

INVESTMENT SERVICES RULES FOR ALTERNATIVE INVESTMENT FUNDS

PART B: STANDARD LICENCE CONDITIONS

Appendix 8 Transparency Requirements

1 Introduction

1.0 The SLCs prescribed in this Appendix are applicable to self-managed AIFs.

2 Annual Report

2.01 In terms of SLC 8.86 of Part B of these Rules, the AIF, shall, make available an annual report for each financial year no later than 6 months following the end of the financial year. The annual report shall be made available to investors on request.

2.02 The annual report of a self-managed AIF shall contain at least the following information:

- (a) A balance sheet or a statement of assets and liabilities;
- (b) An income and expenditure account for the financial year;
- (c) A report on the activities of the financial year;
- (d) Any material changes in the information listed in SLC 8.85 of Part B of these Rules and SLCs 6.01 to 6.07 of Appendix 4 during the financial year covered by the report;
- (e) The total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIF to its staff, and number of beneficiaries, and where relevant, carried interest paid by the AIF;
- (f) The aggregate amount of remuneration broken down by senior management and members of staff of the AIF whose actions have a material impact on the risk profile thereof.

2.03 Where the AIF is required to make public an annual financial report in accordance with Directive 2004/109/EC only such additional information referred to in SLC 2.02 above needs to be provided to investors on request, either separately or as an additional part of the annual financial report. In the latter case, the annual financial

report shall be made public no later than 4 months following the end of the financial year.

- 2.04 The accounting information given in the annual report shall be prepared in accordance with the accounting standards of the home Member State or EEA State of the AIF and with the accounting rules laid down in the fund rules or instruments of incorporation.
- 2.05 The accounting information given in the annual report shall be audited by a certified auditor and in accordance with the accounting rules laid down in the Constitutional Documents and/or Offering Document. The auditor's report, including any qualifications, shall be reproduced in full in the annual report.
- 2.06 In complying with the requirements prescribed in SLC 2.01 to 2.05 above, the AIF shall also refer and comply with the applicable provisions of the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

3 Disclosure to the Competent Authority

- 3.01 In terms of SLC 8.87 of Part B of these Rules the AIF shall regularly report to the MFSA on the principal markets and instruments in which it trades on behalf of the AIFs it manages.
- 3.02 The AIF shall provide information on the main instruments in which it is trading, on markets of which it is a member or where it actively trades, and on the principal exposures and most important concentrations of the AIF.
- 3.03 In complying with SLCs 3.01 to 3.02 above, the AIF shall submit to the MFSA the information prescribed in Annexes 1 and 2 to Appendix 8 to these Rules and shall further comply with:
- a. the applicable provisions of the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision; and
 - b. the ESMA Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD [ESMA/2013/1339 (revised)].
- 3.04 The AIF shall provide the MFSA with the following information:
- (a) The percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;

- (b) Any new arrangements for managing the liquidity of the AIF;
- (c) The current risk profile of the AIF, including the market risk, liquidity risk, counterparty risk, other risks including operational risk, and the total amount of leverage employed by the AIF;
- (d) Information regarding delegation arrangements concerning portfolio management or risk management functions as follows:
 - (i) information on the delegates, specifying their name and domicile or registered office or branch, whether they have any close links with the AIFM, whether they are authorised or regulated entities for the purposes of asset management, their supervisory authority, where relevant, and including the identifiers of the delegates that are necessary to connect the information provided to other supervisory or publicly available data sources;
 - (ii) the number of full-time equivalent human resources employed by the AIFM for performing day-to-day portfolio management or risk management tasks within that AIFM;
 - (iii) a list and description of the activities concerning portfolio management and risk management functions which are delegated;
 - (iv) where the portfolio management function is delegated, the amount and percentage of the AIF's assets which are subject to delegation arrangements concerning the portfolio management function;
 - (v) the number of full-time equivalent human resources employed by the AIFM to monitor the delegation arrangements;
 - (vi) the number and dates of the periodic due diligence reviews carried out by the AIFM to monitor the delegated activity, a list of issues identified and, where relevant, of the measures adopted to address those issues and the date by which those measures are to be implemented;
 - (vii) where sub-delegation arrangements are in place, the information required under points (i), (iii) and (iv) in respect of the sub-delegates and the activities related to the portfolio management and risk management functions that are sub-delegated;
 - (viii) the commencement and expiry dates of the delegation and sub-delegation arrangements.
- (e) The results of the stress tests performed in accordance with SLCs 8.38(b) and 8.42 of Part B of these Rules

- (f) The list of Member States in which the units or shares of the AIF are actually marketed by the AIFM or by a distributor which is acting on behalf of that AIFM.
- 3.05 In complying with SLC 3.04 above, the AIF shall submit to the MFSA the information prescribed in Annex 3 to Appendix 8 to these Rules and shall further comply with:
- a. the applicable provisions of the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision; and
 - b. the ESMA Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD [ESMA/2013/1339 (revised)].
- 3.06 The AIF shall, on request provide the MFSA with an annual report for each financial year in accordance with SLCs 2.02 and 2.03 of this Appendix.
- 3.07 An AIF employing leverage on a substantial basis shall provide the MFSA with information about the overall level of leverage employed thereby, a break-down between leverage arising from borrowing of cash or securities and leverage embedded in financial derivatives and the extent to which the AIF's assets have been reused under leveraging arrangements.
- 3.08 The information provided pursuant to SLC 3.06 above shall include the identity of the five largest sources of borrowed cash or securities, and the amounts of leverage received from each of those sources for the AIF.
- 3.09 In complying with SLC 3.08 above, the AIF shall submit to the MFSA the information prescribed in Annex 4 to Appendix 8 to these Rules and shall further comply with:
- a. the applicable provisions of the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision; and
 - b. the ESMA Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD [ESMA/2013/1339 (revised)].
- 3.10 Where necessary for the effective monitoring of systemic risk, the MFSA may require information in addition to that prescribed in this Appendix on a periodic as well as on an ad-hoc basis. The MFSA will inform ESMA about the additional information requirements.