and ESMA to monitor systemic risk in Malta and in Europe.

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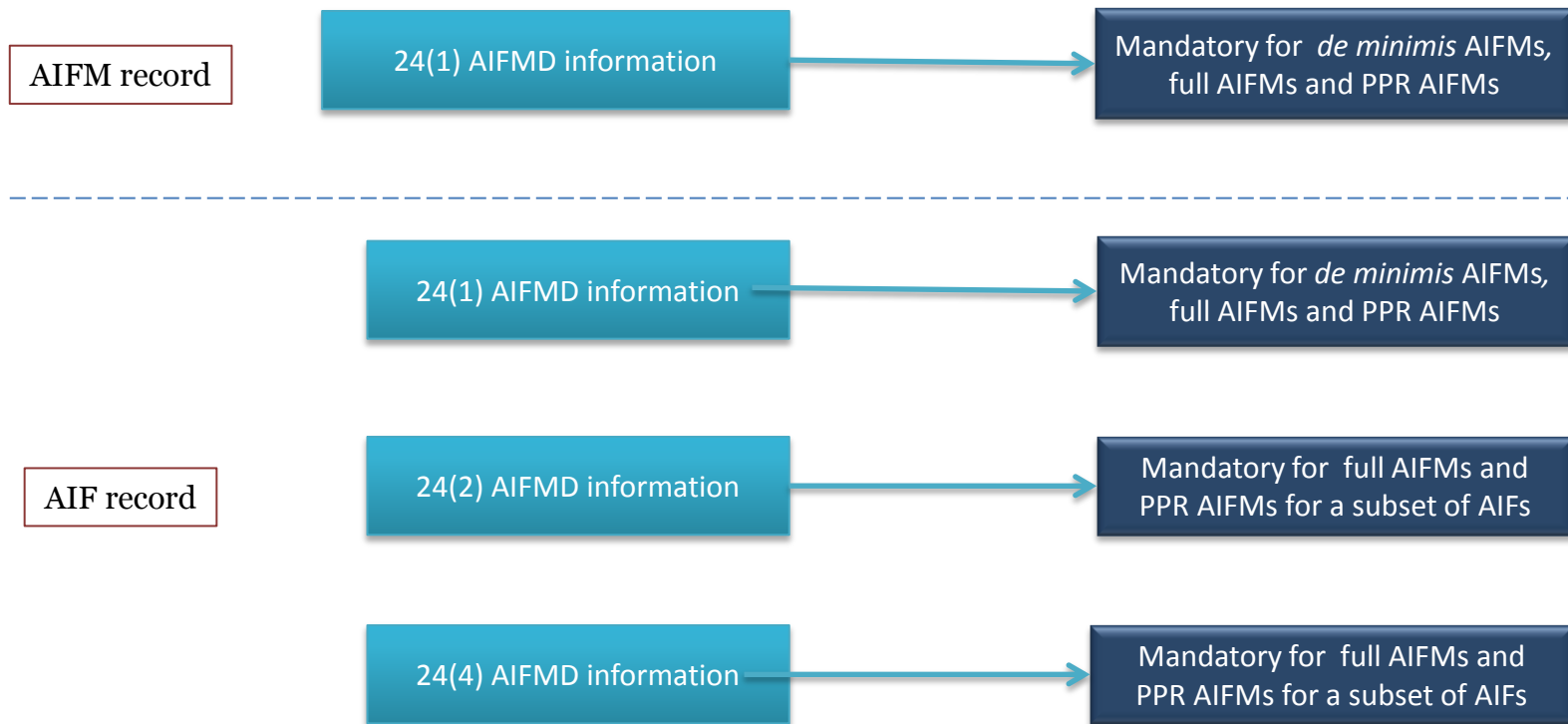
Objectives of Guidelines on Reporting Obligations - continued

- The AIFMD Reporting System will be an extension of the existing ESMA Register System. In a nutshell, the ESMA Register is a central database containing periodic information on AIFMs and AIFs providing National Competent Authorities with a secured interface for data registration for the manual upload of data.
- The register incorporates MiFID investment firms, UCITS management companies and AIFMs.
- The solution integrates with the ESMA HUB and allows searching and filtering facilities on the reported data.

Application of the AIFMD Reporting Obligations to the MFSA

- *De minimis* AIFMs
- Full scope AIFMs
- Self-managed AIFs and PIFs
- Non-EU AIFMs marketing their AIFs in Malta
- Information is to be reported at the AIFM as well as the AIF level
- Different reporting requirements and frequency apply depending on the type of AIFM, including:
 - the assets under management figure and
 - whether the AIFs under management employ leverage on a substantial basis

Data to be Reported to the AIFMD Reporting System



Information to be Reported

- The information content is set out in Annex IV of the AIFM Regulation and XML version 1.2 as published by ESMA [ESMA/2013/1361].
- An AIFM shall report on *inter alia*:
 - Principal markets and instruments traded on behalf of the AIF under management,
 - Main instruments traded,
 - Markets where it is a member or where it actively trades,
 - Principal exposures of each AIF under management, and
 - Most important concentrations of each AIF under management.

