



Investigating breaches

FUNDS  AXIS

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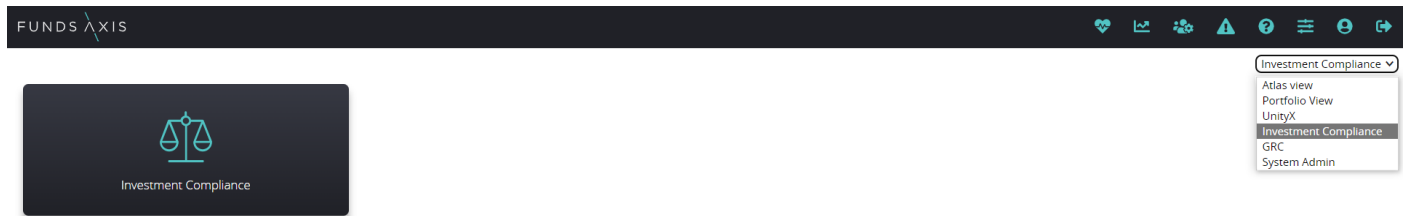


1. Background

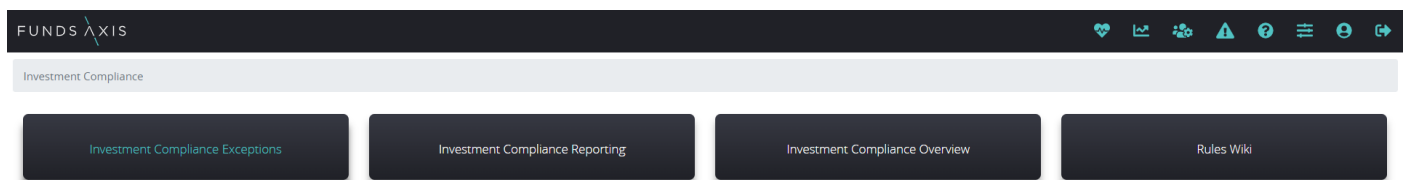
Everyday you should be reviewing the system for any new breaches or warnings flagging within the system. You should be reviewing persisting and continuous breaches & warnings.

2. Investment compliance exceptions

When you have initially logged into your Highwire environment, select Investment Compliance from the dropdown menu near the top right-hand corner of the screen.



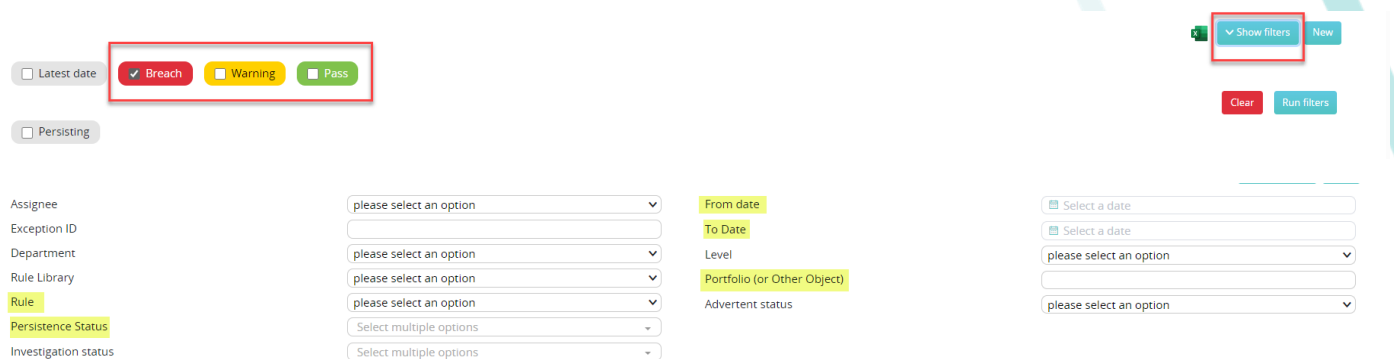
Once in the investment compliance module, select the investment compliance exceptions module.



The investment compliance exceptions report will allow a user to view all rule results available within the system overtime or for a specific date.

Users will be able to use the show filters feature to filter for rule results on a specific date, for a specific portfolio, or by a specific rule. They can also use the persistence status filter to select new or continuous breaches and warnings.

