

Technique and processes for management of requirements under AIFM-Directive

- Requirements and Todos for the upcoming AIFM-regime

1st of October 2009, Frankfurt /Main
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Agenda

- About acarda
- The requirements and todos of the upcoming AIFM-regime
- Implementation architecture and project strategy

About acarda

- Specialised Business and IT consulting and solutions provider to the Investment Management industry in Europe
- Independent and partner driven with offices in Luxembourg and Frankfurt
- In-depth and extensive experience in the areas: brokerage, fund industry and custody
- Current projects in Luxembourg, Liechtenstein, Austria and Germany
- Solution Partners: Sowatec, Intalus, Damos, Swissrisk, Cognos, SimCorp, MOCON
- Member of Investment Association ALFI and BVI and Broker Association bwf

- acarda 2008 in facts
 - Number of projects: 31
 - Turnover: 2,5 Mio EUR
 - Number of specialists at end 2008: 20

acarda's focus is the integration and optimization of

Fonds Administration & Asset Servicing

- Integration of fund administration systems including SimCorp Dimension, MultiFonds and Xentis
- Automated Migration & Reconciliation / fund merger & -segmentation
- Standardisation and merger of fund administration departments across different jurisdictions

Risk & Performance Management

- Analysis of operating process
- System/outsourcing service selection
- System integration
- Workflow automation
- Improvement of client and regulation reporting

Trading & Portfolio Management

- Program- and Algotrading
- System/trading platform integration
- Application development

Fee & Commission

- System integration
- Improvement of commissions and fee management e.g. optimisation of sales channel or control of revenue and costs

Clients (Extract)

DekaBank



Current projects

Union Investment, Frankfurt & Luxembourg:

- Standardisation and merger of fund administration departments across Luxembourg and Frankfurt jurisdictions with IGEFI MultiFonds
- Integrate ATIS to automate rule based booking with IGEFI MultiFonds and DST HiPortfolio
- Outsourcing Monitor

RBS, Luxembourg:

- The Set-up of an automated Luxembourg based UCITS Risk Management Platform

VP-Bank, Liechtenstein & Luxembourg :

- Fund Administration optimisation and merging different IGEFI MultiFonds Instances (Luxembourg, Liechtenstein, BVI) into one

DWS/ Deutsche Bank, Frankfurt:

- Risk Management

Warburg Invest, Luxembourg:

- Reference Data Management for MultiFonds/IGEFI
- ECB Reporting (e.g. German Federal Bank XML)
- Update to ATIS (linked to IGEFI MultiFonds)

BHF-Bank, Frankfurt:

- Integration of the fund administration system Xentis

LBB Invest, Berlin:

- Migration & Reconciliation of the fund administration systems V3 to Xentis

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The (6) main requirements of the upcoming AIFM-regime

- **Market Risk Management (1)**

- Definition, stresstesting and controlling risk with an own system
- Publication of the AIF-risk profile
- Documentation (e.g. short sales are hedged)
- Regular and adequate due diligence

- **Concrete**

- R Independence from portfolio management („Checks & Balances“)
- T Due Diligence of a risk service provider or selection of risk system
- T Prepare the data management (supplying, receiving and storing data)
- T Implement the system and the new processes, SLAs
- T Defining risk profile according to AIFs constitution
- T Defining risk models (incl. stress tests) & special risk management for structured instruments
- T Defining controls, actions, documentation & reporting
- T Setup of information **exchange & compliance dashboard**

E Setup of a new risk management platform took 1 year project time

E xamples

T o-dos

R equirements

The (6) main requirements of the upcoming AIFM-regime

- **Liquidity Management (2)**
 - Definition, stresstesting and monitoring liquidity with an own system
 - The AIF needs a separate valuation party
- **Concrete**
 - T Due Diligence of a service provider or selection of liquidity system
 - T Define and setup the controls, monitoring rules and actions
 - T Prepare the data management (supplying, receiving and storing data)
 - T Implement the system and the new processes
 - T Setup documentation & reporting
- **Minimum Capital Requirements of AIFM (3)**
 - AIFM has to be capitalized by adequate capital resources (“angemessene Kapitalausstattung”)
- **Concrete**
 - T Observing/monitoring of the capital resources by an external system
 - T Prepare the data management (supplying, receiving and storing data)

