

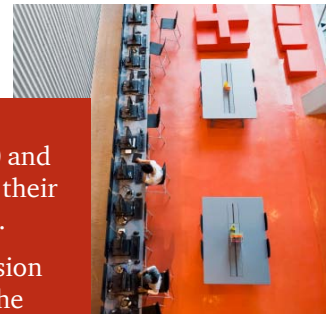
A new challenge...

Risk Management in the context of AIFMD

AIFMD Risk Management

The final text of the Alternative Investment Fund Manager Directive (AIFMD) has been adopted on 11 November, 2010 and member states will be required to transpose the directive in their national laws within two years (i.e. early 2013 at the latest).

In November 2011, the ESMA sent to the European commission the final report on the possible implementing measures of the AIFMD. Amongst the information included in that document, the details related to Risk Management confirm the challenge that it will represent for the financial industry.



Who will be impacted by this new directive?

AIFMD will apply to all AIFMs established in the EU managing AIFs, irrespective of the AIFs domicile, and to the non EU AIFMs managing EU AIF or non-EU AIF marketed to EU investors. The target audience is therefore particularly wide.

What impacts for Luxembourg?

In Luxembourg, the AIFMD will significantly affect the non-UCITS sector (part II of the UCITS law, all SICARs, SIFs and a lot of currently non-regulated vehicles and platforms). Therefore, the Luxembourg AIFM (e.g. the management company) will have to assess the impact of this new directive on their current structure.

Risk Management impacts

In the context of non-regulated funds the requirement to implement a strong Risk Management process is one of the main challenges.

Areas of impact

Governance

- An independent Risk Management function must be created
- Remuneration policy should be consistent with effective Risk Management
- A clear Risk Management process needs to be implemented

Risk measurement

- Each AIF's risk profile must be defined
- All risks associated with AIF strategies need to be measured and monitored (Market risk, Counterparty risk, Operational risk, ...)
- The importance of having a strong Liquidity risk management process is particularly stressed
- Leverage levels as well as methods used need to be clearly identified and monitored
- Delivery requirement linked to short selling needs to be properly managed and monitored

Disclosure

- To increase the transparency of the market, a high degree of importance will be put on disclosure (level of leverage, investment strategy, risk profiles, short selling, ...). The level of granularity will be different whether the stakeholders are the investors or the authorities.

How we can help you

We can assist you with our dedicated services aimed at addressing the Directive's Risk Management component.

1 Diagnostic

A diagnostic of your current Risk Management set-up will be performed through interviews and reviews of all relevant documents.

Output

Clear summary of the gaps identified between your current set-up and the AIFMD requirements

2 Recommendations

Recommendations will then be proposed to align processes to AIFMD requirements, including clear description of best practices that need to be implemented to cover the principles described in the Directive.

Output

Detailed description of the processes to put in place in order to satisfy the requirements of the directive

3 Action plan

An action plan will be elaborated to fill out the identified gaps.

Output

Definition and implementation of risk measurement methods, selection of proper Risk Management tools, identification of required data and resources.

4 Assistance

Our team will assist you in the definition and the implementation of the recommendations.

Output

Implementation/assistance to the implementation of new software, organisation of training sessions, creation of dedicated tools, ...

Why PwC Luxembourg?

Our specialist team members have a strong experience gained as consultants and through their experience within the financial industry. As a result, they are able to quickly understand your concerns and provide you with tailored and proportionate solutions.

PwC Luxembourg (www.pwc.com/lu) has about 2000 professionals from 53 different countries. PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

Our people working alongside you

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