



Funds-Axis

UCITS- Core (all jurisdictions)

Rule UCITS07 Review and Testing

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Testing Approach

1. Activate Dummy Sandbox Schemes in FundWare for testing purposes; SB0 – SB7
2. Upload test data to these schemes
3. Funds-Axis to apply UCITS regulatory rules to these test schemes;
 - a. Generate a minimum of 1 breach and 1 pass result per UCITS rule
 - b. To validate a minimum of 1 breach and 1 pass result per UCITS rule
4. Funds Axis will provide documentation providing explanation of regulatory rule results

UCITS07: FDI must have Eligible Underlying's

Rule Setup Details

Rule Summary		
Rule Category	Rule Category	UCITS – CORE (ALL Jurisdictions)
Rule Sub-Category	Rule Sub-Category	1. Eligible Assets
Asset Selection	Asset Category	All Assets
Asset Selection	Asset Type Group	Derivatives – Standard Contracts Derivatives - Other
Asset Selection	Asset Type	N/A

Rule Custom Attributes		
RCA. Conditions	Derivative Underlying is Eligible	No

Rule Conditions		
Rule Conditions	Holding Level	All Holdings
Rule Conditions	Rule Level	In Scheme
Rule Conditions	Aggregator (Base Value in FW Rules Wizard)	Market Value*
Rule Conditions	Breach Condition	> 0
Rule Conditions	Pass Condition	<= 0
Rule Conditions	Denominator	No. of Securities in Scheme
Where Conditions	Pass Condition	N/A
Where Conditions	Breach Condition	N/A
Where Conditions	Denominator	N/A

**The selection of denominator of “No. of Securities in Scheme” has the impact of causing the aggregator to be a “Count” of the instruments in the scheme, notwithstanding that the “Market Value” is in fact selected in the rules wizard.*

UCITS07: Rule Results

Results:

6 of 8 sandbox schemes are passing UCITS07

Cause:

This rule considers the eligibility of derivative underlying's. What is considered ineligible for the purposes of UCITS is listed out in the Rule Custom Attribute definition of "Derivative Underlying is Eligible" = No (Please see Appendix B).

The rule is using the RCA "Derivative Underlying is Eligible" = "No".

This RCA is set up only to classify those derivatives where underlying is eligible = "No", not those where it is yes. This RCA is set-up to be "No" for certain derivative assets types and unless they have been manually overridden as "Is UCITS Eligible Underlying Asset" = Yes; they will be classified as Not Eligible.

Testing

Example 1: Breach Result

Test Example 1: Scheme: SBO – Sandbox Equity Multi Income Fund

Rule Result: Failed

Test Result: Success

FundWare Investment Compliance Result:

SBO - Sandbox Equity Mutli Income Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 82,368,872.99

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
☐ 32562-N	UCITS07: FDI must have Eligible Underlying's	Failed	1	1.0000
	60031999H1CJ5U - OPT. DAX WEEKLY OPTIONS W4 CALL 12750 25/05/2018			1 Securities

FundWare Holding Export Report:

The Rule Result shown above matches the below extract taken from FundWare:

The below derivative, highlighted in red, is marked as having an ineligible underlying for the purposes of UCITS rules; therefore it is breaching UCITS07.

Instrument Security Code	Security	UnderLying ISIN	Asset Type Group Name	RCA.Derivative Underlying is Eligible
60031999H1CJ5U	OPT. DAX WEEKLY OPTIONS W4 CALL 12750 25/05/2018	WDAXD Index	Derivatives - Other	No
60031999H1CJ2U	OPT. STOXX W OPTIONS W4 CALL 3500 25/05/2018	WSX5ED Index	Derivatives - Other	(blank)*
60031999H1PFHU	OPT. STOXX W OPTIONS W4 CALL 3525 25/05/2018	WSX5ED Index	Derivatives - Other	(blank)*

**Derivatives that have not been set with 'Underlying is Eligible' = 'No' come through as (blank) rather than 'Yes' as default. As this rule only considers derivatives set as 'No' this will have no bearing on the rule result and is an indication RCA is classifying the underlying correctly.*

High Level Holdings Overview:

The fund is made up of:

