



## Focus in Investor Protection

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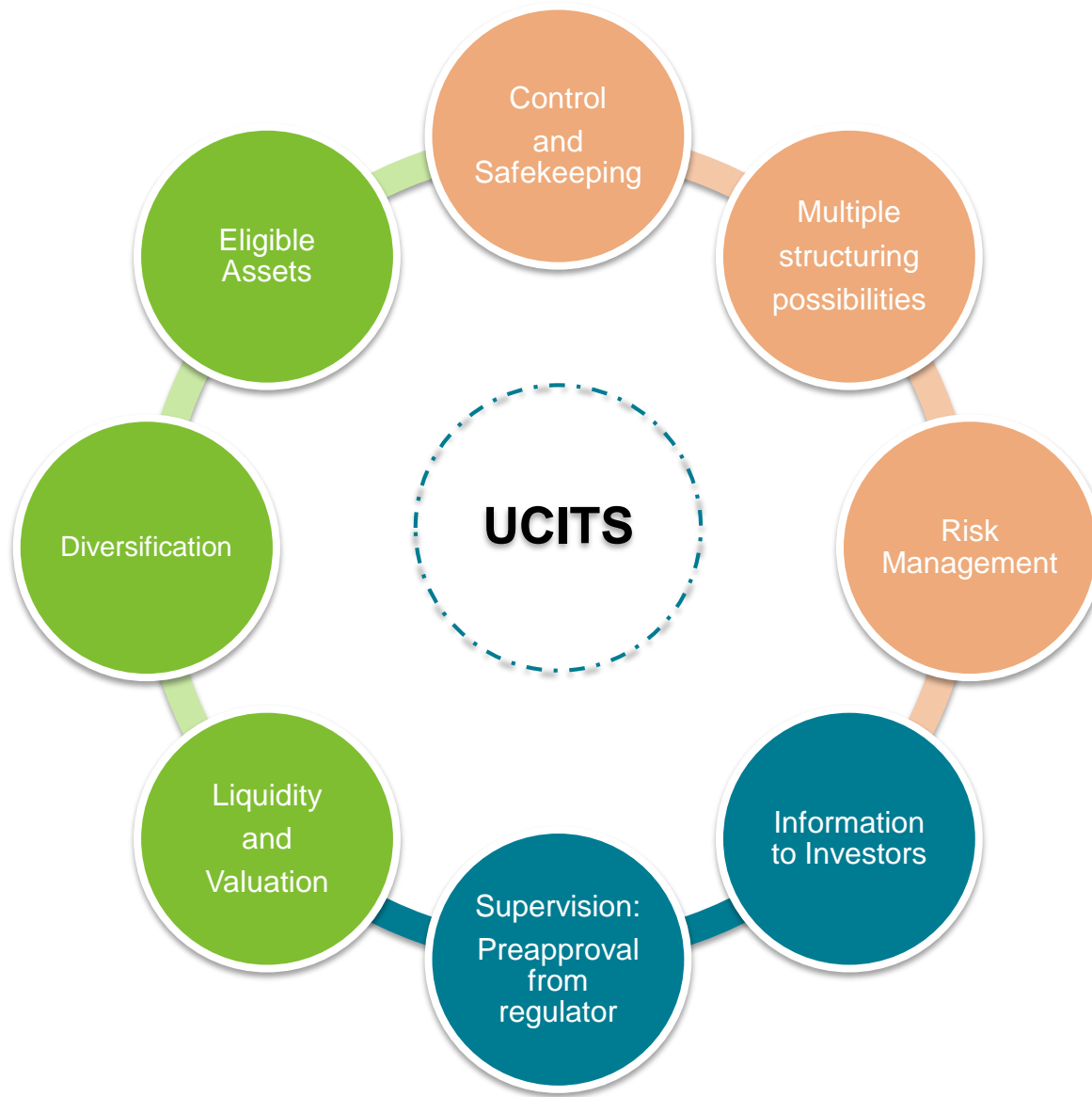
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# Features of the UCITS product focusing on Investor Protection



# Governance Structure of a UCITS

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# UCITS Management Company responsibilities

