



Funds-Axis

UCITS- Core (all jurisdictions)

Rule UCITS08 Review and Testing

Contents

Testing Approach	3
UCITS08: OTC Derivatives must be with Acceptable Counterparties	4
Appendix A: Rule Construction in FundWare	9

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

UCITS08: OTC Derivatives must be with Acceptable Counterparties

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	Spot FX Share Class Hedges Derivatives – Other Derivatives Forward FX
Asset Selection	Asset Type	N/A

Static Fields		
Static Field Conditions	Acceptable OTC Limit	Not Eligible

Rule Custom Attributes		
RCA. Conditions	Is OTC	Yes

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.*

UCITS08: Rule Results

Results:

7 of 8 sandbox schemes are passing UCITS08

Cause:

This rule considers the eligibility of counterparties on OTC derivatives. In FundWare; when a company is marked as being a counterparty, you must also select an OTC Limit applicable to that counterparty. Eligible counterparties will have a limit of 5% or 10%; however there is also the option of “Not Eligible”; if this is selected for a counterparty on an OTC Derivative, then the regulatory rule UCITS08 will flag as a breach.

Note: Potential issue with the Custom Attribute; “Acceptable OTC Limit = Not Eligible”. If the counterparty of the derivative has no OTC limit applied; or is set to “Not Applicable” or the counterparty itself is omitted/ left blank; then this will not be taken into consideration for the rule, and will automatically pass.

Testing

Example 1: Breach Result

Test Example 1: Scheme: SB2 – Sandbox CDS Fund

Rule Result: Failed

Test Result: Success

FundWare Investment Compliance Result:

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			
<input checked="" type="checkbox"/> 31895-N	UCITS08: OTC Derivatives must be with Acceptable Counterparties	Failed	1	2.0000
	17409609G6BH7U - FXOPT AUDUSD PUT .77 12-JUL-2018			1 Securities
	17409609H26NFU - FXOPT AUDCAD CALL .97 25-MAY-2018			1 Securities

FundWare Holding Export Report:

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

The below derivatives, marked in red, has an applicable UCITS Asset Type for the purpose of UCITS08 and its counterparty is marked as “not eligible”; therefore it is meeting all breach criteria.

Instrument Security Code	Security	Asset Type Group Name	RCA.Is OTC	Counterparty Acceptable OTC Limit
17409609G6BH7U	FXOPT AUDUSD PUT .77 12-JUL-2018	Derivatives - Other	Yes	NE
17409609H26NFU	FXOPT AUDCAD CALL .97 25-MAY-2018	Derivatives - Other	Yes	NE
17409609G8MGLU	FXOPT AUDJPY PUT 81.5 25-MAY-2018	Derivatives - Other	Yes	10%

17409609GY6QAU	FXOPT EURUSD PUT 1.22 09-JUL-2018	Derivatives - Other	Yes	10%
17409609GY6QQU	FXOPT EURUSD CALL 1.27 09-JUL-2018	Derivatives - Other	Yes	10%

High Level Holdings Overview:

The fund is made up of:

Asset Type Group Name	RCA.Is OTC	Counterparty Acceptable OTC Limit	Sum of Percentage Of Assets
Cash			19.7068
Deposits			0.6501
Derivatives - Forward FX	Yes	10%	-0.7244
	Yes	NA	-0.0955
Derivatives - Other	Yes	10%	10.2597
	Yes	NA	-0.0085
	Yes	NE	0.0566
	Yes	(blank)	-0.0129
	(blank)	10%	0.0325
	(blank)	(blank)	-0.0052
Derivatives - Standard Contracts	(blank)	(blank)	0.2825
Fixed Income			72.9148
Payables Receivables			-0.2522
Grand Total			102.8043

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"/>	UCITS08: OTC Derivatives must be with Acceptable Counterparties	Passed		0.0000

FundWare Holding Export Report:

The Rule Result shown above does not show any assets as the fund does not contain any assets that would cause the rule to breach.

