

Fund Operations Workshop

- *A Practical Guide* -

2017

Course Outline & Objectives

This practical two day workshop is intended to provide staff with the appropriate knowledge and skills to understand fund operations best practice. The course is split into three parts:

- Introduction to fund accounting. The objective is to equip delegates with an understanding of NAV calculation, the challenges of share class accounting, illiquid securities, fair pricing and derivatives. The course will concentrate on pricing errors with examples and the measures that could be used to identify and prevent them
- Oversight. This is intended to provide staff with the appropriate knowledge and skills to provide best practice fund oversight of fund operations whether insourced or outsourced. All aspects of fund management and operations are covered with particular emphasis on high risk areas.

Throughout the course, case studies are provided of fund pricing errors, investment & borrowing power breaches, rectification programmes and failures of fund governance together with examples of oversight questionnaires and reports.

Who Will Benefit?

This event will be of value to anyone wishing to understand international best practice in managing, operating and overseeing funds. This includes operations teams, Risk Managers, Compliance Monitoring Teams and Internal Audit at fund managers or third parties, lawyers, auditors and regulators. A basic understanding of funds is assumed.

Agenda

Session	Content
Fund Accounting	
Introduction to fund valuation	<ul style="list-style-type: none">• How is a fund valued?• Key components of the NAV• Dual and single pricing• Creation and cancellation of units• Forward pricing• Valuation points
Dilution Levies and Swinging Pricing	<ul style="list-style-type: none">• How dilution occurs• Dilution levies -v- swinging pricing• Developing an effective dilution policy• Dealing fairly with institutional and retail investors
Share class accounting	<ul style="list-style-type: none">• Why have different share classes?• Apportionment of capital and income• Currency share class hedging• Controls over share class accounting
Difficult to price securities	<ul style="list-style-type: none">• What securities cause difficulty?• Valuation techniques• Asset backed securities• OTC derivatives• Illiquid, suspended and unquoted securities• Key controls
Derivatives	<ul style="list-style-type: none">• Trade capture and processing• Marking to market or model• Using pricing models• Accounting for derivatives as capital or income
Fund Liquidity	<ul style="list-style-type: none">• Liquidity risk• How to measure liquidity• Case study
Fair valuation techniques	<ul style="list-style-type: none">• When Fair Valuation Pricing (FVP) is needed• Market timing• Applying FVP• International best practice• Controls and governance over FVP• Avoiding FVP

Developing effective control environments	<ul style="list-style-type: none"> • Controls over valuation of individual securities • Income and expense accruals • Daily fund level checks • Periodic checks • ISAE3402
Pricing errors	<ul style="list-style-type: none"> • What is a pricing error • How pricing errors arise • Key controls for early identification • Process for resolution of pricing errors • Compensation calculations
Performance fees	<ul style="list-style-type: none"> • Calculating performance fees • Target benchmarks and hurdle rates • Internal procedures and controls • Why use performance fees
Effective yield	<ul style="list-style-type: none"> • Effective yield -v- coupon basis • Effective yield accounting • Illustrative calculations • Practical challenges
Taxation	<ul style="list-style-type: none"> • Taxes applicable to UK authorised funds • UK -v- Ireland & Luxembourg • The Investment Management Exemption • Equalisation
Reports & Accounts	<ul style="list-style-type: none"> • Reporting to investors • Types of investor • Annual reports • Methods of delivery
UCITS IV	<ul style="list-style-type: none"> • What is UCITS IV? • Master feeder structures • Master feeder requirements and challenges
Roles and Expectations of the Depositary	<ul style="list-style-type: none"> • Review of the managers systems and controls • OTC derivative valuation • Pricing errors • Dilution policies and FVP
Fund Oversight	

Fund governance	<ul style="list-style-type: none"> • Oversight by the Board • TCF • Good practice for fees and expenses • Risks • Oversight of third parties • Board culture • The importance of challenge • Fund governance and UCITS IV • The impact of UCITS V
Mifid II	<ul style="list-style-type: none"> • Retrocessions • Dealing commission • Product suitability • Timetable
Fund documentation issues	<ul style="list-style-type: none"> • The prospectus • KIID • TER & OCF
Fund administration - the Transfer Agent	<ul style="list-style-type: none"> • Dealing • Platforms • Automation of dealing • Settlement • The register • Changes of name & address • Distributions • Where can things go wrong?
Fund administration - the Fund Accountant	<ul style="list-style-type: none"> • Oversight of the NAV calculation • Income & expenses • Distributions
Investment & Borrowing Powers	<ul style="list-style-type: none"> • UCITS -v- AIFs • Eligible assets • Investment restrictions • Advertent and inadvertent errors • Derivative usage and risk • Risk management policies • Monitoring investment & borrowing powers • Case studies of problems
Offshore funds	<ul style="list-style-type: none"> • UK -v- Ireland & Luxembourg • Issues when overseeing offshore fund ranges and third parties • Reporting fund status • Taxation in the UK
Governance of third parties	<ul style="list-style-type: none"> • Service Level Agreements • Identification of key SLAs • Key Risk Indicators • Key Performance Indicators

Risk management for funds	<ul style="list-style-type: none"> • Exercise in risk identification • Types of risk for funds • What are the key risks? • The Integrated Risk Assessment • High risk areas • Conflicts of interest • Heat Maps • Portfolio risk management • Risk mitigation • Heat maps
Oversight of Third Parties	<ul style="list-style-type: none"> • Three lines of Defence • Visits to the TPA • Compliance monitoring plans • Risk based reviews • Examples of oversight questionnaires and reports
Regulatory concerns on Outsourcing Oversight	<ul style="list-style-type: none"> • Key concerns • Evidence of good fund governance • Expectations of fund oversight teams • Meeting client expectations • Practical solutions • Summary of regulator expectations and common weaknesses

Course Leader: Mark Seaman

Mark Seaman has worked in fund administration in London, Dublin and Luxembourg since 1982, and has occupied senior fund administration positions at Schroders and Friends Provident. For the past twenty years he has worked as a fund administration consultant, advising over 50 UK and international firms. He has set up funds, third parties and fund governance and oversight arrangements for companies such as Barclays Wealth, RBS, Towry, Close and Santander.

Mark has an MA from the University of Cambridge and is a Chartered Fellow of the Chartered Institute for Securities and Investments.