Users can also amend the report to so they can review only breaches, or filter to review warning and pass results also.



Depending on how the user have set-up the filters, the rule results will appear as below. In the below example the filters have been set to flag any new breaches appearing in the system on the 21st of July.

| Type | Result | Portfolio (or Other Object) | Rule | % | Entity | Start Date | End Date | Persistence | Days Since Start | Investigation Status | Updated on |
|--|--------|-----------------------------|--|------|--|------------|----------|-------------|------------------|-------------------------------|------------|
| <input type="checkbox"/> Investment and borrowing breaches | ● | | P20026-UK - Max 10% NAV in Securities & MMI issued by the same Issuer Group | 10.7 | KREDITANST FUR WIE 1.375% GTD SNR 09/12/24 GBP | 21/07/2023 | | New Breach | 0 | New Exception Awaiting Review | |
| <input type="checkbox"/> Investment and borrowing breaches | ● | | P20169-NURS must not invest in other CIS which invest more than 15% in other CIS | 1.0 | PENTARIS QIAIF PLC ROTHES CHILD & CO WM SUSTAINABL | 21/07/2023 | | New Breach | 0 | New Exception Awaiting Review | |
| <input type="checkbox"/> Investment and borrowing breaches | ● | | P20038-Max 10% NAV in Cash and Ancillary Liquid Assets (Industry approach) | 12.3 | | 21/07/2023 | | New Breach | 0 | New Exception Awaiting Review | |
| <input type="checkbox"/> Investment and borrowing breaches | ● | | P20002.2 Securities must be eligible transferable securities - FI | 1.0 | EURO INV BANK 0% SNR 07/12/2028 DUAL CURR | 21/07/2023 | | New Breach | 0 | New Exception Awaiting Review | |

Users will then be able click on the pen & notepad icon to view the details of any breach that may be appearing on the system.

Exception Details ✕

General Information

| | | | |
|-----------------------|--|------------------------------|------------|
| Exception ID: | 324228 | Start date*: | 21/07/2023 |
| Department: | Investment and borrowing breaches | End date: | |
| Issue type*: | Investment and borrowing breaches | Updated on: | |
| Rule*: | P20038:Max 10% NAV in Cash and Ancillary Liquid Assets (Industry approach) | Application Level: | Holding |
| Exception type*: | Breach | Portfolio (or Other Object): | |
| Persistence Status*: | New Breach | Level: | Portfolio |
| Investigation status: | New Exception Awaiting Review | Rule category: | UCITS |

Entries

| Date | Rule Exception Type | Numerator | Denominator | Result | Actions |
|------------|---------------------|------------|--------------|--------|---------|
| 21/07/2023 | Breach | 769,481.16 | 6,254,374.65 | 12.303 | |

| Entity Type | Name | Numerator | Denominator | Result |
|--------------|----------|------------|--------------|--------|
| All Holdings | Cash-GBP | 769,481.16 | 6,254,374.65 | 12.303 |

Users will also be able to determine actions and assign the breach to other areas of the business as part of their breach review. The chat functionality allows users to leave a comment on a breach which will then be visible to other team members.

Users can also assign a severity to the breach, as well as a cause e.g., security data inaccuracy.

Chat +

^ Toggle notes history

Add

24/07/2023

Notes & Analysis

Description:

Reason:

Impact:

Resolution:

Reimbursement:

Review and Approve

Severity*

field is required

Cause*

field is required

Is Advertent?

Assignee*

field is required

Attach file

Any files with a size less than 1mb

Actions +

please select an option

- Unclassified
- Acquisition
- Corporate Action
- Disposal
- FX move
- Market Move
- Other
- x. Eligibility needs to be set
- x. Holding data inaccuracy
- x. Rule error
- x. Rule incorrectly applied
- x. Security Data Inaccuracy

please select an option

3. Investment Compliance Reporting

Users can use the investment compliance reporting module to view all securities that are causing investment compliance breaches.

