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Fund Reporting Cloud© ready for Solvency II

The PwC Fund Reporting Cloud® provides the highest standard of fund reporting and puts it under your control.

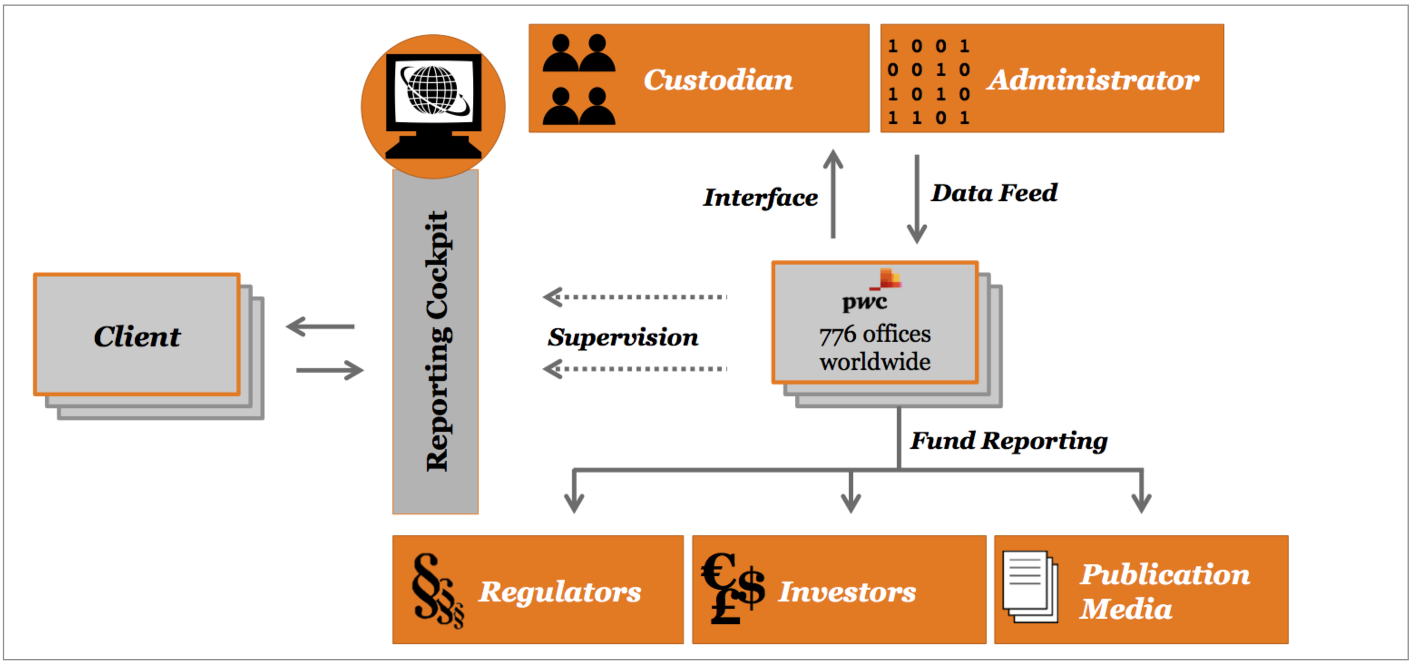
Fund Reporting Cloud©

Over the last decade the asset management industry has been faced with a significant rise in the number of tax and regulatory reporting requirements with which funds have to comply.

Periodic tax and regulatory fund reporting requirements are becoming more and more customary across the European Union. In many cases these regulations are generally only applicable at the level of (specific) investors and the general concept is always the same. If funds don't comply with the reporting rules, investors are treated less favorably. Another challenging fund reporting topic is the effective management of withholding taxes (WHT). Since the debt crisis, governments around the world are searching for higher tax revenue and this often leads to more extended and complex WHT regimes.

Without doubt the field of fund reporting has become an area of major importance for financial regulators and revenue authorities all over the world. As a result, the reporting is subject to extended scrutiny not only by administration but also by investors who undertake this as part of their own internal due diligence process. This has made fund reporting a significant reputation and liability risk for asset managers.

For this reason PwC has introduced the **Fund Reporting Cloud©** concept in 2008, which has been continuously enhanced since. Based on this insourcing model any type of periodic *fund tax and regulatory reporting* as well as the full *management of withholding taxes* can be entirely reallocated to PwC.



Solvency II – 1st January 2016

Asset managers need to prepare for Solvency II to tackle the European insurance market. This brochure illustrates where we see the biggest challenges and how the Fund Reporting Cloud© can support you.

