

UCITS IV: Synthetic Risk & Reward Indicator Not as simple as it might seem

The SRRI definitely bears important implications: it will be actively looked at during the investment decision phase and subject to benchmarking with competitors.



In the context of UCITS IV, the Simplified Prospectus is replaced by the Key Investor Information Document (KIID) of which the so-called Synthetic Risk and Reward Indicator (SRRI) illustrates the fund's risk and reward profile through an integer number between 1 and 7.

The European Securities and Markets Authority (ESMA) provided detailed guidelines for the calculation of SRRI (CESR/10-673) that aims at improving the transparency for investors and the comparability across competitors in terms of the risk and performance of the European UCITS funds.

ESMA's methodology to calculate this indicator depends on a range of criteria like the investment policy, the availability of historical data and the complexity of the underlying instruments.

Thus, the processes that need to be established to calculate SRRI in line with the regulatory requirements are demanding in terms of data requirements,

methodological questions and governance aspects.

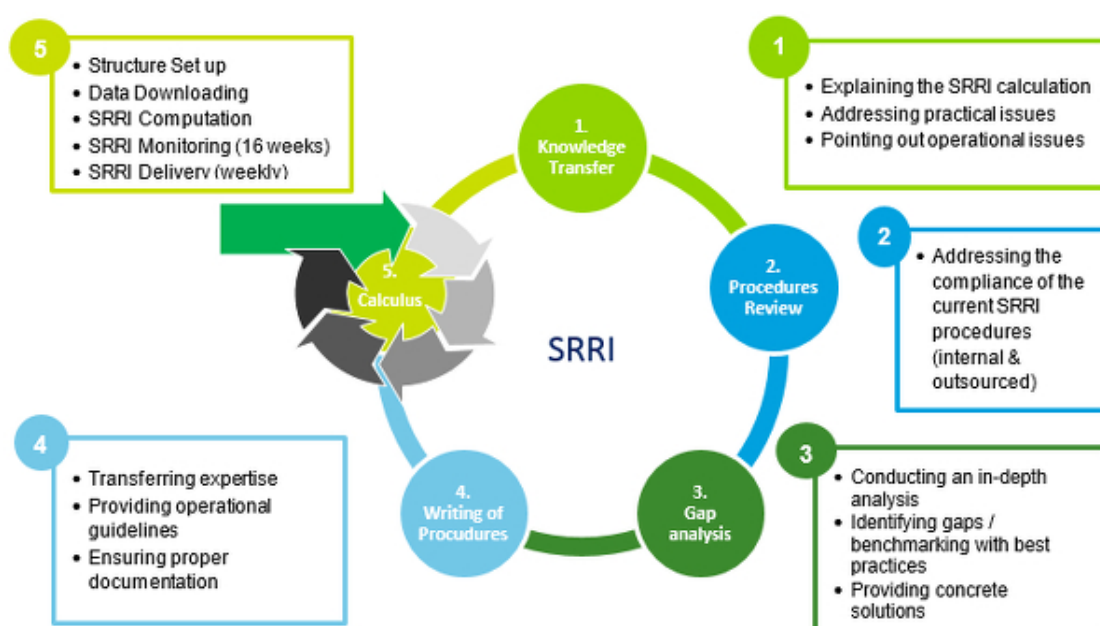
Given the simplicity of its appearance to investors, the SRRI definitely bears important implications since the SRRI will:

- provide investors with a meaningful indication of the overall risk and reward profile of the UCITS;
- be subject to benchmarking with competitors and will be actively looked at during the investment decision phase; and
- be published and available for everyone.

In order to help our clients mitigate potential reputational and legal risks, Deloitte has developed an outsourcing solution for the calculation and monitoring of the SRRI in compliance with the ESMA guidelines.

Our approach

Providing for the importance of the SRRI and the manifoldness of related processes, we developed a broad range of dedicated services – ranging from knowledge transfer to the complete outsourcing of the SRRI production:



Our expertise

Our assistance covers all the aspects illustrated above. We especially emphasize our outsourcing service for the SRRI calculation, in order to comply with UCITS IV requirements.

This outsourcing service combines our proven expertise in risk management and the ensured accuracy of sophisticated methodologies.

Of course, our assistance will be tailored to your specific needs. We offer production and monitoring of the SRRI for all UCITS categories.

Our outsourcing solution ensures:

- Compliance with CSSF 11/512 Circular
- Proper mitigation of reputational risk

We especially emphasize:

- Systematic completion of time-series
- Mapping on risk factors
- Re-pricing of derivatives / complex structures

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