

**CHECKLIST FOR THE
INTERNAL PROCEDURES MANUAL
THAT ACCOMPANIES
THE APPLICATION OF**

«.....»

**FOR THE GRANTING OF A
UCITS Management Company Licence**

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	ORGANISATIONAL REQUIREMENTS		Int. Op. Manual Page No.
Part 1	General Requirement	Directive 78-2012-03	
0.1	General organizational requirements related to:		
0.1.1	Organizational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities	4.1 a	
0.1.2	Arrangements designed to ensure that the relevant persons are aware of the procedures which are followed for the proper discharge of their responsibilities	4.1 b	
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0.1.4	Efficient internal reporting and communication of information at all relevant levels of the MC	4.1.d	
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0.2.1	Security of integrity and confidentiality of information according to nature of information	4.2 a	
0.2.2	Business continuity policy of MC aimed at ensuring, in the case of an interruption to its systems and procedures, the preservation of essential data and functions, and the maintenance of investment services and activities, or, where that is not possible, the timely recovery of such data and functions and the timely resumption of its investment services and activities	4.2 b	
0.2.3	Accounting policies and procedures that enable the MC, at the request of the Commission, to deliver in a timely manner to the Commission financial reports which reflect a true and fair view of its financial position and which comply with all applicable accounting standards and rules	4.2 c	
0.3	Complaints or grievances handling Procedures for the reasonable and prompt handling of complaints or grievances received from retail clients or potential retail clients Record maintenance for each complaint or grievance and the measures taken for the complaint's resolution		

Part 2	Compliance, Risk management and Internal audit	Directive 78-2012-03	
	At the compliance with the mentioned requirements, a MC takes into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business		
	Compliance function		
1.1	Policies and procedures designed to detect any risk of failure by the MC to comply with its obligations under the Law, as well as the associated risks	D 7.1	
1.2	Measures and procedures designed to minimise risk mentioned in paragraph 1.1 above	D 7.1	
1.3	Establishment of a permanent and effective compliance function which operates independently	D 7.2	
1.4	Compliance function responsibilities:		
1.4.1	Monitoring and assessment of the adequacy and effectiveness of the measures and procedures put in place in accordance with the paragraphs 1.1 and 1.2 above, and the actions taken to address any deficiencies in the MC's compliance with its obligations under the Law and the Directive	D7.2(a)	
1.4.2	Advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the MC's obligations under the Law and the Directive	D7.2(b)	
1.5	Compliance function is able to discharge its responsibilities properly and independently if the following conditions are satisfied:	D7.3	
1.5.1	The compliance function must have the necessary authority, resources, expertise and access to all relevant information	D7.3(a)	
1.5.2	A compliance officer must be appointed and must be responsible for the compliance function and for any reporting as to compliance required by paragraph 2.3 below	D7.3(b)	
1.5.3	The relevant persons involved in the compliance function must not be involved in the performance of services or activities they monitor	D7.3(c)	
1.5.4	The method of determining the remuneration of the relevant persons involved in the compliance function must not compromise their objectivity and must not be likely to do so	D7.3(d)	
1.6	A MC is not required to comply with paragraphs 1.5.3 and 1.5.4 above if it is able to demonstrate that in view of the nature, scale and complexity of its business, and the nature and range of investment services and activities, the requirement under that point is not proportionate and that its compliance function continues to be	D7.4	

	effective		
	Responsibility of persons who effectively direct the business of the MC		
2.1	Arrangements designed to ensure that when allocating functions internally, MC's senior management and the members of the board of directors remain responsible for ensuring that the MC complies with its obligations under the Law and in particular:	D 6.1	
2.1.1	Application of the general investment policy of each fund as per its prospectus	D 6.1 a	
2.1.2	Approval of investment strategies	D 6.1 a	
2.1.3	Ensuring an efficient permanent compliance function even if outsourced	D 6.1 b	
2.1.4	Ensure and verify each fund is managed according to its investment policy, strategies and risk levels	D 6.1 c	
2.1.5	Approve and review the internal investment decision making process so as to comply with the investment strategies	D 6.1 d	
2.1.6	Approve and review the risk management policy so as to comply with article 28 of directive	D 6.1 e	
2.2	Arrangements designed to ensure that MC's senior management and the members of the board of directors assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law and the Directive and to take appropriate measures to address any deficiencies	D 6.2	
2.3	Arrangements designed to ensure that MC's senior management receives on a frequent basis, and at least annually, written reports on: matters of risk management, compliance and internal audit indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies application of investment policy and internal procedures on investment decision making	D 6.3 a D 6.3 b	
	Risk Management (see also Part 8) and Internal audit		
3.1	Independent continuous risk management function	D 9.1	
3.2	Measures that ensure independence and influence from conflicts of interest	D 9.2	
3.3.1	Enforces the policy and procedures of risk management	D 9.3 a	
3.3.2	Ensures compliance in measuring global and counterparty exposure as per articles 30 and 32 of directive....	D 9.3 b	
3.3.3	Advises the Board as to the risk profile of every managed fund	D 9.3 c	
3.3.4	Prepares annual reports to Board on: Current level of risk of each fund and its risk profile Compliance with risk limits of each fund Efficiency of risk management procedures and corrective measures taken to remedy any deficiencies	D 9.3 d	

