

MUFG Alternative Fund Services (Cayman) Limited

PILLAR 3 - Market Discipline Disclosure Requirements



Reporting Date:	September-30-2022
Reporting Year	2022
Reporting Period	Quarter 3
Reporting Frequency	Quarterly
Reporting Type:	Regulatory Reporting
Submission Date:	December-31-2022

Prepared by:	Banking Risk
--------------	--------------

MUFG ALTERNATIVE FUND SERVICES (CAYMAN) LIMITED
OV1 - Overview of RISK WEIGHTED ASSETS (RWA)
 Purpose: Overview of the Risk Weighted Assets of the Bank
 Frequency: Quarterly

Index	Description	a	b **	c
		RWA (In USD 000's)		Minimum Capital Requirements (In USD 000's)
		Sep-30-2022	Jun-30-2022	Sep-30-2022
1	Credit risk (excluding counterparty credit risk) [standardised approach (SA)]	\$2,768,957	\$3,073,978	\$276,896
2	Counterparty credit risk			
3	Of which: standardised approach	\$512,361	\$188,614	\$51,236
4	Of which: other CCR			
5	Credit valuation adjustment (CVA)	\$0	\$0	
6	Equity positions under the simple risk weight approach	\$0	\$0	
7	Equity investments in funds – look-through approach	\$0	\$0	
8	Equity investments in funds – mandate-based approach	\$0	\$0	
9	Equity investments in funds – fall-back approach	\$0	\$0	
10	Settlement risk	\$0	\$0	
11	Securitisation exposures in banking book (SA)	\$0	\$0	
12	Market risk	\$2,376	\$1,310	\$238
13	Capital charge for switch between trading book and banking book	\$0	\$0	
14	Operational risk	\$241,241	\$241,241	\$24,124
15	Amounts below the thresholds for deduction (subject to 250% risk weight)	\$0	\$0	
16	Floor adjustment	\$0	\$0	
17	Total:	\$3,524,935	\$3,505,142	\$352,494

MUFG AFS Cayman Ltd reported a total Risk Weighted Assets (RWA) of USD 3.524 Billion as of Sep 30, 2022 versus a figure of USD 3.505 Billion as of June 30, 2022.
 Credit Risk charge was reported lower at USD 2.768 Billion (78.5% of the total RWA) as of Sep 30, 2022 versus USD 3.073 Billion as of Jun 30,2022. This was primarily attributed to decrease in Overnights and (USD/EUR) term deposit placements (maximum 1 year) with counterparty banks and from the credit assets from the banks overdraft lending facilities(credit facilities) to its fund administration clients.
 However , Counterparty Credit Risk(CCR) Charge was reported higher at at 14.5% of the Total RWA which was attributed mainly to a comparatively higher unrealized PNL on the Foreign Exchange derivatives (FX Forward positions) exposures at the end of the third quarter. The bank engages in OTC FX derivative hedging on behalf of its participating clients, as a part of its foriegn exchange hedging services and the swap positions (riskless principal trading) on USD/EUR currency exposures.
 Operational Risk charges reported at 6.9 % of the Total RWA, is at annualized figure under the basic indicator approach.
 Market Risk (Foreign Exchange Risk) is reported at a minor 0.07% of the Total RWA as of Sep 30 ,2022. The Market risk charges are calculated for its net open FX positions (Long or Short Positions) on balance sheet assets and liabilities.

MUFG ALTERNATIVE FUND SERVICES (CAYMAN) LIMITED**LR1: Summary comparison of accounting assets vs leverage ratio exposure measure**

Purpose: To reconcile the total assets in the published financial statements with the leverage ratio exposure measure.

Frequency: Quarterly

Index	Description	a
		Amounts (In USD) Sep-30-2022
1	Total consolidated assets as per published financial statements	\$4,963,195
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	\$0
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	\$0
4	Adjustments for temporary exemption of central bank reserves (if applicable)	\$0
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	\$0
6	Adjustments for regular way purchases and sales of financial assets subject to trade date accounting	\$0
7	Adjustments for eligible cash pooling transactions	\$0
8	Adjustments for derivative financial instruments	\$611,479
9	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)	\$0
10	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	\$654,665
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	\$0
12	Other adjustments	\$0
13	Leverage Ratio Exposure Measure	\$6,229,339

Validations:

Linkages across templates
[LR1:13/a] is equal to [LR2:24/a]

TRUE

MAFS Cayman reported a Leverage Ratio Exposure Measure of USD 6.229 Billion as of Sp 30,2022 versus a figure of USD 6.384 Billion as of Jun 30,2022, and a total consolidated assets (net of on-balance sheet derivative assets) of USD 4.963 billion. The Bank reported adjustments for off-balance sheet items converted to credit equivalent amounts (undrawn amounts from committed facilities) of USD 654 Million. The Bank reports no material differences between the total balance sheet assets as reported in the monthly (unaudited) financial statements and the on-balance sheet exposures of the leverage ratio exposure measure.

MUFG ALTERNATIVE FUND SERVICES (CAYMAN) LIMITED

LR2: Leverage Ratio Common Disclosure

Purpose: To describe the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

Frequency: Quarterly

Index	Description	a	b
		Amounts (In USD)	Amounts (In USD)
		Sep-30-2022	Jun-30-2022
On-Balance Sheet Exposures:			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	\$4,963,195	\$5,422,976
2	Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	\$0	\$0
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	\$0	\$0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	\$0	\$0
5	(Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital)	\$0	\$0
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	\$0	\$0
7	Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	\$4,963,195	\$5,422,976
Derivative Exposures:			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	\$361,963	\$128,631
9	Add on amounts for potential future exposure associated with all derivatives transactions	\$249,516	\$215,185
10	(Exempted central counterparty (CCP) leg of client cleared trade exposures)	\$0	\$0
11	Adjusted effective notional amount of written credit derivatives	\$0	\$0
12	(Adjusted effective notional offsets and add on deductions for written credit derivatives)	\$0	\$0
13	Total derivative exposures (sum of rows 8 to 12)	\$611,479	\$343,817
Securities financing transaction exposures:			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	\$0	\$0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	\$0	\$0
16	Counterparty credit risk exposure for SFT assets	\$0	\$0
17	Agent transaction exposures	\$0	\$0
18	Total securities financing transaction exposures (sum of rows 14 to 17)	\$0	\$0
Other off-balance sheet exposures:			
19	Off-balance balance sheet exposure at gross notional amount	\$2,958,327	\$2,772,556
20	(Adjustments for conversion to credit equivalent amounts)	-\$2,303,662	-\$2,155,045
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)	\$0	\$0
22	Off-balance sheet items (sum of rows 19 to 21)	\$654,665	\$617,511
Capital and total exposures:			
23	Tier 1 capital	\$688,818	\$688,818
24	Total exposures (sum of rows 7, 13, 18 and 22)	\$6,229,339	\$6,384,304
Leverage ratio:			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	11.06%	10.79%
25A	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.06%	10.79%
26	National minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	NA	NA
Total Exposures Measure:		6,229,339.49	6,384,303.71

MAFS Cayman reported a slightly higher Leverage Ratio of 11.06% as of Sep 30, 2022 compared to a figure of 10.79 % as of Jun 30, 2022, as the bank's total exposures decreased by USD 154 Million. Available Capital was reported at USD 689 million as of Sep 30, 2022. The Total Exposure measures was noted to decrease as the Bank's' balance sheet, which saw a decrease primarily from lower deposit balances (assets and liabilities) although an increase was noted due to unrealized PNL from FX hedging activities (FX Derivatives Assets/Liabilities).