

Administrator Transparency Report (ATR) Standardisation

Overview of the data structure and tiered approach



About SBAI Toolbox

The SBAI Toolbox is an additional aid to complement the SBAI’s standard-setting activities. While fund managers sign up to the Alternative Investment Standards on a comply-or-explain basis, the SBAI Toolbox materials serve as a guide only and are not formally part of the Alternative Investment Standards (the Standards). The SBAI will not hold dedicated consultations in relation to the Toolbox contents; however, it will involve its stakeholders (managers, investors, regulators etc.) in brainstorming and developing the Toolbox contents via its Institutional Investor Roundtables, and it will update the materials from time to time.

Over time the SBAI will add relevant content to the SBAI Toolbox. Managers, investors, board directors, service providers, regulators and others are invited to draw upon the SBAI Toolbox materials and suggest any additions or other areas that it would be helpful to cover.

Background

The SBAI has published a memo on Administrator Transparency Reporting in May 2015, which sets out benefits of such reports and how investors can use them for independent verification of a fund’s net asset value, pricing sources, counterparty exposures and asset classification. The memo also includes an overview of the more detailed contents of such reports. Following the publication of the memo and in an effort to improve comparability and understanding, the Board of Trustees has decided to explore further “standardisation” of such ATRs, given the wide variety of ATRs used in the industry.

A working group consisting of 11 administrators, 3 investors and 3 managers has reviewed existing ATRs and contributed to the development of a proposal for such a standard ATR data structure.¹ As a Toolbox “item”, this standard ATR data structure will not form part of the Standards and the comply-or-explain approach – in other words, it is purely optional.

Administrators currently provide data at varying levels of granularity and sometimes in differing data structures. As a result, any changes to their current reporting procedures may well require system changes which will take time to materialise, particularly given the likely cost implications of making those changes. Therefore, participation by administrators in the working group should not be construed as their ability or formal commitment to produce

¹ Appendix A contains the list of working group participants.

the standardised report in the proposed format immediately or even in the future (i.e., there was no sign up/formal commitment mechanism as part of this process). The hope is that over time, the various data structures used will converge towards the proposed data structure.

Approach

The data structure consists of 7 areas:

1. Master/feeder fund NAV
2. Summary balance sheet
3. Assets/liabilities confirmation
4. Price verification sources
5. Counterparty exposure reporting (incl. optional reporting of exposure ranges [as a fallback])
6. Fair value hierarchy
7. Optional: Related party co-investment

The data structure is tiered and includes optional items, allowing for different levels of granularity while maintaining consistency across reports. The more detailed “tier 2” information “breaks out” some of the “tier 1” data fields into its more detailed components, for example, in the “Price verification sources” section, the tier 1 information “Administrator verified” is broken out into the different pricing sources verified by the administrator (e.g. independent feed from data vendor, single broker quote, multiple broker quote, etc.).

The data structure usually provides a break down into assets and liabilities. In the separate Excel data structure and the detailed overview below, tier 1 input cells are marked in grey, tier 2 input cells in green, and optional input cells in light red. Calculated (non-input) cells are left in white.²

Detailed overview

1. Master/feeder fund NAV

This section provides a break-down of the NAV into the various feeder funds (and the percentage ownership of the master fund).

1. Master/Feeder Fund NAV	Reported NAV (USD)	Feeder % ownership of Master Fund	Investment in Master (USD)	Investment in Master Fund (as a % of Feeder NAV)
Fund Name	120,000,000			
Feeder Fund NAVs				
Feeder Fund 1	113,000,000	93.3%	112,000,000	99.1%
Feeder Fund 2	8,500,000	6.7%	8,000,000	94.1%
Feeder Fund 3		0.0%		0.0%
Total	121,500,000	100.0%	120,000,000	

² A summary of the data structure is available in a separate Excel document. The Excel document does not constitute a reporting template that firms are required to use. In addition to the proposed data fields, the reports will also contain the administrator’s disclaimer language, footnotes, and additional information, as required.

Where feeder funds hold separate assets, investors usually will want to understand where these assets are held. The following guidance is included:

Where the feeder fund holds direct investments, investors will need additional information:

- where the direct holdings are cash (or accruals), a footnote is usually sufficient (e.g. to specify where the cash is held)
- where the direct holdings are not cash (or accruals), more information is needed (assets/liabilities confirmation, price verification sources); a separate ATR is recommended if such separate holdings exceed 5% of the feeder fund's assets

The feeder fund information is a tier 1 input (highlighted in grey).

2. Summary balance sheet

The summary balance sheet provides an overview of assets and liabilities of the fund.

