

HighWire

INTERNAL

# Investment Compliance Implementation Plan - Commentary

FUNDS  AXIS

## Introduction

This commentary is to accompany the excel HighWire Investment Compliance Implementation plan.

## Scope and Assumptions

The provided project timelines are based on the following scope and assumptions:

- \\ Investment Compliance to cover UCITS and Non-UCITS funds in UK, Ireland, Luxembourg and Switzerland, plus prospectus rules.
- \\ The related calculations of UCITS and AIFMD commitment / gross exposure required to support the above.
- \\ Delivery on AWS cloud.
- \\ Security data to be provided by Funds-Axis (ICE data).

## Resources

Below is a summary of the resources that Funds-Axis will make available to support the project. We would expect that Client also appoint one person to co-ordinate on each of the below activities:

| Activity  | Primary Contact Point            |        |
|---|----------------------------------|--------|
|   | Funds-Axis                       | Client |
| Sponsor   | darren.burrows@funds-axis.com    |        |
| Relationship Management   | jessica.beckett@funds-axis.com   |        |
| Project Management  | vanessa.vassallo@funds-axis.com  |        |
| Tech / Infra  | pradeepkumar.v@funds-axis.com    |        |
| EDM – data files transfer, data automation, sFTP etc  | david.watson@funds-axis.com      |        |
| HighWire set-up<br>Portfolios, rules assigned to portfolios, batches, users, permissions etc. | aidan.lavery@funds-axis.com      |        |
| Regulatory Rules – interpretation / set-up  | darren.burrows@funds-axis.com    |        |
| Derivatives set-up and leverage   | arsalan.nadeem@funds-axis.com    |        |
| Prospectus Rules set-up and testing   | jason.worthington@funds-axis.com |        |
| Asset Eligibility, CIS Research and Data Quality  | aidan.lavery@funds-axis.com      |        |
| Client training / operational processes   | aidan.lavery@funds-axis.com      |        |

## Deliverables from Client

The Project Plan assumes that the Client (or the Client's Fund Administrator) will be available to provide all of the following at the project commencement.

- \\ The completed client set-up Excel with details of all Managers, legal entities, portfolios, shareclasses, administrators, batches, etc.
- \\ Examples of the holdings files
- \\ An Excel matrix with details of the following to be applied to each portfolio:
  - Prospectus Rules
  - Eligible markets
  - Government and public securities in which greater than 35% of NAV can be invested
  - Portfolios derivative usage (e.g. no derivatives, hedging, EPM – no leverage, Leverage)
  - Expected UCITS or AIFMD Exposure limits.

## What Client Can Expect

### Week 2:

Access to a range of resources to enable detailed review and understanding of the set-up of the Regulatory Rules, including:

- \\ Documentation on Rule libraries, Rule Groups and Rules applied within Groups
- \\ Access to the demo environment on which all Regulatory rules are set-up with Sandbox portfolio case-studies
- \\ Documentation on the set-up and testing of each Rule.

### Week 6:

Access to the Client HighWire environment, set up in respect of the below:

- \\ All Managers, Portfolios, batches etc. set-up
- \\ All holdings mapped in and uploading 100% successfully each day
- \\ All exposure calculations to be correct
- \\ All CIS asset eligibility performed
- \\ All Regulatory rule groups and rules applied to the correct portfolios
- \\ Access to all Holdings and Governance Reports

The client can at this stage start performing a wide range of testing.

Funds-Axis will provide documentation and resources to support all this testing.

## Week 10:

- ✓ All Regulatory Rules being processed and producing accurate Regulatory Rules results being produced
- ✓ Prospectus rules and results being incrementally rolled out.

## Prospectus Rules

We have c. 2,000 prospectus rules pre-configured.

We would expect that the number of prospectus rules required will be c. 4 unique rules per portfolio).

We would expect that 75% of rules (or very close equivalents) of these rules are already coded and can be immediately applied.

This will be leaving the remaining 25% of new rules to be coded and tested. Of these, we would expect that three-quarters of these will be relatively simple and take a few hours each.

There will then be a balance of rules that need to be reviewed and planned individually, possible including some development activity.

We will NOT be providing Rule testing documentation for each prospectus rule and portfolio.

Instead, we will provide:

- ✓ Syntax based outputs where the accuracy of rule construction can easily be reviewed across all rules;
- ✓ Thematic review of all rules, e.g. grouping together of test documentation for different sets of rules based on for example:
  - a) Prohibited assets
  - b) Counts of securities
  - c) Geographic diversification
  - d) Asset class diversification
  - e) Issuer diversification
  - f) Ownership
  - g) Counterparty exposure
  - h) Leverage
- ✓ Validation of all exceptions:
- ✓ Reconciliation with your current results.

## Project Management Approach

In the early weeks of the project, there will be high-level steering calls (project manager level) to ensure that all data requests, etc. are being met and to provide high-level updates.

Later, and until Project closure, there will be a weekly Project management call to cover the status of all open items. Additional bi-laterals can also be arranged to cover deep dives into specific areas – e.g. borrowing, derivatives, regulatory rules, etc.

These will continue until Go-live and handover to BAU.

## Edge Issues

Edge issues will include anything that requires a disproportionate amount of effort or expertise and that should therefore be left until the core project is complete. This may include a particularly complex asset class or rule or bespoke report requirement, for example.