Information to be Reported - Continued

- For each AIF, an AIFM shall report:
 - The percentage of the AIFs assets which are subject to special arrangements arising from an illiquid nature,
 - Arrangements for liquidity management,
 - The AIFs' risk profile and risk management systems employed by the AIFM,
 - Information on the main asset category in which the AIF is invested, and
 - The results of stress tests performed in accordance with Article 15(3) and 16(1) of the AIFMD.
- The relevant returns will be submitted electronically through the newly developed MFSA Licence Holder Portal.

AIFs employing Leverage on a Substantial Basis

- AIFMs managing AIFs employing leverage on a substantial basis are required to provide additional information to the MFSA.
- An AIF with a leverage ratio of at least three times its NAV calculated according to the Commitment Approach is deemed to be employing leverage on a substantial basis
- The aforementioned AIFs should also report to the MFSA:
 - The overall level of leverage employed by each AIF,
 - A break-down between leverage arising from borrowing of cash or securities and leverage embedded in financial derivatives including the five largest sources of borrowed cash or securities for each AIF, and
 - The extent to which AIF's assets have been reused under leveraging arrangements.
- The MFSA or the ESMA may request AIFMs to provide additional information to ensure the stability and integrity of the financial system.

Specific Fund Reporting

- ***Master Feeder Structures*** – Feeder AIFs should be considered individually and AIFMs should not aggregate all the information on feeder AIFs of the same master(s) in one single report. When reporting information on feeder AIFs, AIFMs should identify the master AIF in which each feeder invests.
- However, they should not look through the holdings of the master AIF(s). AIFMs should also report information on investments that are made at feeder AIF level where applicable.
- ***Fund of Funds*** – No look through of the holdings of the underlying funds in which the AIF invests is required.
- ***Umbrella Structures*** – AIFs established in the form of an umbrella AIF with several compartments/ sub-funds should report, AIF-specific information at the level of the compartments/ sub-funds.

