

Clearstream

Vestima – Registrar Monitoring Report (RMR)

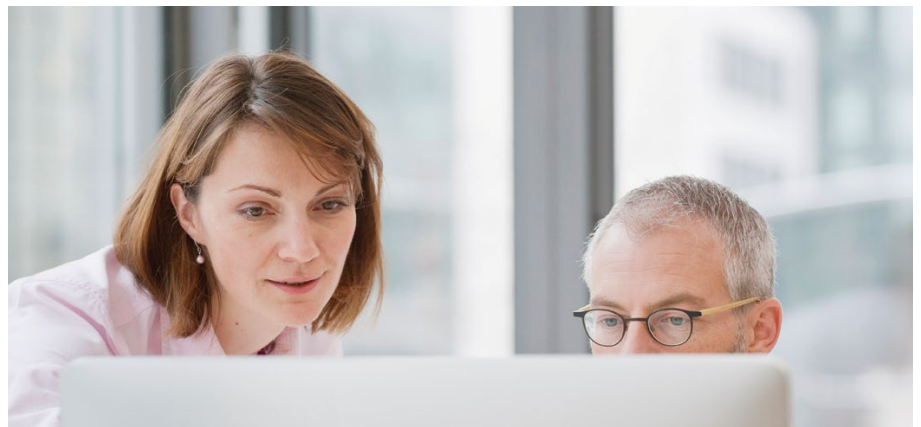
Product information

Supporting depositary banks in assessing transfer agents or registrar risk

Key benefits for depositary banks

- **Transparency** – Reports provide information about where assets are held by Clearstream
- **AIFMD focussed** – Comprehensive due diligence reports help assess the risk associated with transfer agents
- **Extensive reach** – Key information from Clearstream’s network of over 1,000 transfer agents
- **Efficiency gains and cost savings** – Significantly reduced need for bilateral requests to transfer agents
- **Comprehensive reporting** – Monthly reports in great detail with weighted risk assessments
- **Complementing the DMMR for custody assets** – Clearstream’s Domestic Market Monitoring Report (DMMR) delivers full transparency over all custodised instruments

Current and forthcoming regulation is increasing the liability of depositary banks in the case of a loss of financial instruments. To prove that such an event occurred beyond the banks’ reasonable control, they are expected to carry out due diligence. Clearstream’s innovative Registrar Monitoring Report provides due diligence information on transfer agents, registrars and processing agents registering ownership, to help depositary banks manage this risk in an efficient manner.



AIFMD is reshaping the investment fund industry by reinforcing the investor protection duties and liabilities of depositary banks. UCITS V is expected to be transposed into national legislation of the EU Member States by 2016. Its measures will provide comprehensive alignment with AIFMD in the context of depositary functions.

Risk management challenge for depositary banks

AIFMD imposes liability upon depositary banks for the immediate restitution of lost financial assets unless an event is external, has occurred beyond the depositary banks’ reasonable control and its consequences could not be avoided.

It is accepted that events occurring at a transfer agent or registrar can be considered as external and this fulfils the first criterion. To be covered for the other two conditions, depositary banks need to carry out some due diligence and monitor transfer agents and registrars who hold client assets on their behalf and assess the likelihood of events that might cause financial losses. In such cases, depositary banks must take appropriate action or alert the AIFM.

The depositary banks’ approach to tackle the AIFMD risk management challenge is to monitor the risk exposure within a set threshold by improving existing controls and implementing new risk mitigating tools.

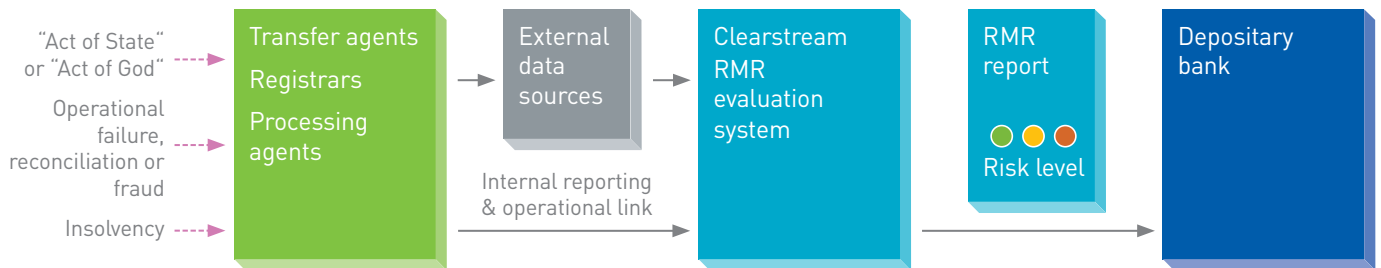
Comprehensive monitoring of transfer agents

Depository banks can now turn to Clearstream to fulfil their AIFMD obligations through the Registrar Monitoring Report (RMR). This service enables depository banks to assess the quality of transfer agents, registrars or processing agents registering

ownership, based on a profiling report. This report contains key information on the holdings of Clearstream clients with the respective agent and provides ratings as well as relevant weighted scores based on extensive due diligence questionnaires. The RMR thereby

provides the depository banks with a reliable and efficient tool for meeting their risk management obligations under AIFMD related to fund assets.

The report mechanism



Detailed due diligence reports

The RMR report enables depository banks to effectively assess the risks they could be exposed to in relation to transfer agents, registrars or processing agents. This assessment is conducted by Clearstream's proven system, based on documentation and operational data sourced internally or externally via industry-defined questionnaires.

The monthly reports provide comprehensive, risk-based due diligence profiles which include the following:

- **General information** – Transfer agent structure and turnover metrics.
- **Audit** – Information about the auditor, qualified opinions and control reports.

- **Compliance and regulatory authorities** – Regulatory compliance of a transfer agent, details about the regulator and compliance structure.
- **Legal proceedings** – Possible administrative, criminal or civil proceedings or investigations against the transfer agent or key employees as well as its insurance coverage.
- **Operational information** – Use of system automation, Business Continuity Planning, IT disaster recovery plans and cash and security reconciliation.
- **Reporting and transfer agent records** – Efficiency of contract notes and statements and any significant unreconciled positions.

Based on the categories above, the RMR evaluation system calculates a score and RAG (Red, Amber and Green) ratings which indicate the transfer agents' risk level.

The RMR is highly flexible - depository banks can choose between three different reporting formats depending on the depth of information required. The data can be provided in a readable or structured file format.

Please note that Clearstream does not accept a delegation of the AIFMD depositaries' own liability. The strict liability deriving from Article 21, §13 of AIFMD remains vested with the depository bank.

Contact information

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