## Activities that cannot be delegated

General Investment Policy

Best Execution Policy

Risk Management Analysis

Choice of Service Provider

Risk Profile

Control of Delegated Functions

Conflict of Interest Policy

## Activities that can be delegated

Portfolio Management

Compliance

Risk Management

IT System

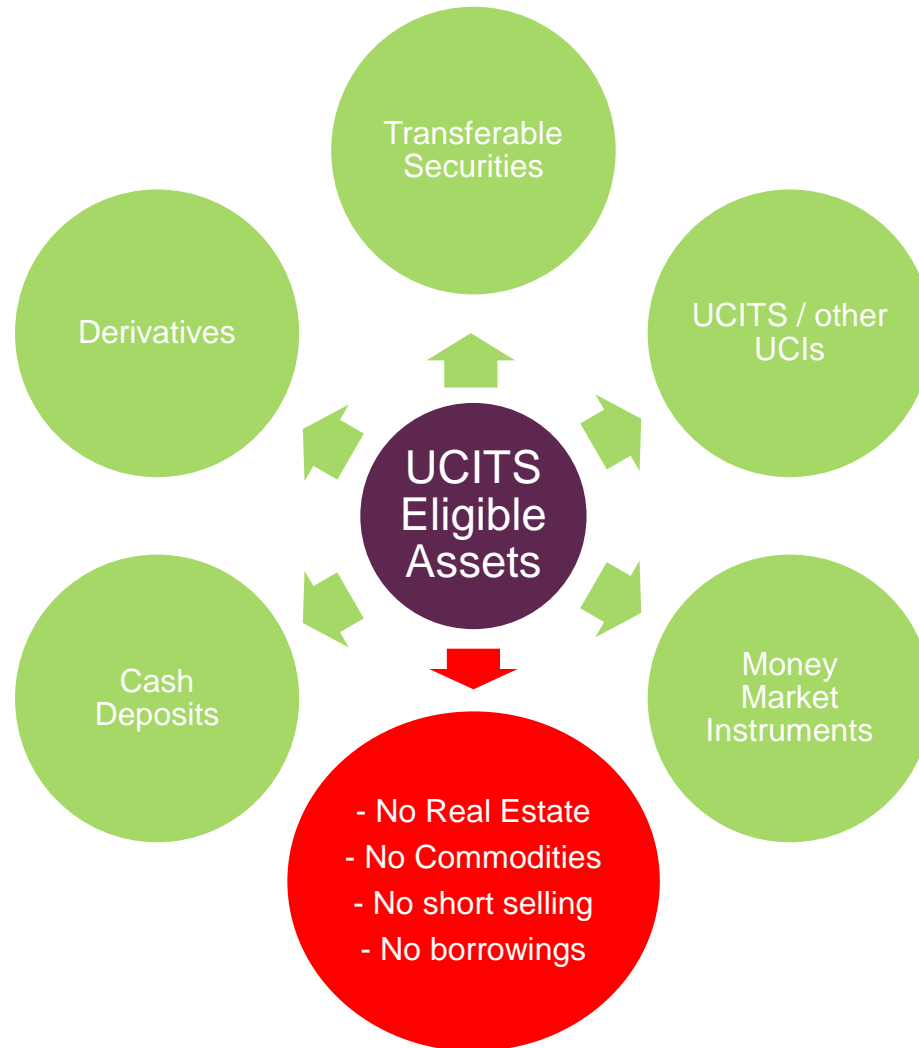
Complaints

Marketing

Internal Audit

Administration

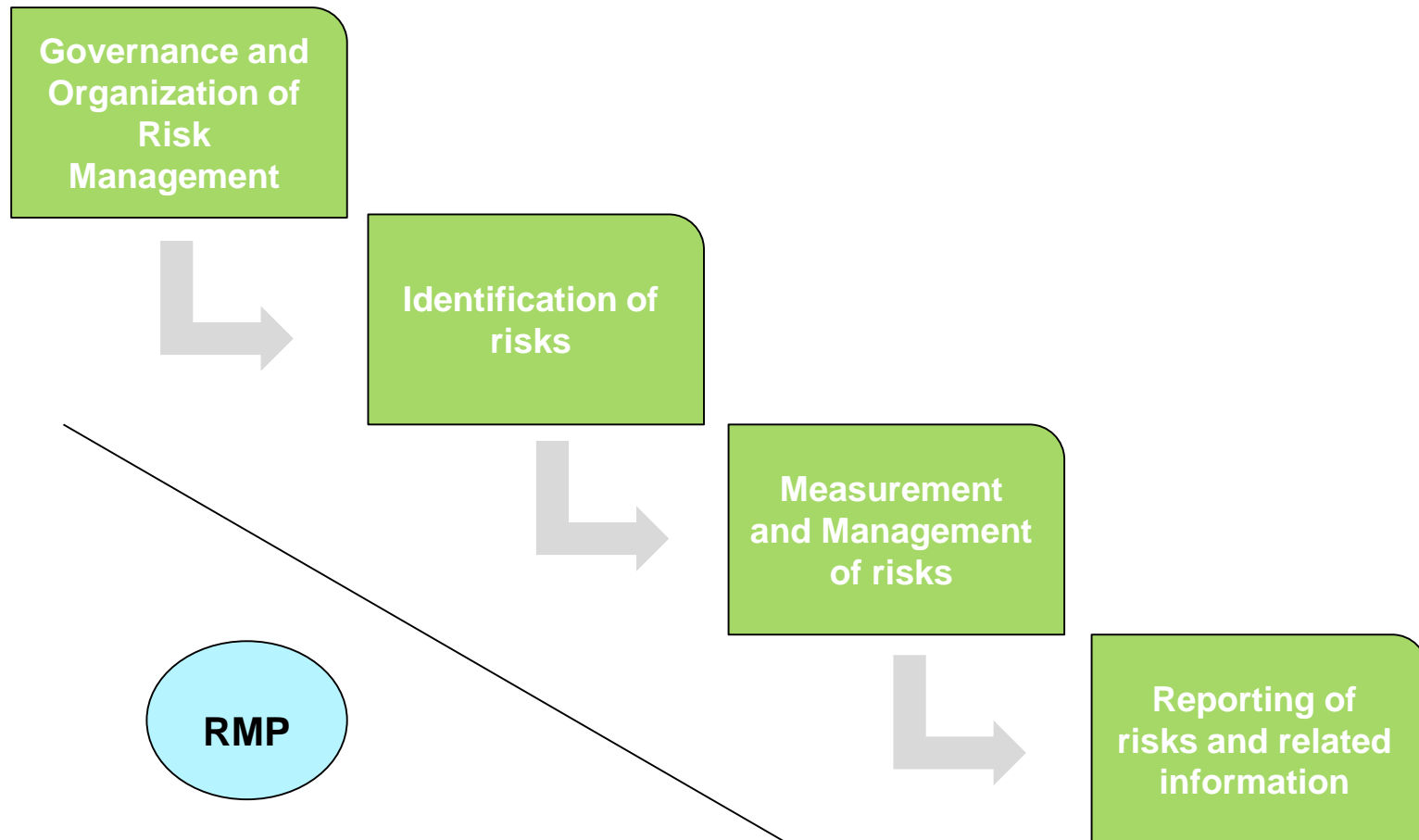
# Investor Protection : UCITS Eligible Assets