The (6) main requirements of the upcoming AIFM-regime

- **Organizational Requirements of AIFM (4)**
 - AIFM commands updated systems and internal & external procedures (e.g. Valuator, Custodian)
 - Continuous monitoring of the business conduct to control and limit the resultant risks

- **Concrete**
 - R Internal and external organisation, resources, systems and controls to be adequate
 - T Appropriate data management (supplying, receiving and storing data)
 - T Analyse and define new external and internal business processes, roles and information flows
 - T Defining SLAs for external parties (e.g. Valuator, risk services or IT provider)

 - E Setup of Operational Risk Management at Man Investments

The (6) main requirements of the upcoming AIFM-regime

- **Valuation of the AIF by an independent external party (5)**
 - AIFM has to ensure, that the valuation party is independent and posses skills and procedures, which guarantee the right valuation (according to the country-specific valuation standard) of the net asset value.
 - Denotation of external valuation parties for every each AIF

- **Concrete**
 - T Appropriate data management (supplying, receiving and storing data)
 - T Documentation of the arrangements and target procedures (see 4)

The (6) main requirements of the upcoming AIFM-regime

▪ Transparency (6)

- AIFM has to exhibit an annual report
- Continuous illustration about portfolio strategy and aims of the AIF
- Declaration of all potential assets, in which the AIF can invest
- Documentation about the used techniques and the risks related
- Disclosure about investment restrictions
- All information about leveraging (character, extraction, risks, etc.)
- Publication of hard disposable/liquidable assets and of the AIF-risk profile
- Briefing about the main markets and instruments

▪ Concrete

R Reporting to Investors & Authorities:

- AIF Prospectus
- AIF Annual Report

R Special Transparency Needs for

- Leveraged AIFs
- AIFs with controlling influence on companies

T Setup of an information pool & a reporting tool

T setup of an efficient information gathering process

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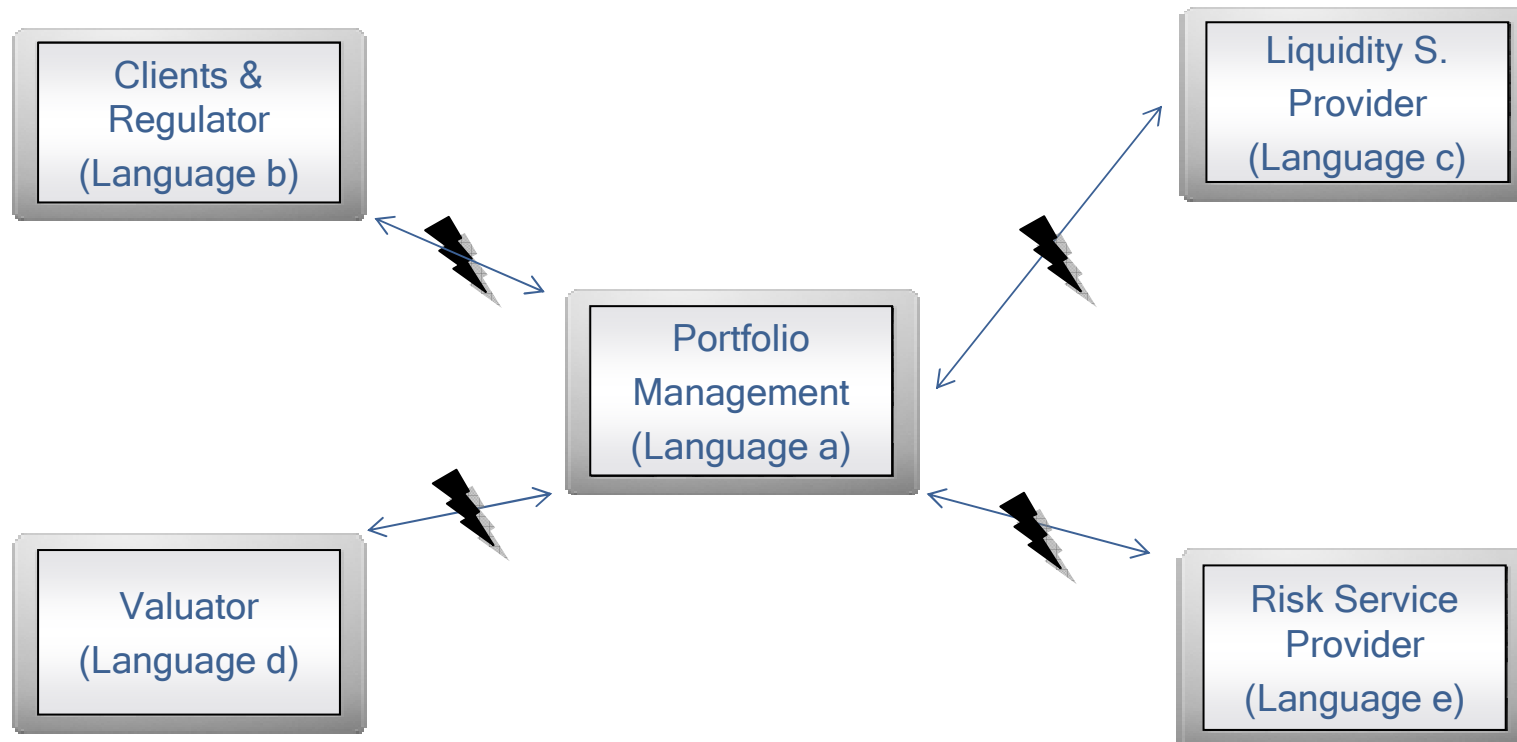
Implementation architecture

