

Regulatory News Alert

Updated CSSF FAQ on Swing Pricing in response to COVID-19 market volatility

23 March 2020

On Friday March 20, 2020, the CSSF issued a FAQ on Swing Pricing for UCIs (UCITS, UCI Part II & SIFs) that you can access in the links section of the page in English. A [German translation](#) of this page is available as well in the links.

The FAQ aims to provide market participants with updated guidance on applying swing pricing mechanisms to achieve the desired results (prevent dilution) under these abnormal market conditions caused by the COVID-19 outbreak. These include:

- Swing factors can be increased up to the maximum level allowed by the prospectus without prior notification to the CSSF
- When the prospectus formally offers the possibility to the Board of Directors of the UCI or, if applicable, the Management Company to go beyond the maximum level under certain predefined conditions, this can be done by following these guidelines:
 - The decision must be justified and needs to take into account the best interest of investors
 - The Board of Directors or, if applicable, the Management Company must communicate this decision to current as well as new investors through the usual communication channels as laid down in the prospectus
 - The UCI has to provide the CSSF (case officer in charge of UCI) with a detailed notification of the resolution, including a specific explanation on the reasons for such resolution
 - The revised swing factors are the result of a robust internal governance process and are based on a robust methodology
 - An appropriate communication to investors through the usual communication channels, such as the ordinary notice to investors and also made available through the fund's internet site.
- When the prospectus does not offer the possibility to the Board of Directors of the UCI or, if applicable, the Management Company to go beyond the maximum level, this can be done on a temporary basis by following these guidelines:
 - The decision must be justified and needs to take into account the best interest of the investors
 - The Board of Directors or, if applicable, the Management Company must communicate this decision to current as well as new investors through the usual communication channels as laid down in the prospectus
 - The UCI has to provide the CSSF (case officer in charge of UCI) with a detailed notification of the resolution, including a specific explanation on the reasons for such resolution

- An update of the UCI prospectus, to formally permit the Board of Directors of the UCI or, if applicable, the Management Company to go beyond the maximum level, has to be performed at the earliest convenience
 - The revised swing factors are the result of a robust internal governance process and are based on a robust methodology
 - An appropriate communication to investors through the usual communication channels, such as the ordinary notice to investors and also made available through the fund's internet site.
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- For a swing factor adjustment going beyond the maximum swing factor laid down in the UCI prospectus, the CSSF can ask the UCI to justify on an 'ex post basis' the level of the swing factor applied and to provide documentary evidence that such a factor was at any time representative of the prevailing market conditions.

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