

## Table of risks covered by measures implemented by the Alternative Investment Funds Managers Directive (the AIFMD)

Shadow banking issues	AIFMD coverage	with the following measures
<b>Deposit-like funding structures and run event risks</b>	<ul style="list-style-type: none"> <li>No retail distribution due to the professional investor status requirement; limited contagion risk</li> <li>Reduced withdrawal risk or “run” event: <ul style="list-style-type: none"> <li>closed-ended funds with very limited withdrawal options</li> <li>open-ended funds with strict protocol for withdrawal of investors (risk covered by liquidity management requirements)</li> </ul> </li> </ul>	
<b>Liquidity risk</b>	<b>AIFMD Art. 16</b>	<ul style="list-style-type: none"> <li>Establishment and implementation of liquidity management policies and tools to monitor and manage liquidity and ensure compliance with the AIF’s underlying obligations to its investors, counterparties, creditors and other parties</li> <li>Implementation, maintenance and monitoring of liquidity limits proportionate to the nature, scale and complexity of the AIF</li> <li>Conducts of regular stress tests under normal and exceptional liquidity conditions to assess the liquidity risk of the AIF</li> <li>Implementation of appropriate qualitative and quantitative liquidity measurement and management tools</li> </ul>
<b>Maturity / liquidity transformation &amp; Transfer of credit risks</b>	<b>AIFMD Art. 15, Art. 16, Art. 24, Art. 25 &amp; Chap. IX</b>	<ul style="list-style-type: none"> <li>Establishment and implementation of an adequate management policy to identify and assess the risks to which the AIF may be exposed (market risks, operational risks, liquidity risks)</li> <li>Assessment, monitoring and periodic review of the risk management systems</li> </ul>

		<ul style="list-style-type: none"> <li>• Implementation of quantitative and/or qualitative risks limits for the AIF addressing market risks, credit risks, liquidity risks, leverage and collateral risks, counterparty risks and operational risks, and to the nature, scale and complexity of the business of the AIF</li> <li>• Establishment and effective implementation of proportionate procedures to identify, measure and manage the risks taken</li> <li>• Establishment and implementation of liquidity management policies and tools to monitor and manage liquidity and ensure compliance of the liquidity level with the AIF's underlying obligations to its investors, counterparties, creditors and other parties</li> <li>• Creation and monitoring of liquidity minimum proportionate to the nature, scale and complexity of the AIF</li> <li>• Conducts of regular stress tests under normal and exceptional liquidity conditions to assess the liquidity risk of the AIF</li> <li>• Implementation of proportionate qualitative and quantitative liquidity measurement and management tools</li> <li>• Disclosure to the national authority of the information subject to reporting obligation as described below and in particular of: <ul style="list-style-type: none"> <li>- Percentage of assets subjects to special arrangements for liquidity purposes</li> <li>- Any new arrangement for liquidity purposes</li> <li>- Risk profile and risk management solutions</li> <li>- Main type of assets in which the</li> </ul> </li> </ul>
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		<p>AIF has invested</p> <ul style="list-style-type: none"> <li>- Results of stress tests and other tests for risk and liquidity management purposes</li> <li>• Control by the national authority of the investment strategy, business plan and risk profile of the AIF at its creation and through the reporting obligations of the AIFM as described below in the list of information to be reported</li> </ul>
<b>Financial leverage risk</b>	<b>AIFMD Art. 4.3</b>	<ul style="list-style-type: none"> <li>• Establishment by the AIFM of the AIF's leverage limits and policy</li> <li>• Disclosure of the AIF's borrowing and leverage policy</li> <li>• Disclosure of the leverage for each AIF at any relevant level (even in any financial or legal entity controlled by the AIF) if it directly or indirectly increases the exposure at the level of the AIFs</li> <li>• Expression of the leverage as a ratio between the exposure of the AIF and its net asset value</li> <li>• Use of two different methods for the calculation of the leverage: <ul style="list-style-type: none"> <li>- The gross method</li> </ul> <p>and</p> <ul style="list-style-type: none"> <li>- The commitment method</li> </ul> </li> </ul>
<b>Activities of funding, in particular securitisation, securities lending and repurchase transactions and related risks of such activities</b>	<b>AIFMD Art. 15 &amp; Art. 17</b>	<ul style="list-style-type: none"> <li>• Exposure to the credit risks of a securitisation only if: <ul style="list-style-type: none"> <li>- the originator, sponsor or original lender has explicitly disclosed a retained interest of at least 5%</li> <li>- the originator, sponsor or original lender meets certain qualitative and quantitative criteria</li> <li>- AIFM satisfies certain qualitative</li> </ul> </li> </ul>

		<p>requirements</p> <ul style="list-style-type: none"> <li>• Establishment and implementation of policies and procedure to monitor, measure and manage the credit risk exposure</li> <li>• Performance of regular stress tests adequate to the securitisation positions of the AIF and proportionate to the nature, scale and complexity of the risk</li> <li>• Implementation of an adequate level of reporting</li> <li>• AIFM must take necessary corrective actions in case of non-compliance with the above requirements</li> <li>• Disclosure to the national authority of the strategy of the AIF, its business plan and the main assets and financial markets targeted as well as other disclosure requirements as described below</li> </ul>
<p><b>Systemic risk contribution</b></p>	<p><b>AIFMD Chap. IV &amp; Chap. IX</b></p>	<ul style="list-style-type: none"> <li>• Role of the national authority in the control of the information reported by AIFMs: <ul style="list-style-type: none"> <li>- control of the leverage employed</li> <li>- control of the market risks, liquidity risks, operational risks</li> <li>- assessment of the contribution to the systemic risk</li> </ul> </li> <li>• Summary list of all informations to be reported: <ul style="list-style-type: none"> <li>- Description of the investment strategy and objectives</li> <li>- Information on any master AIF or underlying AIF or structure, and if the AIF is a fund of funds</li> <li>- Main types of asset targeted, techniques, risks, restrictions</li> </ul> </li> </ul>



		<p>related to them</p> <ul style="list-style-type: none"><li>- Leverage, collateral, leverage limits and other asset reuse arrangements and restrictions</li><li>- Description of the procedures by which the AIF may change its investment strategy or investment policy</li><li>- Description of the main legal implications or issues related to the investments</li><li>- Identity of the management company, the depository, auditor and any other delegates and service providers as well as a description of their contractual relationship with the AIF</li><li>- Compliance status with additional own funds requirements</li><li>- Description of any delegated management functions or sub-delegation of the depository function</li><li>- Valuation procedures and policy</li><li>- Liquidity management procedures and policy</li><li>- Complete remuneration scheme</li><li>- Fair treatment policy and side letters</li><li>- Issuing and redemption procedures</li><li>- If available, latest annual report, net asset value and historical performance of the AIF</li><li>- Prime broker identity and description of the relationship</li></ul>
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		<p>with the AIF</p> <ul style="list-style-type: none"><li>- Financial instruments in which the AIF is trading, including a breakdown of financial instruments and other assets and the strategies, geographical and sector investment focus;</li><li>- Financial markets involved as member or trader;</li><li>- Diversification situation, with principal exposures and concentrations;</li><li>- Assets with special arrangements in percentage of total net asset value;</li><li>- Liquidity management changes;</li><li>- Risk management systems and risk profile and any change to it;</li><li>- Current risk situation and results of periodic stress tests</li></ul> <ul style="list-style-type: none"><li>• Setting-up of risk and leverage limits for each AIF which may represent a systemic risk</li><li>• Exchange of information between national authorities regarding AIF presenting a systemic risk or affecting financial market</li></ul>
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