- **Data Management is important:**
To correspond and interact with all internal and external parties (outsourcers) who are involved in the “get ready for the AIFM-authorization/notification”-process including their systems.

To bring together systems and procedures. You have to receive, store and distribute the right information and data in the right quality, quantity and time!

Implementation architecture

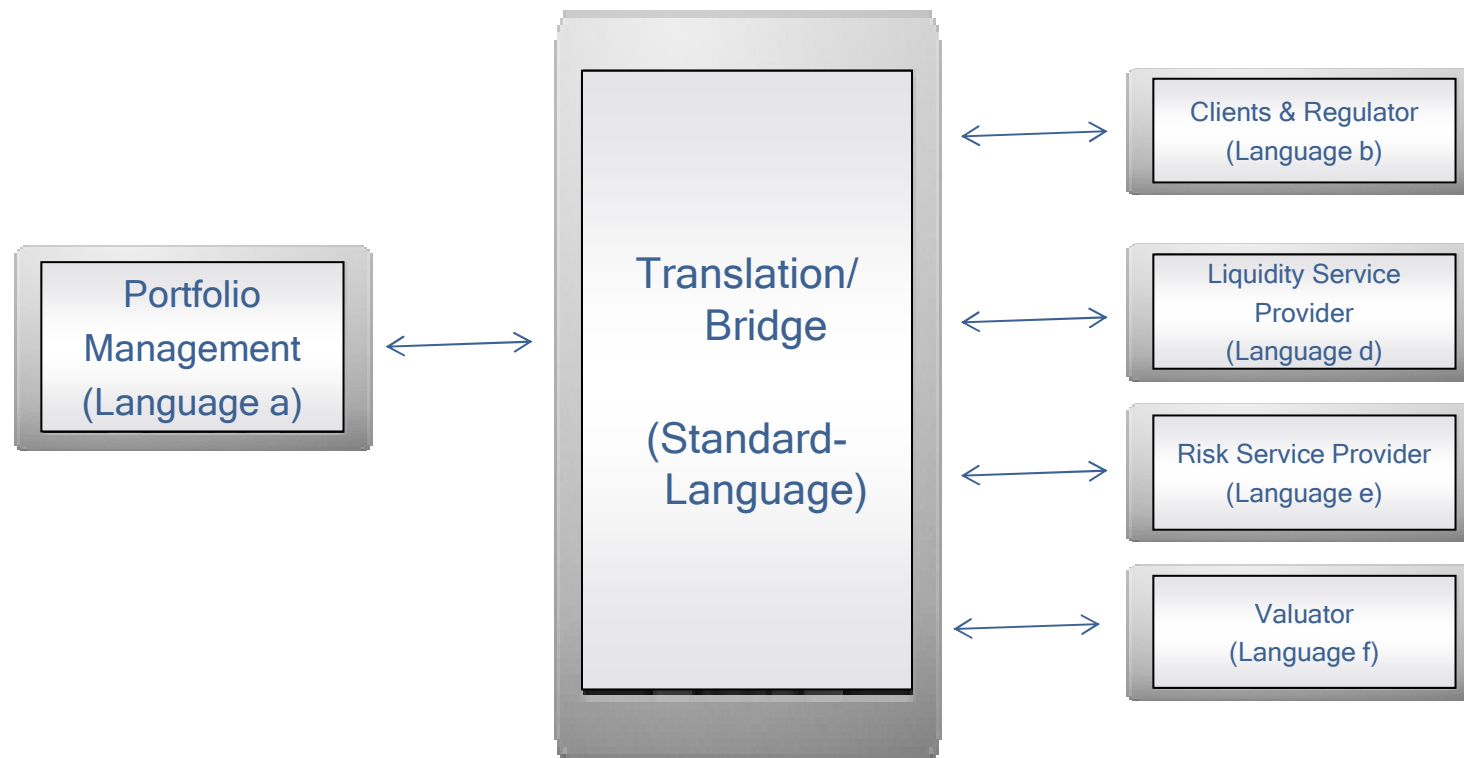
- **Current state**
Each system “speaks” its own language!