3.3.5	Prepares annual report to the managers on current risk levels of each fund and any violations of limits	D 9.3 e	
3.3.6	Reviews the procedures for the valuation of non-listed derivatives	D 9.3 f	
3.4	Has access to any required information to do the above functions	D 9.4	
3.5	Establishment of internal audit function which is separate and independent from the other functions and activities of the MC, where appropriate and proportionate	D 8.1	
3.6	Internal audit function responsibilities:	D 8.2	
3.6.1	Establishment, implementation and maintenance of an audit plan to examine and evaluate the adequacy and effectiveness of the MC's systems, internal control mechanisms and arrangements	D 8.2 a	
3.6.2	Issue recommendations based on the result of work carried out in accordance with paragraph 3.6.1 above	D 8.2 b	
3.6.3	Verify compliance with the recommendations of paragraph 3.6.2 above	D 8.2 c	
	Report in relation to internal audit matters in accordance with paragraph 2.3 above	D 8.2 d	
PART 3	PERSONAL TRANSACTIONS	Directive 78-2012-03	
	Personal Transactions		
4.1	Arrangements aimed at preventing the following activities in the case of any relevant person who is involved in activities that may give rise to a conflict of interest, or who has access to inside information within the meaning of section 5 of the Insider Dealing and Market Manipulation (Market Abuse) Law or to other confidential information relating to the fund or transactions with or for the fund:	D 10	
4.1.1	Entering into a personal transaction which meets at least one of the following criteria:	D 10.1(a)	
	i) that person is prohibited from entering into it under the abovementioned law		
	ii) it involves the misuse or improper disclosure of that confidential information		
	iii) it conflicts or is likely to conflict with an obligation of the CIF under the Law		
4.1.2	Advising or procuring, other than in the proper course of his employment or contract for services, any other person to enter into a transaction in financial instruments which, if a personal transaction of the relevant person, would be covered by paragraph 4.1.1 above or paragraphs 27.2 a and b of the Directive DI144-2007-01 or paragraph 26(3) of the Directive DI144-2007-02	D 10.1(b)	

4.1.3	Without prejudice to section 9(1)(b) of the Insider Dealing and Market Manipulation (Market Abuse) Law, disclosing, other than in the normal course of his employment or contract for services, any information or opinion to any other person if the relevant person knows, or reasonably ought to know, that as a result of that disclosure that other person will or would be likely to take either of the following steps:	D 10.1(c)	
	i) to enter into a transaction in financial instruments which, if a personal transaction of the relevant person, would be covered by paragraph 4.1.1 above or paragraphs 9.2.1 or 9.2.2 below or paragraph 26(3) of the Directive DI144-2007-02		
	ii) to advise or procure another person to enter into such a transaction		
4.2	Arrangements designed to ensure, in particular, that:	D 10.2	
4.2.1	Each relevant person covered by paragraph 4.1 above is aware of the restrictions on personal transactions, and of the measures established by the MC in connection with personal transactions and disclosure, in accordance with paragraph 4.1 above	D 10.2(a)	
4.2.2	MC is informed promptly of any personal transaction entered into by a relevant person, either by notification of that transaction or by other procedures enabling the MC to identify such transactions. In the case of outsourcing arrangements the MC must ensure that the firm to which the activity is outsourced maintains a record of personal transactions entered into by any relevant person and provides that information to the MC promptly on request	D 10.2(b)	
4.2.3	A record is kept of the personal transaction notified to the MC or identified by it, including any authorisation or prohibition in connection with such a transaction	D 10.2(c)	
4.3	Paragraphs 4.1 and 4.2 are not applied to the following kinds of personal transaction:	D 10.3	
4.3.2	Personal transactions in units in collective undertakings that comply with the conditions necessary to enjoy the rights conferred by the Open-Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues law or are subject to supervision under the law of a Member State which requires an equivalent level of risk spreading in their assets, where the relevant person and any other person for whose account the transactions are effected are not involved in the management of that undertaking	D 10.3(b)	

