

Risk management and conflicts of interest for Specialised Investment Funds

Solutions for a heterogeneous industry



CSSF Regulation 12-01 sets forth new requirements to be implemented by 31 December 2012

Article 42bis of the amended Law of 13 February 2007 introduced requirements for Specialised Investment Funds (SIF) to dispose of risk management systems “*in order to identify, measure, manage and monitor the risks arising from their positions and their contribution to the general risk profile of the portfolio*”, as well as conflict of interest policies in order to “*identify and manage any potential conflict of interest that could adversely affect the interests of the Fund’s investors*”.

CSSF Regulation 12-01 more specifically requires SIFs to establish:

- An organisation enabling the independence of risk management activities

A documented risk management policy and procedures, covering all risks material to the fund and at minimum:

- Market risk
- Liquidity risk
- Counterparty risk
- Operational risk
- Risk thresholds or limits
- A documented conflict of interest policy enabling the fund to identify, mitigate and manage conflicts of interest, including at least policies for personal transaction and exercise of voting rights

A description of these policies must be submitted to the CSSF at their inception and following any material change.

Our approach

We propose our clients to develop a risk management and conflicts of interest management framework based around the following building blocks, taking into account the scale, nature and complexity of the SIF:



How can we help?

Our value proposition for risk management and conflicts of interest for SIF covers the following areas:

- Review, gap analysis or development of your risk management procedures and conflict of interest policies
- Support in defining your risk appetite, risk limits, risk monitoring procedures and conflicts of interest policies
- Assistance in specific areas such as: key risk indicators development, risk reporting design, stress testing design and implementation, initial due diligence, valuation methodologies review, etc.
- Support your market, liquidity, credit or counterparty risk measurement and reporting
- Support your due diligence on contemplated acquisition and/or valuation of illiquid assets

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