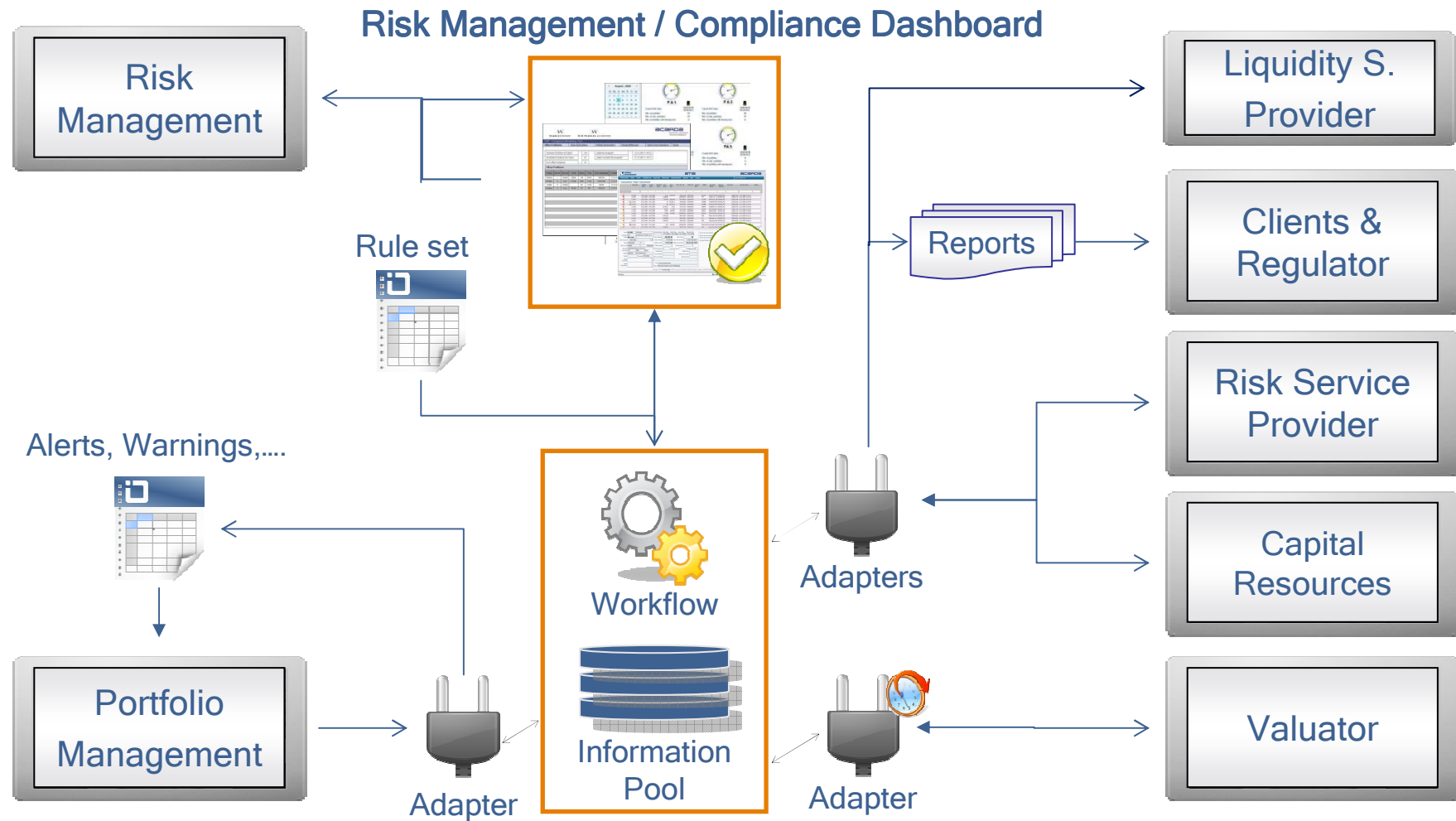
Implementation architecture

- **Target state**

Bringing all systems together using a common “bridge language” to guarantee an efficient interaction



Possible data and IT-architecture



Project strategy - How to start

- (1) Evaluation of the current state
- (2) Working out the target processes, dataflows, systems
- (3) Speaking out a recommended course of action
- (4) Signing the resolutions by the parties involved (to put the target state on a expanded basis of legitimation)

Method/Catalisator: Circular resolution (“Umlaufbeschluss”)

The circular resolution documents in detail, how to bring together the different systems, organizations/procedures and humans. It includes the needful four steps on the way to a successful implementation:

Project strategy

- Circular resolution (E: Union Investment)

Umlaufbeschluss Vereinheitlichung von Prozessen
 Vorstudie Bitte mit Unterschrift auf Seite 2 bis _____.2007 per 
 FoBu2010 FAX zurück an +4969...

Einordnung:	
Hauptprozess:	HP 1: Orderverarbeitung
Teilprozess:	...
	Nr. des Teilprozesses: ...
Anmerkungen:	...
Standort:	Deutschland, Luxemburg
Betroffene Einheiten:	<input type="checkbox"/> DE-FoBu, <input type="checkbox"/> DE-Technik <input type="checkbox"/> LUX-Tax, <input type="checkbox"/> DE-TAX
Verfasser:	Mustermann
Beginn Umlauf:	...
Zugehörige Datei(en):	•