PART 4	CONFLICTS OF INTEREST	Directive 78-2012-03	
	Conflicts of interest potentially detrimental to a client		
5.1	MC's apply procedures that identify conflicts of interest situations for the MC or persons that are connected directly or indirectly with the control of the MC In determining such situations the following should be considered: the interests of the MC, , its duties towards the fund and the fund participants, the interests of the fund and other clients of the MC.	D 14.1	
5.2	Situations where conflicts of interest could arise:	D 14.2	
5.2.1	The MC or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client	D 14.2(a)	
5.2.2	The MC or that person has an interest in the outcome of a service provided to the fund/client or of a transaction carried out on behalf of the fund/client, which is distinct from the fund's/client's interest in that outcome	D 14.2(b)	
5.2.3	The MC or that person has a financial or other incentive to favour the interest of another fund/client or group of funds/clients over the interests of the fund/client	D 14.2(c)	
5.2.4	The MC or that person carries on the same business as the client	D 14.2(d)	
	Conflicts of interest policy		
6.1	Conflicts of interest policy which should be effective in preventing or resolving any conflicts of interest and which should be set out in writing and be appropriate to the size and organisation of the MC and the nature, scale and complexity of its business	D 15.1	
6.2	Where the MC is a member of a group, the policy must also take into account any circumstances, of which the MC is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group	D 15.1	
6.3	The conflicts of interest policy established in accordance with paragraph 6.1 above includes the following content:	D 15.2	
6.3.1	It must identify, with reference to the specific service of the management of the fund carried out by or on behalf of the MC, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more funds	D 15.2(a)	
6.3.2	It must specify procedures to be followed and measures to be adopted in order to manage such conflicts	D 15.2(b)	

6.4	Arrangements designed to ensure that the procedures and measures provided for in paragraph 6.3.2 above are designed to ensure that the relevant persons engaged in different business activities involving a conflict of interest of the kind specified in paragraph 6.3.1 above carry on those activities at a level of independence appropriate to the size and activities of the MC and of the group to which it belongs, and to the materiality of the risk of damage to the interests of clients	D 15.3	
6.5	For the purposes of paragraph 6.3.2 above, the procedures to be followed and measures to be adopted include such of the following as are necessary and appropriate for the MC to ensure the requisite degree of independence:	D 15.4	
6.5.1	Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients	D 15.4 (a)	
6.5.2	The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the MC	D 15.4 (b)	
6.5.3	The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities	D 15.4 (c)	
6.5.4	Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities	D 15.4 (d)	
6.5.5	Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest	D 15.4 (e)	
6.6	MC keep a record of actual or potential conflict of interest situations that cause substantial risk to the funds/clients	D 15.5	
6.7	MC has procedures to inform senior management for any weaknesses/deficiencies regarding conflicts of interests' policy so as to take additional measures. Any such measures taken must be notified to investors through a specific medium.	D 15.6	

PART 5	CODE OF BEHAVIOUR	Directive 78-2012-03	
	General		
7.1	Must treat all participants of the fund equally	D 17.1	
7.2	Policies for prevention of market timing and late trading practices	D 17.2	
7.3	Fair and transparent charges on the fund Proper valuation systems for the accurate NAV calculation	D 17.3	
7.4	Show diligence in selecting investments and knowledge and comprehensive understanding of the invested assets.	D 18.1	
7.5	Written policies and procedures as to proper diligence especially for the appropriateness of an investment according to the fund's investment policy and strategies and risk levels.	D 18.2	
7.6	MC if necessary must forecast the impact of a chosen investment on the portfolio's risk, return and liquidity before the execution of the investment. These forecasts must be based on reliable and up to date information.	D 18.3	
7.7	Outsourcing of risk management must be done with skill, care and diligence and must be in a position to constantly evaluate the quality level of the service of the third party	D 18.4	
	Executing orders of participation/redemption		
8.1	MC must inform the investor at the earliest possible the execution of a participation or redemption order and at the latest one working day after the execution, unless informed directly by a third party	D 19.1	
8.2	The confirmation of the order must include at least the info required by D 19.2	D 19.2	
8.3	In the case of periodically executed orders these shall be informed to the investor either at the earliest after execution or in a summarized form per half year.	D 19.3	
8.4	MC must inform the investor of the progress of an order if requested	D 19.4	
	Executing orders on behalf of the fund		
9.1	Must do so in the best interest of the fund and its participants	D 20.1	
9.2	Order execution policy to maximize the best interest of the fund taking into consideration the price, speed of execution, possibility of failure of full execution, liquidity, commissions, total cost, volume and nature of order, average volume of orders, negotiating power, and power to improve the price and access and settlement capabilities. The weight of each factor will vary according to:	D 20.2	
9.2.1	Purpose and investment policy	D 20.2 a	

