

Clearstream Spotlight

New reporting service facilitates AIFMD compliance

Clearstream has launched a Domestic Markets Monitoring Report to support depositary banks in managing their new obligations as stipulated by the Alternative Investment Fund Manager Directive (AIFMD).

Why depositary banks should act now

As AIFMD enters into force on 22 July 2014, we encourage depositary bank customers to mobilise now to ensure compliance. The launch of the monitoring report on Clearstream's custody links is designed to increase transparency in the custody chain and thereby supports our depositary bank customers in managing requirements of the new regulation.

The report shows the custody chain below Clearstream that is applied to safekeep securities in the domestic markets. In most cases, a significant volume of securities are held through direct links we have to central securities depositories (CSDs), however, others go through a more traditional custody chain with commercial banks as sub-custodians. Depositary banks can use the new service to support reporting to AIFMs and for fulfilling the due diligence and regulatory obligations they face.

What the report covers

The report provides full transparency on the structure of the domestic markets (e.g. account structures and audits), information on Clearstream's extensive network of 53 domestic markets and 90 links to local CSDs as well as on its sub-custodian selection



and review process. Currently, the report covers 30 domestic markets; the full set of market links will be available before AIFMD enters into force on 22 July 2014.

How to access the report

Customers can subscribe to the new report via the application form on the Clearstream website. The form can also be requested from your Relationship Manager. The report is initially provided as a pdf file; in a later phase, it will be available via a dedicated section on our website which will offer 'real-time' access.

Your partner of choice

As an (International) CSD and Securities Settlement System (SSS) which is subject to the strictest regulatory oversight and rated AA by major credit agencies, Clearstream is best positioned to support depositary banks seeking to manage their risk profile for the safekeeping of assets under AIFMD.

AIFMD: Impact and Objective

The Alternative Investment Fund Manager Directive (AIFMD) is considered to be the regulation with the highest impact on the investment fund industry at the moment. AIFMD affects "depositary bank" institutions that offer custody services on behalf of alternative investment funds. These institutions will be required to provide an oversight of the fund's investment activities to keep custody risk in a market or a sub-custodian under control.

The objectives are to provide a consistent framework for the supervision of AIFMs, ensure greater investor protection and bring the same level of credibility to the Alternative Investment Fund (AIF) market that UCITS brought to mutual funds.

How to monitor fund shares

For assets recorded in Transfer Agent's (TA) registers, Clearstream will issue a TA Monitoring Service in 2015. This report will ensure securities held in the fund register are safeguarded against external events within reasonable control. It includes information such as TA data screening, the place of safekeeping and documentation obligations.

The report will be based on Clearstream's risk-based monitoring of its network of over 1,000 TAs.

More information

For more information on these topics, please contact your Relationship Manager. If you would prefer not to receive our email news, please ask your RM to remove you from the mailing list.