Flash News

Only 30 days to go… Are you ready to implement the Risk Management requirements of CSSF Circular 11/512?

29 November 2011

CSSF Circular 11/512 foresees a number of additions and changes to the risk management processes. The Circular affects all Chapter 15 Management Companies as well as self-managed UCITS SICAVs as to the Law of 17 December 2010 on units for collective investments.

Key Changes

- Clarification regarding the responsibility of the Board of Directors and Senior Management by significantly increasing governance expectations,
- Expansion of risk monitoring requirements to operational and liquidity risks,
- Changes to the methods to determine counterparty risk as well as updates regarding computation methods for global exposure (daily computations of the commitment approach, the usage of a leverage ratio for funds using the VaR approach, etc.),
- Broadening of disclosure and information requirements towards the CSSF and investors.

What has to be done until 31 December 2011?

- Submit an updated risk management process based on the content and format requirements set out in the appendix of the Circular,
- Update prospectuses:
  - Include calculation approach of global exposure (i.e. commitment, VaR or relative VaR),
  - For all UCITS using a VaR approach, disclose the expected leverage level,
  - For all UCITS using a relative VaR approach, disclose information relative to the benchmark portfolio.

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- Present new information in financial statements:
    - Include calculation approach of global exposure (commitment, VaR or relative VaR),
    - For all UCITS using a VaR approach, disclose the actual past leverage level as well as detail the level of usage of VaR limits, the calculation method and the parameters used,
    - For all UCITS using a relative VaR approach, disclose information relative to the benchmark portfolio.

How can we help?

PwC has a team of over 30 specialists focusing on regulatory and risk management advisory.

We can support you in all aspects of interpreting the regulatory requirements as well as drafting and updating of risk management processes.

Our related services offering includes among others:

- Design risk management processes,
- Drafting or critical review of the documentation required by the CSSF,
- Support on methods for risk measurement, e.g. liquidity risks,
- VaR model validation,
- Selection of best adapted methods for global exposure methods,
- Risk appetite definition,
- Challenging and improving computation methods,
- Assistance to set relevant and sound Risk limits,
- Definition of Stress testing,
- Assistance to the implementation of VaR computation,
- Leverage computation,
- Implementation of collateral management,
- Third party assurance for Risk Management Services provider,
- Etc.

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