2.) Summary Balance Sheet	Assets (USD)	% Assets	Liabilities	% Liabilities	Net (USD)	% NAV
Positions (including FX forwards, money market funds)	117,594,000	78.3%	-30,085,560	100.0%	87,508,440	72.9%
Cash (including foreign currency balances)	32,450,000	21.6%	0	0.0%	32,450,000	27.0%
Pending Capital flows	-	0.0%	0	0.0%	0	0.0%
Non-Trading Balances (Accruals and Prepayments)	49,800	0.0%	-8,240	0.0%	41,560	0.0%
Total	150,093,800	100.0%	-30,093,800	100.0%	120,000,000	100.0%

The data fields are tier 1 inputs (highlighted in grey).

3. Assets/liabilities confirmation³

The approach for the independent reconciliation of assets and liabilities is two-tiered (tier 1 inputs in grey, tier 2 inputs in green): Tier 1 inputs include the break-down into independently confirmed vs. unconfirmed assets. The tier 2 inputs include the break-down of the independently confirmed assets into:

- Month-end Confirmation from 3rd Party (including cash balances)
- Side pocket/SPV/Investment in Funds: Confirmed by external Administrator (no look-through performed)
- Non-Trading Balances (Accruals and Prepayments), including pending capital flows

3.) Assets/Liabilities Confirmation	Assets (USD)	% Assets	(USD)	% Liabilities	Net (USD)	% NAV
Confirmed independently	145,829,800	97.2%	-30,093,800	100.0%	115,736,000	96.4%
Month-end Confirmation from 3rd Party (including cash balances)	145,780,000	97.1%	-30,085,560	100.0%	115,694,440	96.4%
Side pocket/SPV/Investment in Funds: Confirmed by external Administrator	-	0.0%	0	0.0%	0	0.0%
Non-Trading Balances (Accruals and Prepayments) including	49,800	0.0%	-8,240	0.0%	41,560	0.0%
Month-end unconfirmed	4,264,000	2.8%	0	0.0%	4,264,000	3.6%
Total	150,093,800	100%	-30,093,800	100%	120,000,000	100%

4. Price verification sources

The approach for the price verification sources is two-tiered: Tier 1 information includes the total administrator verified assets and the manager priced (or not verified) assets (marked in grey). The tier 2 information (marked in green) includes the break-down of these respective data fields, and the number of positions (separately for assets and liabilities).

³ Administrators independently reconcile the information to third party sources, such as custodians or prime brokers, but do not confirm the existence in a forensic sense (e.g. by going to the actual depository).

Assets:

4.) Price Verification Sources	# Positions (excluding FX forwards & NDF)	Assets (USD)	% Portfolio Assets
Administrator verified (total) [e.g. verified by a third party or administrator priced]	27	145,780,000	97.1%
Independent feed directly from pricing vendor or valuation agent	27	145,730,200	97.1%
Multiple broker quotes directly from brokers	0	0	0.0%
Single broker quote directly from brokers	0	0	0.0%
Side pocket/SPV/Investment in Funds priced by external Administrator (no look-through performed)	0	0	0.0%
Non-Trading Balances (Accruals and Prepayments) including pending capital flows	N/a	49,800	0.0%
Manager priced or not verified (total)	3	4,313,800	2.9%
Multiple broker quotes sent from Manager	0	0	0.0%
Single broker quote sent from Manager	0	0	0.0%
SPV/Side pocket/Investment in funds: price not verified	0	0	0.0%
Manager marked with third party valuation agent support	0	0	0.0%
Manager marked without third party valuation agent support	3	4,313,800	2.9%
Total (administrator verified + manager priced)	30	150,093,800	100.0%

Observation: "# Positions" excludes the number of FX forwards & non-deliverable forwards (NDFs) since there may be multiple buy and sell trades and the number of open positions can be misleading. The Asset and Liability values associated with the FX Forwards & NDFs are included in the table.

Liabilities and net perspective:

4.) Price Verification Sources	# Positions (excluding FX forwards & NDF)	Liabilities (USD)	% Portfolio Liabilities	Net (USD)	% NAV
Administrator verified (total) [e.g. verified by a third party or administrator priced]	13	-30,093,800	100.0%	115,686,200	96.4%
Independent feed directly from pricing vendor or valuation agent	13	-30,085,560	100.0%	115,644,640	96.4%
Multiple broker quotes directly from brokers	0	0	0.0%	0	0.0%
Single broker quote directly from brokers	0	0	0.0%	0	0.0%
Side pocket/SPV/Investment in Funds priced by external Administrator (no look-through performed)	0	0	0.0%	0	0.0%
Non-Trading Balances (Accruals and Prepayments) including pending capital flows	N/a	-8,240	0.0%	41,560	0.0%
Manager priced or not verified (total)	0	0	0.0%	4,313,800	3.6%
Multiple broker quotes sent from Manager	0	0	0.0%	0	0.0%
Single broker quote sent from Manager	0	0	0.0%	0	0.0%
SPV/Side pocket/Investment in funds: price not verified	0	0	0.0%	0	0.0%
Manager marked with third party valuation agent support	0	0	0.0%	0	0.0%
Manager marked without third party valuation agent support	0	0	0.0%	4,313,800	3.6%
Total (administrator verified + manager priced)	13	-30,093,800	100.0%	120,000,000	100.0%

The net assets (Net USD) and percentage of net asset value (% NAV) are calculated fields.