**The Luxembourg Regulator – Commission de Surveillance du Secteur Financier (« CSSF ») – issues additional guidelines and requirements for Investor Protection through the publication of Circulars and Regulations.**

# Risk Management Structure around UCITS

A Risk Management Process (RMP) shall be implemented by the UCITS Management Company so that all risks can be identified, monitored and managed at all times



# UCITS Liquidity Risk measurement / reporting

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Liquidity Risk measurement should address the following points:

- **1. Liquidation Time:**

Comparing the amount owned of an individual asset with information about traded volumes for this asset in order to estimate liquidation time.

- **2. Liquidity-Value-at-Risk (LVaR):**

Accounting for market risk throughout the liquidation of assets is it more favorable to:

- a) liquidate **slow**, being **invisible in the market?** or
- b) liquidate **quick** with a **high discount?**

- **3. Liquidity Generating Capacity:**

How much cash could the fund generate out of its portfolio assets?  
maturing deposits, stock market closures, cash flows, ....

# UCITS V: Reinforced investor protection focus on depositary



Eligible Entities	Specific Oversight	Type of Assets	Safekeeping
<ul style="list-style-type: none"><li>▪ EU credit institution or equivalent</li><li>▪ No depositary passport</li><li>▪ Independent from the manager</li></ul>	<ul style="list-style-type: none"><li>▪ Duties: compliance of certain aspects with law / UCITS's rules</li><li>▪ Delegation is not authorised</li><li>▪ Liability regime: negligence</li></ul>	<p data-bbox="1025 458 1238 772">Assets that can be held in custody</p> <p data-bbox="1025 962 1238 1282">Assets <b>not</b> to be held in custody (other assets)</p> <p data-bbox="1072 1186 1192 1243">Cash</p>	<ul style="list-style-type: none"><li>▪ <u>Duties</u>: held in custody (either physically or in segregated account)</li><li>▪ <u>Delegation</u></li><li>▪ <u>Liability regime</u>:<ul style="list-style-type: none"><li>▪ General: negligence</li><li>▪ Loss of assets: enhanced liability regime</li><li>▪ No reuse of assets</li></ul></li></ul> <ul style="list-style-type: none"><li>▪ <u>Duties</u>: depositary must (i) verify ownership and (ii) keep records</li><li>▪ <u>Delegation</u></li><li>▪ <u>Liability regime</u>: negligence</li></ul> <h3 data-bbox="1300 1120 1877 1192">Cash monitoring</h3> <ul style="list-style-type: none"><li>▪ <u>Duties</u></li><li>▪ <u>No Delegation</u></li><li>▪ <u>Liability regime</u>: negligence</li></ul>





THANK YOU!

# OUT

## UCITS Liquidity Risk measurement / reporting



Liquidity Risk measurement should address the following points:

1. Liquidation Time:
2. Liquidity-Value-at-Risk (LVaR):
3. Liquidity Generating Capacity:

Liquidity generating ability 99% confidence