The best way for users to do this is too select the data quality reports available in the investment compliance reporting module. The data quality reports users should be most concerned with are:

1. H5.1 IBP Asset eligibility issues need to be addressed.
2. H5.2 IBP CIS Asset eligibility issues to be addressed.
3. H5.3 IBP – Ownership – Denominators to be fixed.
4. M1. Transferable security – manually set to is transferable.
5. M2. Transferable security – is suspended.
6. M3. MMI manually marked as approved.
7. M4. Derivatives – manually marked as reliable valuation.
8. M5. Deposits – Manual settings.
9. M6. Open ended funds – manual settings.
10. M8. Manually set as risk-free assets.
11. M9.1 Open end funds – manually approved by business.
12. M9.2 Closed end funds -manually approved by business.
13. MM1. Entity – Acceptable deposit takers.
14. MM2. Entity – Approved counterparties.
15. MM3. Entity – Issuers set as GOPS.

The above reports will indicate any potential data issues with the securities, issuers, or counterparties used and held across your portfolios.

Each individual data quality report will be specific to an investment compliance rule, and will flag to users' securities, issuers, or counterparties that could potentially result in an investment compliance breach.

4. Investment Compliance Overview

The investment compliance overview reports can be used to see any breaches/exceptions that are being flagged by the system in greater detail. The reports can also be used to validate any pass results as well.

Each report in the investment compliance overview will have a text description included at the top of the report which will include the rule that the report will focus on and can be used to validate the result.

Users will need to ensure they are selecting the relevant report for the rule result they are trying to validate.

Below is an example of the validation that can be completed for the rule **P20038: Max 10% NAV in Cash and Ancillary Liquid Assets (industry approach)**

Exception from Investment Compliance Exceptions

Exception Details ✕

General Information

| | | | |
|-----------------------|--|------------------------------|------------|
| Exception ID | 324228 | Start date*: | 21/07/2023 |
| Department | Investment and borrowing breaches | End date: | |
| Issue type*: | Investment and borrowing breaches | Updated on: | |
| Rule*: | P20038:Max 10% NAV in Cash and Ancillary Liquid Assets (Industry approach) | Application Level: | Holding |
| Exception type*: | Breach | Portfolio (or Other Object): | |
| Persistence Status*: | New Breach | Level: | Portfolio |
| Investigation status: | New Exception Awaiting Review | Rule category: | UCITS |

Entries

| Date | Rule Exception Type | Numerator | Denominator | Result | Actions |
|------------|---------------------|------------|--------------|--------|---------|
| 21/07/2023 | Breach | 769,481.16 | 6,254,374.65 | 12.303 | 👁 |

| Entity Type | Name | Numerator | Denominator | Result |
|--------------|----------|------------|--------------|--------|
| All Holdings | Cash-GBP | 769,481.16 | 6,254,374.65 | 12.303 |

Investment Compliance Overview

Investment Compliance Overview Wiki

G3.3 Diversification - Cash and ancillary liquid assets

DIVERSIFICATION - Cash & Ancillary Liquid Assets

P20038: Max 10% NAV in Cash and Ancillary Liquid Assets (Industry approach)

UCITS should be fully invested. Deposits are an investment. Cash is not. The standard industry approach is that there should be no more than 10% in uninvested cash (ancillary liquid assets). You can use this report to identify if there is more than 9% of the Scheme NAV in uninvested cash. In some cases, it will be set up as a warning. Some interpretations in Luxembourg are for up to 49%.

Report has been set up so only cash has been included in the results. Any classified as a deposit has been excluded from the report.

Report Date: 21 Jul 2023

Portfolios > 8% in Cash

| Portfolio Name | MV (Base) as Prc of NAV |
|----------------|-------------------------|
| [Redacted] | [Redacted] |

Percentage in Cash

| Portfolio Name | MV (Base) as Prc of NAV |
|----------------|-------------------------|
| [Redacted] | 12.3 |

Cash Breakdown

| Days in case | Portfolio Name | portfoliocomponentcode | Asset Group Name | Security description | Counterparty | Market value base | Scheme NAV | MV (Base) as Prc of NAV |
|--------------|----------------|------------------------|------------------|----------------------|------------------|-------------------|--------------|-------------------------|
| 7/21/23 | [Redacted] | [Redacted] | Cash | Cash-GBP | Bank Of New York | 769,481.16 | 6,254,374.65 | 12.3 |