

**COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER**

Luxembourg, 22 July 2014

To all Luxembourg undertakings for
collective investment subject to the
Law of 17 December 2010

CIRCULAR CSSF 14/591

Re : Protection of investors in case of a material change to an open-ended undertaking for collective investment

Ladies and Gentlemen,

According to an existing well-established supervisory practice, for a material change to investors' interests in an open-ended undertaking for collective investment (« UCI ») governed by the Luxembourg law of 17 December 2010 relating to UCIs (the « Law of 2010 »), the CSSF requires that sufficient time be provided to these investors in order for them to take an informed decision on the envisaged change and, in the event they disagree, that they are given the possibility to present their holding for redemption or conversion free of redemption or conversion charges. The purpose of this circular is to explicitly lay down this administrative practice and provide clarifications in writing.

1. Background

According to article 151 (1) of the Law of 2010, the prospectus shall include the information necessary for investors to be able to make an informed judgement of the investment proposed to them. In this context, the CSSF assesses whether a contemplated change to the prospectus requires additional measures to protect the interests of the investors in the UCI. It is understood that this will not be the case of every change, but given, *inter alia*, that investors in UCIs are primarily retail investors, the CSSF is of the view that they have to be given sufficient time to make an informed decision about a change which is material enough to potentially affect the investors' interests and impact the basis on which they made their existing investment.

2. Process

When considering a material change to their structure, organisation or operations, UCIs should question whether there is a substantial likelihood that an investor, becoming aware of such change, would reconsider its investment in the UCI. As such, a UCI should analyse any contemplated change as to the impact it may have on its investors (i.e. compare the investors' interests/situation before and after implementation of the change) and submit the proposed change, together with the appropriate explanations for such change, to the CSSF. This should happen well in advance before the relevant change becomes effective.

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER

The CSSF reserves the right to assess with regard to any contemplated change to a UCI, on a case-by-case basis and based on the information provided, whether the change should be deemed material and, where appropriate, to request a notification to investors. The material change may, in principle, not be implemented until after the expiration of the notification period.

According to the CSSF's current administrative practice, the minimum notification period to notify investors of a significant change to the UCI they are invested in should be **one (1) month**.

During this one-month period before the entry into force of the significant change, investors have the right to request, without any repurchase or redemption charge, the repurchase or redemption of their units. In addition to the possibility to redeem units free of charge, the UCI may also (but is not obliged to) offer the option to investors to convert their units into units in another UCI (or, in case the change affects only one sub-fund, into units of another sub-fund of the same UCI) without any conversion charges.

The CSSF may nevertheless agree, through a duly supported request for derogation made in advance, to not impose such a notification period with the ability for investors to redeem or convert their holdings free of charge (for example, in cases where all the investors in the relevant UCI agree with the contemplated change). Similarly, the CSSF may agree to only impose a notification period to duly inform the investors of the relevant change before it becomes effective, but without the ability for investors to redeem or convert their holdings free of charge.

For sake of completeness, the notification period referred to in this circular is without prejudice to the notice period(s) required by law for investors to pre-approve such events. The content of the circular is also without prejudice to the specific requirements of other competent authorities in jurisdictions (within and outside the European Union) where the UCI is registered for distribution.

3. Entry into force

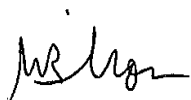
This circular is immediately applicable as from the date of its publication.

Yours faithfully,

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER



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