9.2.2	Characteristics of order	D 20.2 b	
9.2.3	Characteristics of the financial instrument	D 20.2 c	
9.2.4	Characteristics of execution venues	D 20.2 d	
9.3	MC regularly reviews the efficiency of the order execution policy and identifies and remedies any weaknesses. At least annually review the whole process.	D 20.3	
9.4	MC adequately updates investors on the order execution policy and of any major changes to it.	D 20.4	
9.5	Must be able to verify execution of orders according to the policy if requested by the fund, participants of the fund or a supervisory authority	D 20.5	
9.6	Act in the best interest of the fund when transmitting orders for execution to third parties	D 21.1	
9.7	Do so in accordance with D 20.2	D 21.2	
9.8	Order execution policy must include D 21.1 and D 21.2 including the names of selected 3 rd parties	D 21.3	
9.9	Review the quality of the execution of orders transmitted to 3 rd parties as per D 20.3	D 21.4	
9.10	Be able to verify transmission complies with policy	D 21.5	
	Order execution rules		
10.1	Procedures that ensure the timely, fair and speedy execution of orders that comply with the following conditions:	D 22.1	
10.1.1	Recorded and allocated immediately and accurately to each fund	D 22.1 a	
10.1.2	Orders executed based on time of transmission unless delay of an order is to the benefit of the fund	D 22.1 b	
10.2	Settlement procedures ensuring immediate collection of asset and its recording in the books of the fund	D 22.2	
10.3	MC takes steps to avoid improper use of information concerning outstanding orders	D 22.3	
	Grouping of orders		
10.4	Grouping of orders on behalf of different funds is allowed as long the following conditions are met:	D 23.1	
10.4.1	Must not lead to a disadvantage for any of the funds	D 23.1 a	

10.4.2	Allocation procedure ensuring fair allocation including the handling of partial executions	D 23.1 b	
10.5	If in the grouping of partially executed orders own account orders are included then the allocation must be done excluding the own account and only any remaining balance should be allocated to the own account. Own account orders can be included in the allocation as per the procedure above as long as the MC can prove that the inclusion of the own account order in the grouping led to more favorable terms of execution.	D 23.2	
	Acting in the best interests of the fund-consideration issues		
11.1	MC should not receive or give any fees, commissions or any other kind of non- monetary benefit apart from:	D 24.1	
11.1.1	Fees ,commission or non-monetary benefit payable by the fund	D 24.1 a	
11.1.2	Fees, commission or non-monetary benefit payable to or by a third party other than the fund or on behalf of the fund as long as all the following conditions are met:	D 24.1 b	
	The nature and amount are clearly and fully disclosed to the fund and it's participants before the transaction occurs		
	The transaction will lead to a better service for the benefit of the fund		
	Reasonable fees for necessary services such as custody fees, settlement and clearing house fees, regulatory and legal expenses that do not lead to any conflict of interest as to the MC's duty of acting in the best interest of the fund		
11.2	The disclosure can be in summary form but if a fund participant requests further details MC must provide them	D 24.2	
PART 6	OUTSOURCING	Directive 78-2012-05	
	Conditions for outsourcing operational functions or investment services or activities		
12.1	Service provider must have the necessary skills and qualifications		
12.1.1	Qualifications, expertise and experience in the particular service	D 4.1 a	
12.1.2	Must be able to fulfill the obligations arising from the outsourcing	D 4.1 b	
12.1.3	MC must be able to justify the selection of the service provider	D 4.2	
12.2	MC conducts checks on the service provider's duties	D 5.1	
12.3	MC has the necessary organization and know-how and means to do these checks	D 5.2	