Solvency II is by far the biggest change in the regulatory environment of insurance companies for a generation. The Solvency II Directive requires EU based insurance companies to determine capital requirements in more depth, within shorter time-frames and more frequently than ever before. With regard to fund investments, insurers will have to analyze thoroughly whether they operate within their prudential limits. As the fundamental basis for this type of analysis, asset managers will have to provide periodically for each of their products a specific set of information to be included in the insurer's consolidated Solvency II reporting.

Clearly, non-reporting is not an option for asset managers as this generally leads to higher capital costs and having the full understanding of the risk associated with an investment based on the relevant portfolio information is absolutely crucial for insurers under Solvency II. Hence, providing this set of data accurately and timely will be key for entering the EU insurance market. Ambitious asset managers may go further, seeking to become the investment partner of choice. This can be achieved through added value calculation or reporting services as well as designing investment products keeping insurers' capital costs in mind.

"Day One Reporting" is due on 20th May 2016. The first quarter-end reporting needs to be completed by 26th May 2016. As these deadlines apply at insurance company level, asset managers have to be prepared for even tougher deadlines.

The challenge

Solvency II reporting is not only about collecting data. This data needs to be categorized and quantified following complex rules and – particularly for marketing purposes – asset managers need to understand how their products drive capital costs for a specific investor.

From our point of view the following are the major obstacles for asset managers when it comes to Solvency II and the associated reporting:

- Efficient data collection (>100 pieces of data per holding)
- Tough deadlines
- Regulatory asset classification
- Computation of multiple risk factors
- Transparency principle for complex assets
- Impact of short selling and hedging
- Calculation for alternative products
- Investor-specific reporting frequency and content
- Keeping track of evolving Solvency II requirements
- Impact of Solvency II on product range
- Quantification and optimization of capital charge

The solution

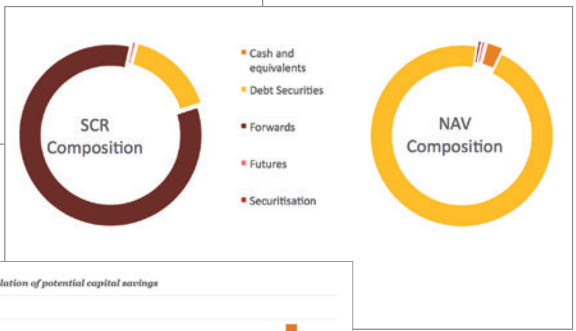
The Fund Reporting Cloud© is the perfect facilitator for providing Solvency II reporting to **EU-based insurance companies** and due to the following features can be seen as a best in class solution:

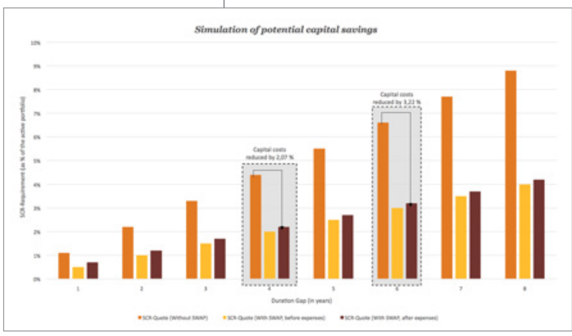
- Efficient data collection, processing and reporting
- No need for specific input formats
- Individual analysis of complex strategies minimizing capital charge
- Maximum flexibility of reporting content and formats
- Heat map reports to benchmark product attractiveness
- Checklists to verify final reporting
- Historical data is used for trend analysis
- Work in progress tracker to monitor deadlines
- Constant updates on Solvency II developments
- In-depth analysis for alternative products

Risk Type	% from Total Portfolio	MV	SCR per Sub-Module	SCR % per Sub-Module
Global Equity	0,07%	206.822,92	96.172,66	0%
Other Equity	0,34%	1.090.067,33	615.888,04	0%
Interest Rate RiskUp	99,58%	315.658.469,84	0,00	0%
Interest Rate RiskDown	99,58%	315.658.469,84	24.183.710,71	8%
Spread Risk	99,58%	315.658.469,84	26.856.703,14	8%
Property Risk	0,00%	0,00	0,00	0%
Currency Risk	39,38%	124.832.281,22	22.588.992,85	7%
Total Portfolio	316.976.159,57			100%
SCR Market Risk*	49.545.353,98			
	15,63%			

* Not including concentration risk and illiquidity risk.

Regulatory composition of portfolio





Optimization of capital cost

Needless to say, Solvency II can be integrated with other regulatory reporting relevant to pension funds or credit institutions to deliver **the full set of regulatory compliance across the EU**.

Contacts

We are more than happy to discuss with you potential next steps on how to succeed in the European institutional investor market.

Always at your service!

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About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 157 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

PwC. 9,800 dedicated people at 29 locations. €1.65 billion in turnover. The leading auditing and consulting firm in Germany.

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