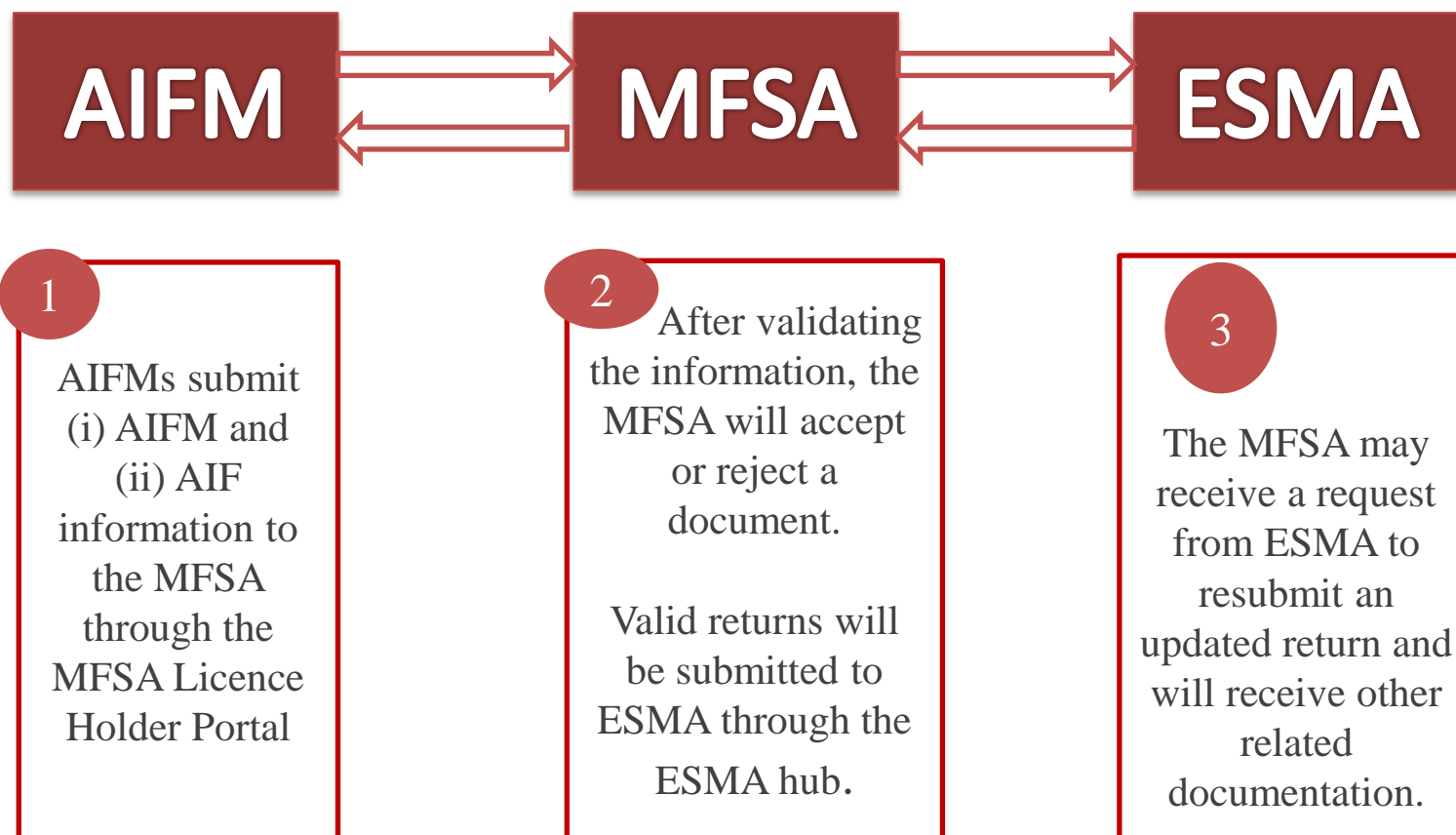
Reporting Categories

Assets under management	Frequency of Reporting
Less than EUR 100 million (including <i>de minimis</i> AIFMs)	Annual
Less than EUR 500 million unleveraged with five year lock-up period	Annual
Greater than EUR 100 million and less than EUR 1 billion	Half-yearly
Greater than EUR 1 billion	Quarterly
AIFMs with respect to one or more AIFs with AUM greater than EUR 500 million	Quarterly
AIFMs with respect to unleveraged AIFs investing in non-listed companies and issuers in order to acquire control	Annual

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The Flow of Information



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The Flow of Information - Continued

- The AIFMD reporting system is based on the unique XSD structure used by:
 - AIFMs when sending their AIFMD reports to the MFSA,
 - The MFSA when sending all the AIFMD reports to ESMA, and
 - ESMA when distributing the AIFMD reports to the MFSA.
- To note that ESMA will not modify the information received from the MFSA before it is distributed to other National Competent Authorities.

Validation Checks Performed

- Extensive consistency checks are performed in built on the AIFMD reporting due to the complexity and extensive set of information to be provided.
- There are different types of consistency checks performed, namely:
 - XSD structure checking,
 - reference table checking,
 - conditional presence checking,
 - other checking such as ISIN or LEI check digit verification which should add up to 100%
- A number of fields with specific consistency checks.
- In total 19 consistency checks are performed on the AIFM file and 132 on the AIF file.

Way Forward

- AIFMs who have not yet identified and set up processes on how to meet their reporting obligations should act very fast since time is now of essence
- AIFMs should have a clear audit trail to explain and identify where data has originated from and the syntax and logical checks performed
- To note that the majority of the AIFMs (including *de minimis* AIFMs) are expected to report by 31 January 2015. Therefore, immediate action is required
- The AIFMD reporting system will merge 31 sources of data from the respective national competent authorities and will provide a full historic database

Conclusion

- It is important that AIFMs understand the requirements applicable to Malta and the application on the implications on their company.
- AIFMs are obliged to inform the MFSA of any changes to their assets under management and leverage employed by their AIFs under management if these impact their reporting requirements/frequency.
- The AIFMD reporting will enable the MFSA to better understand the operation of AIFMs and to focus our supervisory resources effectively.
- The success of the reporting project is in our hands.

Applicable Documentation on AIFMD Reporting Obligations

- MFSA Circular to the financial services industry on the reporting requirements applicable to Alternative Investment Fund Managers ('AIFMs');
- Investment Services Rules for: Investment Services Providers, Professional Investor Funds and Alternative Investment Funds;
- Reporting Guidelines for AIFMs (to be issued by the MFSA);
- AIFM Directive 2011/61/EU (articles 3 and 24);
- Regulation 231/2013 of 9 December 2012;
- Guidelines on reporting obligations under articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD as revised on 8 August 2014;
- ESMA's AIFMD reporting IT technical guidance (rev 4) as updated on 23 September 2014;
- ESMA's AIFMD XML documents version 1.2 of 25 March 2014;
- ESMA's opinion on the collection of information by NCAs under Article 25 of 1 October 2013; and
- Other ESMA Q&A documents as updated from time to time.

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Thank you

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