5. Counterparty reporting

The counterparty reporting sections offers several approaches:

- The tier 1 approach includes the list of counterparty exposures (without attribution of exposures to individual counterparties) with a separate list of counterparty names.
- The tier 2 approach includes the attribution of the counterparty names with the respective exposure amount (this is considered to be the most common approach).
- As a fallback in situations where it is preferred not to provide the exact counterparty exposures for each individual counterparty, NAV ranges can be provided (highlighted in red as an optional cell).

5. Counterparty Reporting (to be named directly below, or left blank and separate Counterparty List below to be completed)	Net (USD)	% NAV	% NAV Range
Counterparty 1	55,000,000	46%	40%-50%
Counterparty 2	38,000,000	32%	30%-40%
Counterparty 3	11,000,000	9%	5%-10%
Counterparty 4	6,000,000	5%	5%-10%
Counterparty 5	2,078,740	2%	0%-5%
Counterparty 6	3,565,900	3%	0%-5%
Counterparty 7	0	0%	0%-5%
Counterparty 8	0	0%	0%-5%
Counterparty 9	0	0%	0%-5%
Counterparty 10	0	0%	0%-5%
... add lines for additional counterparties / or aggregation of other counterparties outside of Top 10	0	0%	0%-5%
Non-Custodied Assets 1 (Name if applicable)	0	0%	0%-5%
Non-Custodied Assets 2 (Name if applicable)	0	0%	0%-5%
Non-Custodied Assets ... (add lines if needed)	4,313,800	4%	0%-5%
Non-Trading Balances (Accruals and Prepayments) including pending capital flows	41,560	0%	0%-5%
Total	120,000,000	100%	N/A

Separate list of counterparty names (Tier 1 approach):

Counterparty List (if not disclosed under Named Counterparty):
Bank Name (alphabetic listing)

6. Fair value hierarchy level

The fair value hierarchy level information (assets and liabilities) is a tier one input (highlighted in grey):

6. Fair Value Hierarchy Level	Non-Trading Bal. / Cash	Level 1 (USD)	Level 2 (USD)	Level 3 (USD)	Level 1 / 2 / 3 (USD)	Total (USD) NAV
Portfolio Assets	32,499,800	94,075,200	17,639,100	5,879,700	117,594,000	150,093,800
Portfolio Liabilities	-8,240	-14,416,672	-15,668,888	0	-30,085,560	-30,093,800
Portfolio Total	32,491,560	79,658,528	1,970,212	5,879,700	87,508,440	120,000,000

Additional calculated fields:

	Non-Trading Bal. / Cash	Level 1 (%)	Level 2 (%)	Level 3 (%)	Total (%)
Fair Value Hierarchy Level as % of Total Portfolio (Level 1/2/3)	N/A	91.0%	2.3%	6.7%	100%
Fair Value Hierarchy Level as % of NAV (Including Non-trading balances/cash)	27.1%	66.4%	1.6%	4.9%	100%

7. Optional: Related party co-investment in the fund

Investors often inspect the alignment of interest of the fund manager by assessing the co-investment of employees, partners, the management entity etc. in the fund. Many different ways of reporting this type of information exist, but given the confidential/sensitive nature of the information, it is often provided to investors only upon request. This enables the manager to control confidentiality and provide context for the co-investment and yet give the investor the information they require. It also should be noted that the information is not always independently available at the administrator in any event (and the reporting of data provided by the manager would defeat the purpose of “independent” verification) and this type of reporting is currently not widely supported by administrators. Hence, these data fields are labelled as “optional”.

7. Optional: Related Party Co-Investment	Amount (USD)
Employee / Partner investment in Fund	3,840,000
Management entity / GP investment in Fund	1,680,000
Fund Director investment in Fund	1,680,000
Total (employee / management / director investment)	7,200,000
Affiliated Funds investment in Fund	16,900,000

Appendix A: Members of the working group

Administrators:

- BNY Mellon
- Citco
- HedgeServ
- HSBC
- Kaufman Rossin Fund Services
- NAV Fund Administration Group
- Northern Trust
- SS&C GlobeOp
- State Street Alternative Investment Solutions
- U.S. Bancorp Fund Services
- Wells Fargo Global Fund Services

Investors:

- Albourne
- ThalialInvest
- Unigestion

Managers:

- Arrowgrass
- IONIC Capital
- Man Group