Rule Custom Attribute.UCITS Asset Types	Sum of Percentage Of Assets
Security - Standard Security	104.9906
Security - Closed End Fund	2.12
Payable Receivables	1.8008
Derivative Index not diversified ineligible assets	-0.243
Derivative Diversified Index Eligible Assets	-8.6684
Grand Total	100

Example 2: Pass Result

Test Example 2: Scheme: SB1 – Sandbox Equity Long Short Fund
Rule Result: Pass
Test Result: Success

FundWare Investment Compliance Result:

SB1 - Sandbox Equity Long Short Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 207,842,337.06

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
<input type="checkbox"/>	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

FundWare Holding Export Report:

The Rule Result shown above does not show any assets as the fund does not contain any securities that would cause the rule to breach. All derivative underlying have not been flagged as in-eligible and therefore appear as '(blank)'.

Instrument Security Code	Security	UnderLying ISIN	Asset Type Group Name	RCA.Derivative Underlying is Eligible
JP304619000C	CFD INVINCIBLE INV.	JP3046190009	Derivatives - Other	(blank)
JP304640000C	CFD JAPAN HOTEL REIT INV.	JP3046400002	Derivatives - Other	(blank)
JP304776000C	CFD INVESCO OFFICE J-REIT	JP3047760008	Derivatives - Other	(blank)
JP312280000C	CFD AMADA HLDGS.	JP3122800000	Derivatives - Other	(blank)
JP314360000C	CFD ITOCHU	JP3143600009	Derivatives - Other	(blank)
JP316565000C	CFD NTT DOCOMO	JP3165650007	Derivatives - Other	(blank)
....

High Level Holdings Overview:

The fund is made up of:

Rule Custom Attribute.UCITS Asset Types	Sum of Percentage Of Assets
Security - Standard Security	72.9148
FundAcc_Cash_Capital	20.3569
Derivative Diversified Index Eligible Assets	10.1007
Derivative on Currency	0.1878
Derivative Index not diversified eligible assets	0.1477
Derivative on a Security	0.0995
Derivatives on Inflation rates	0.0653
Derivatives on Interest rates	0.0037
Payable Receivables	-0.2522
Forward FX	-0.8199
Grand Total	102.8043

UCITS07: Overview of Rule Results

SB0 - Sandbox Equity Mutli Income Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 82,368,872.99

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
32562-N	UCITS07: FDI must have Eligible Underlying's	Failed	1	1.0000

SB1 - Sandbox Equity Long Short Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 207,842,337.06

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB2 - Sandbox CDS Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 34,087,657.79

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB3 - Sandbox Fund of Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 74,086,960.18

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB4 - Sandbox Futures and Options fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 22,216,808.24

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
10046-C ↑	UCITS07: FDI must have Eligible Underlying's	Failed	1	11.0000

SB5 - Sandbox MMI Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 11,137,506,461.12

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB6 - Sandbox Fixed Income Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 232,189,721.95

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

SB7 - Sandbox Feeder Fund

Date: 01 June 2018

Valuation Date: -

Scheme NAV in Base Currency: 140,560,227.95

[Click on rule to view rule details](#)

Breach ID	Rule	Status	Breach Days	Exposure
	UCITS - Core (All Jurisdictions) : 1. Eligible Assets			
	UCITS07: FDI must have Eligible Underlying's	Passed		0.0000

Appendix A: Rule Construction in FundWare

UCITS07: FDI must have Eligible Underlying's

Rule Name *
(Max 100 Chars)

Rule Reference No *
(Max 50 Chars)

Rule Short Name *
(Max 100 Chars)

Rule Commentary *
(Max 5000 Chars)

Resolution / Tips *
(Max 255 Chars)

Resource
(Max 1000 Chars)

Rule Validation Level *

Asset Category

Asset Type Group

Asset Type

UCITS07: FDI must have Eligible Underlying's

UCITS07

UCITS07: FDI must have Eligible Underlying's

UCITS07: FDI must have Eligible Underlying's

Asset Type
 Company / Issuer
 Instrument / Security
 Counterparty
 Issuer Group
 Sector
 Country
 Instrument Location
 UL Issuer
 UL Issuer Group
 currency
 UL Instrument / Security
 Counterparty Group
 Ultimate Issuer Group

Derivatives
Derivatives with Counterparties
Securities
Warrants

Asset Backed Securities
Borrowing
Cash
Commodities
CPProxyHolding
CPProxyHoldingOffset
Currency
Custody Cash
Depository Receipt