12.4	There must be a written contract that specifies the efficient supervision of the outsourced service and in particular ensures:	D5.3	
12.4.1	Keep access to the records of the outsourced service and the ability of on the spot investigations	D 5.3 a	
12.4.2	Right of intervention to ensure compliance with the law and directives	D 5.3 b	
12.4.3	The service provider will bring to the MC's attention any difficulties in performing its duties	D 5.3c	
12.4.4	The service provider will provide answers to any questions set by the MC	D 5.3d	
12.4.5	The service provider will properly supervise and manage the operational risks of the outsourced activity	D 5.3 e	
12.4.6	The service provider will have an emergency backup system to ensure continuity of its systems	D 5.3 f	
12.4.7	MC has the right to cancel the agreement if it is to protect the fund and its participants without detriment to the continuity and quality of its provision of services to clients	D 5.3 g	
12.5	If MC and service provider belong to the same group then the MC must consider the extent to which it can control the service provider	D 5.4	
	Sub-outsourcing		
13.1	Sub-outsourcing is allowed as long as the MC consents in writing and assuming that the following conditions are cumulatively met:	D 6.1	
13.1.1	The Law and Directive still applies	D 6.1.1	
13.1.2	The conditions of the initial outsourcing still apply	D 6.1.2	
13.2	MC must still be able to supervise the sub-outsourced services	D 6.2	
13.3	MC ensures this does not hinder Cysec's supervisory duties	D 6.3	
13.4	MC notifies Cysec in case of any changes to the outsourcing information already submitted	D 7.1	
	Special conditions for conflicts of interest management in the case of outsourcing of investments management to a company within the same group as the custodian		
13.5	MC must put in place special measures to manage conflicts of interests because of the connection between the custodian and the delegated investment manager	D 10.1	

PART 7	RECORD OF ORDERS AND TRANSACTIONS	Directive 78-2012-03	
	Transactions record		
14.1	MC's keep a transactions record for every fund they manage where sufficient information is registered on the details of every order and transaction	D 11.1	
14.2	The transactions record includes:	D 11.2	
14.2.1	Name of fund and person acting on its behalf		
14.2.2	Details of the financial instrument		
14.2.3	Quantity		
14.2.4	Order characteristics		
14.2.5	Execution price		
14.2.6	Date and time of transmission and names of transmission sender and recipient		
14.2.7	Date and time of execution and name of person that did the execution		
14.2.8	Reasons for withdrawal of order if applicable		
14.2.9	Execution venue and counterparty		
	Participation and redemption orders record		
15.1	MC's keep a participation and redemptions orders record for every fund they manage where sufficient information is registered on the details of every order and its execution	D 12.1	
15.2	This record includes:	D 12.2	
15.2.1	Name of fund		
15.2.2	Name of person giving and receiving the order		
15.2.3	Date and time		
15.2.4	Terms and payment method		
15.2.5	Order characteristics		
15.2.6	Date and time of execution		
15.2.7	Number of units purchased or redeemed		
15.2.8	Price of execution		
15.2.9	Total value of execution		
15.2.10	Net value after expenses and taxes		
	Record keeping rules		
16.1	MC must keep the above records for a minimum period of 5 years from the date of total purchase or redemption of units.	D 13.1	
16.2	The storage medium must ensure:	D 13.2	
16.2.1	The safety of the information		
16.2.2	Reproduction capability of the information		
16.2.3	The ability to identify additions or corrections inputted separately as well as viewing the original pre-amended information		
16.2.4	Access by Cysec to the record		
16.3	In case of change of MC the previous one must ensure full access of these records to the new one	D 13.3	
16.4	In case a MC's license is revoked it must still keep these records for the remainder of the 5 year period	D 13.4	

