

Risk Reporting Solutions

Introduction to risk reporting

The increased frequency of financial crises has fuelled regulatory intent to strengthen and harmonise risk management practices across the European fund market. Authorities are pushing to close the gaps that still exist between different regulatory products, such as UCITS and AIFs, with the goal of creating a common regulatory foundation across asset classes in the interest of transparency.

It should come as no surprise that European asset managers find themselves needing to devote increasing resources to navigating ever more complex obligations. Where only a few years ago it was enough for AIFMs to perform qualitative risk assessments, omitting cumbersome stress testing exercises, substance requirements have altered this completely. Far more transparency and commitment is now required with respect to risk monitoring, in an effort to eradicate black boxes and reduce systemic risk.



Arendt, your partner in risk reporting

Best practices in risk management go beyond the mere observation or calculation of risk metrics. They require a truly global approach, culminating in risk reporting which is prompt, pragmatic and able to capture not only financial risks, but an increasing range of non-financial risks as well.

Arendt Regulatory & Consulting (ARC)'s dedicated risk advisory team is ideally positioned to offer its clients a holistic

and practical approach, capitalising on extensive financial risk management experience and on its positioning within the Arendt Group, a centre of expertise and excellence for European asset managers.

Leveraging its strong compliance and regulatory background, ARC provides assistance to risk managers and to Conducting Officers responsible for oversight of risk monitoring activities.

Risk Type	Comment over the period	To follow-up	Status over the period
Market risk	Gross leverage figures approaching its limit over the period. Review daily the higher hedging of currency exposures.	No follow up point	Green
Liquidity risk	Reduction of liquidity shortfall as 6-month horizon over the last period. No short breach	Liquidity shortfall as 6-month horizon following asset liability analysis. Risk Management and Portfolio Manager to progress a mitigation plan	Red
Counterparty risk	No material delay in FX hedging transactions due to ESMF considerations	Counterparty selection process to be reviewed and documented in a specific policy	Yellow
Credit risk	No event over the period	No follow up point	Green
Operational risk	Delay in recognition of reduction of NOME asset. Justification to be provided to the Board for next reporting period	No follow up point	Green
Valuation risk	No event over the period	Delay in recognition of reduction of NOME asset. Justification to be provided to the Board for next reporting period	Green

Our services

Our approach is modular, and our broad service range is fit for all stages in the life span of investment funds and asset managers. The scope of services provided can be efficiently tailored to a client's individual needs. Our catalogue contains a spectrum of value-adding solutions that enable our clients to navigate the European regulatory landscape with confidence.

They include:

- ✓ **Risk profiling** – Assessment of material risks, including mapping of appropriate monitoring metrics and associated risk limits.
- ✓ **On-going production** – Ongoing monitoring of your fund's risk situation over time and use of dedicated risk dashboards to generate key reports for the board and senior management.
- ✓ **Ad-hoc reporting** – Ad-hoc support in assessing the impact that transactions, changes in the regulatory environment or events could have on the risk profile of each fund.
- ✓ **Annual review** – Annual review of the risk management framework and its adequacy as part of the on-going monitoring plan.

No matter which hurdles you face in any of the above phases, Arendt Regulatory & Consulting's team of experts has the requisite knowledge of regulatory requirements, market practice and business needs for your regulated entity in Luxembourg. Regulatory navigation is complex. Let us help.



If you want to:

- Increase the effectiveness of risk monitoring
- Save time and reduce risk management costs
- Implement a strong risk management framework
- Build efficient monitoring and reporting processes



Then
speak
with us!

For more information, contact us at RiskTeamARC@arendt.com or visit www.arendt.com/regulatoryconsulting

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