AIFMD Trade Type Derivatives
Bond Future
BOND OPTIONS - CALL
CALL WARRANT/OPTION
CALL; COVERED WARRANT TRADITIONAL OR OTC OPTION
CCP INTEREST RATE SWAP
CDS - Index options
Commodity Futures
CONTRACT FOR DIFFERENCE

Rule Category UCITS - Core (All Jurisdictions) ▼

Rule Type * 1. Eligible Assets ▼

Rule Action Type * Others ▼

Copy this record * **Mandatory Fields**

LIST OF RULE CONDITIONS Create New Rule Condition

RULE CONDITION	ACTIVE
If holding for "All Holdings" in "Scheme" (considering "Market Value") (Derivative Underlying is Eligible includes "No") is > 0.0000 of "No. of Securities in Scheme" THEN Breach.	💡 ✎
If holding for "All Holdings" in "Scheme" (considering "Market Value") (Derivative Underlying is Eligible includes "No") is <= 0.0000 of "No. of Securities in Scheme" THEN (Pass).	💡 ✎

Appendix B: RCA Construction in FundWare

Custom Attribute Definitions New Save Cancel

ATTRIBUTE DETAIL Mandatory Fields

Code * No
 Name * No
 Filter Category * Derivative Underlying is Eligible
 Data Source * Detailed Instruments
 Sequence * 1
 Active Yes No
 Maker
 Comment *

SEQ.	FIELD NAME	CONDITION	COMPARE	VALUE	AND/OR	GROUP NO
1	Asset Classification Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Derivatives	AND	1
2	Underlying Asset Type Group Name	In	<input checked="" type="radio"/> Value <input type="radio"/> Column	Commodities,Physical Property,Structur <small>Enter Values by comma separation i.e UK, India</small>	AND	1
3	Is UCITS Eligible Underlying Asset	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	No	AND	1
4	Underlying Asset Type Name	!=	<input checked="" type="radio"/> Value <input type="radio"/> Column	REIT	OR	1
5	Asset Classification Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Derivatives	AND	2
6	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Commodity Index	AND	2
7	Is UCITS Eligible Underlying Asset	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	No	OR	2
8	Asset Classification Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Derivatives	AND	3
9	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Commodities,Physical Property,Structur	AND	3
10	Is UCITS Eligible Underlying Asset	Show Only	<input checked="" type="radio"/> Value <input type="radio"/> Column	<input checked="" type="radio"/> Not Defined Values <input type="radio"/> Defined Values	AND	3
11	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	REIT	OR	3
12	Asset Classification Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Derivatives	AND	4
13	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Commodity Index	AND	4
14	Is UCITS Eligible Underlying Asset	Show Only	<input checked="" type="radio"/> Value <input type="radio"/> Column	<input checked="" type="radio"/> Not Defined Values <input type="radio"/> Defined Values	OR	4
15	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Indices	AND	5
16	UL Instrument is Diversified Index	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Y	AND	5
17	UL Instrument Index Is Eligible Asset Type	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	N	OR	5
18	UCITS Assets Types	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Derivative Diversified Index Non Eligible	OR	6
19	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Indices	AND	7
20	UL Instrument is Diversified Index	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Y	AND	7
21	UL Instrument Index Is Eligible Asset Type	Show Only	<input checked="" type="radio"/> Value <input type="radio"/> Column	<input checked="" type="radio"/> Not Defined Values <input type="radio"/> Defined Values	OR	7
22	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Indices	AND	8
23	UL Instrument is Diversified Index	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	N	AND	8
24	UL Instrument Index Is Eligible Asset Type	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	N	OR	8
25	Underlying Asset Type Group Name	=	<input checked="" type="radio"/> Value <input type="radio"/> Column	Indices	AND	9
26	UL Instrument is Diversified Index	Show Only	<input checked="" type="radio"/> Value <input type="radio"/> Column	<input checked="" type="radio"/> Not Defined Values <input type="radio"/> Defined Values	AND	9
27	UL Instrument Index Is Eligible Asset Type	Show Only	<input checked="" type="radio"/> Value <input type="radio"/> Column	<input checked="" type="radio"/> Not Defined Values <input type="radio"/> Defined Values	[Select]	9

END