PART 8	Risk Management	Directive 78-2012-03	
	Risk management policy		
17.1	MC' adopt and apply an appropriate and substantiated risk management policy which includes the necessary procedures to estimate and manage the fund's exposure to risks including market risk, liquidity risk, counterparty risk and operational risk and to ensure exposure is in accordance to the limits set by the Law	D 28.1 D 29.1	
17.2	The risk management policy as a minimum includes the following:	D 28.2	
17.2.1	The techniques and tools used	D 28.2 a	
17.2.2	Delegation of responsibilities within the risk department	D 28.2 b	
17.3	Content and frequency of reports as per par. 3.3.4 and 3.3.5 above	D 28.3	
17.4	MCs 'monitor evaluate and review periodically the:	D 28.4	
17.4.1	Appropriateness and efficiency of the risk management policy	D 28.4 a	
17.4.2	Level of compliance with the policy	D 28.4 b	
17.4.3	Efficiency of remedial action to mitigate any weaknesses and deficiencies	D 28.4 c	
17.5	MC's submit to Cysec their risk management policy for approval.	D 28.5	
	Procedures and risk measurement techniques		
18.1	The following arrangements must be adopted by the MC:	D 29.2	
18.1.1	Procedures and techniques necessary to ensure that the risks of the investments and their contribution to the overall risk profile of the fund are measured precisely	D 29.2 a	
18.1.2	Perform back testing to evaluate the appropriateness and reliability of the above	D 29.2 b	
18.1.3	Perform periodic stress testing simulating extreme conditions to capture risk due to changes in market conditions	D 29.2 c	
18.1.4	Have a documented internal system of risk limits for the measures used to manage and control risk	D 29.2 d	
18.1.5	Ensure current risk level is within limits	D 29.2 e	
18.1.6	Remedial action measures in case of any violations of risk limits	D 29.2 f	
18.2	Measures to manage liquidity risk including extreme case stress testing	D 29.3	
18.3	Ensure the fund's liquidity profile is appropriate in accordance with the redemptions policy of the fund	D 29.4	
18.4	Calculation of Global Exposure		
19.1	MC calculate global risk exposure in a daily basis using one of the two following methods:	D 30.1	

19.1.1	Either as the incremental exposure and leverage generated by the managed fund through the use of financial derivative instruments including embedded derivatives which should not exceed the total of the fund's net asset value	D 30.1 a	
19.1.2	Or as the market risk of the fund's portfolio	D 30.1 b	
19.2	MC may calculate global exposure by using the commitment approach, the value at risk approach or other advanced risk management methodologies as may be appropriate for which ESMA has issued guidelines. MC must ensure method selected is appropriate taking into account the investment strategy and the types and complexity of the financial derivatives used and their proportion in the portfolio	D 30.2	
19.3	Repurchase agreements and securities lending transactions that generate additional leverage or exposure to market risk shall be taken into consideration when calculating global exposure	D30.3	
19.4	The methods mentioned in D 30.2 above are complementary to the internal measures of the risk management policy	D 30.4	
	Commitment approach		
20.1	Where the commitment approach is followed the MC shall:	D 31.1	
20.1.1	Apply it to all its derivative positions including embedded ones whether used as part of the general strategy, or for purposes of risk reduction or efficient management of the fund's assets	D 31.1 a	
20.1.2	Convert each derivative position into the market value of an equivalent position in the underlying asset of that derivative	D 31.1 b	
20.1.3	Temporary borrowings per article 50 of the law need not be included in the global exposure calculation	D 31.1 c	
20.2	Netting and hedging arrangements must be taken into account as long as they do not disregard obvious and material risks and result in a clear reduction in risk exposure	D 31.2	
20.3	If the use of the derivatives does not generate incremental exposure then it does not need to be included in the global exposure calculation	D 31.3	
	Counterparty risk and issuer concentration		
21.1	MC must ensure that counterparty risk from investments in over-the-counter (OTC) derivatives is subject to the limits set out in article 42 of the law. The issuer concentration limits are calculated using the commitment approach. Counterparty risk is included in the calculation of issuer's concentration as per article 42 (1,2,3) of the law	D 32.1	
21.2	In calculating exposure to counterparty risk the positive mark-to-market value of the OTC derivative contract shall be used. Netting of OTC derivatives with the same counterparty is allowed provided that it is able to legally enforce netting arrangements.	D 32.2	
21.3	MC may reduce the counterpart exposure through the receipt of collateral. Such collateral must be liquid enough so that it can be sold quickly at a price that is close to its pre-sale value.	D 32.3	
21.4	MC must take into account collateral given to counterparty in calculating counterparty exposure. This can be netted as long as the MC is able to legally enforce netting arrangements with the counterparty.	D 32.4	

PART 9	Proxy Voting		
22.1	MC's adopt and apply strategies that determine how they exercise the voting rights in the best interests of the fund and its participants	D 16.1	
22.2	These strategies are disclosed to the investors who can ask for further details in summarized form and includes as a minimum the procedures on:	D 16.2	
22.2.1	Monitoring corporate events	D 16.2 a	
22.2.2	Ensuring the exercise of the voting rights according to the investment objectives and policy of the fund	D 16.2 b	
22.2.2	The prevention or resolving of conflict of interests situations arising from the exercise of the voting rights	D 16.2 c	