#	Ausgangssituation
1	Ausgangssituation: Status der Einheitlichkeit der Prozesse am Standort Luxemburg und Deutschland in der Ausgangssituation: <input type="checkbox"/> Es besteht keine Einheitlichkeit <input type="checkbox"/> Es besteht Einheitlichkeit zu 25 % <input type="checkbox"/> Es besteht Einheitlichkeit zu 50 % <input checked="" type="checkbox"/> Es besteht Einheitlichkeit zu 75 % <input type="checkbox"/> Es besteht Einheitlichkeit zu 100 %
2	Bestehende Unterschiede in dem Prozess am Standort Deutschland und am Standort Luxemburg: Technische Unterschiede: Prozessual:

#	Vereinheitlichung/ Maßnahmen
1	Prozessvereinheitlichung abgestimmt: <input type="checkbox"/> Deutschland <input type="checkbox"/> Luxemburg
2	Prozessvereinheitlichung nicht möglich: <input type="checkbox"/> Auftraggeber
3	Empfohlene Maßnahme zur Vereinheitlichung:

#	Zielsetzung
1	Zielsetzung: Status der Einheitlichkeit der Prozesse am Standort Luxemburg und Deutschland zukünftig: <input type="checkbox"/> Es besteht keine Einheitlichkeit <input type="checkbox"/> Es besteht Einheitlichkeit zu 25 % <input type="checkbox"/> Es besteht Einheitlichkeit zu 50 % <input checked="" type="checkbox"/> Es besteht Einheitlichkeit zu 75 % <input type="checkbox"/> Es besteht Einheitlichkeit zu 100 %

Umlaufbeschluss Vereinheitlichung von Prozessen
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#	MF Parametrisierung/ Handlungsempfehlungen (acarda)

#	MF Parametrisierung/ Abhängigkeiten /Beurteilung (Umsysteme)

Luxemburg _____ Deutschland _____

#	Vorraussichtliche Kosten der Umsetzung (T. €)

#	Vorraussichtliche Nutzen (Quantitativer/ Qualitativer)

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