The snapshot below shows the setup of derivatives in this fund. As shown none of the derivatives have been set as “not eligible”. The below derivative setup is consistent throughout the fund.

Instrument Security Code	Security	Asset Type Group Name	RCA.Is OTC	Counterparty Acceptable OTC Limit
JP304619000C	CFD INVINCIBLE INV.	Derivatives - Other	Yes	5%
JP304640000C	CFD JAPAN HOTEL REIT INV.	Derivatives - Other	Yes	5%
JP304776000C	CFD INVESCO OFFICE J-REIT	Derivatives - Other	Yes	5%
JP312280000C	CFD AMADA HLDGS.	Derivatives - Other	Yes	5%
JP314360000C	CFD ITOCHU	Derivatives - Other	Yes	5%
JP316565000C	CFD NTT DOCOMO	Derivatives - Other	Yes	5%
JP320580000C	CFD KAO	Derivatives - Other	Yes	5%
JP320600000C	CFD KAKAKU.COM INC	Derivatives - Other	Yes	5%
JP323540000C	CFD GAKKYUSHA	Derivatives - Other	Yes	5%
JP324280000C	CFD CANON	Derivatives - Other	Yes	5%
JP330420000C	CFD KOMATSU	Derivatives - Other	Yes	5%
JP336090000C	CFD SHOEI	Derivatives - Other	Yes	5%
...

High Level Holdings Overview:

The fund is made up of:

Asset Type Group Name	Rule Custom Attribute.Is OTC	Counterparty Acceptable OTC Limit	Sum of Percentage Of Assets
Cash			1.0273
Commodities			0.4811
Derivatives - Other	Yes	5%	5.1756
Equities			71.78
Funds			6.8045
Physical Property			14.7314
Grand Total			99.9999

UCITS08: 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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	Passed		0.0000

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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	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			
+	31895-N UCITS08: OTC Derivatives must be with Acceptable Counterparties	Failed	1	2.0000

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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	Passed		0.0000

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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	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			
+	UCITS08: OTC Derivatives must be with Acceptable Counterparties	Passed		0.0000

Appendix A: Rule Construction in FundWare

UCITS08 FDI must have Eligible Underlying's

Rule Name * (Max 100 Chars)
UCITS08: OTC Derivatives must be with Acceptable Counterp

Rule Reference No * (Max 50 Chars)
UCITS08:

Rule Short Name * (Max 100 Chars)
UCITS08: OTC Derivatives must be with Acceptable Counterp

Rule Commentary * (Max 5000 Chars)
UCITS08: OTC Derivatives must be with Acceptable Counterparties

Resolution / Tips * (Max 255 Chars)

Resource (Max 1000 Chars)

Rule Validation Level *

- Asset Type
- Issuer Group
- UL Issuer
- None
- Company / Issuer
- Sector
- UL Issuer Group
- Counterparty Group
- Instrument / Security
- Country
- Currency
- Ultimate Issuer Group
- Counterparty
- Instrument Location
- UL Instrument / Security

Asset Category

- Derivatives
- Derivatives with Counterparties
- Securities
- Warrants

Asset Type Group

- Asset Backed Securities
- Borrowing
- Cash
- Commodities
- CProxyHolding
- CProxyHoldingOffset
- Currency
- Custody Cash
- Depository Receipt

Asset Type

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

Rule Category UCITS - Core (All Jurisdictions)

Rule Type * 1. Eligible Assets

Rule Action Type * Others

LIST OF RULE CONDITIONS Create New Rule Condition

RULE CONDITION	ACTIVE
If holding for "All Holdings" in "Scheme" (considering "Market Value") (considering Acceptable OTC Limit is "Not Eligible") (Is OTC includes "Yes") is > 0.0000 of "No. of Securities in Scheme" THEN Breach.	<input checked="" type="checkbox"/>
If holding for "All Holdings" in "Scheme" (considering "Market Value") (considering Acceptable OTC Limit is "Not Eligible") (Is OTC includes "Yes") is <= 0.0000 of "No. of Securities in Scheme" THEN (Pass).	<input type="checkbox"/>

END