

Preparing for CSSF on-site visits

The regulator is coming

In recent years, the CSSF has launched an intense campaign of on-site inspections aimed at UCITS management companies and alternative investment fund managers (AIFMs). It has also formed special teams devoted to performing such inspections with a focus on particular issues. These visits have been carried out at investment fund managers (IFMs) of all kinds: small and large (whether by staff headcount or assets under management), boutiques and international group subsidiaries, liquid and illiquid strategies, with sponsors from continental European, Anglo-Saxon and Asian regions alike.

INVESTMENT FUND MANAGER

GOVERNANCE

DELEGATION

RISK
MANAGEMENT

AML

IT

The modus operandi is always the same: the IFM is given (little) advance notice of the upcoming visit, and is asked to provide a set of documents under a tight deadline for the purposes of an initial desk-based review. The list of required documents has grown significantly over the last few years – as has the list of topics controlled by the CSSF. Next, the inspection team arrives on-site to perform their checks. Beyond the visits to inspect general IFM governance, more and more ‘themed’ inspections are now being performed, focused on the areas mentioned below.

All such visits have something in common: the granularity of the questions has increased dramatically, along with the CSSF’s expectations with regard to a firm’s activities and

documentation. At Arendt Regulatory & Consulting (ARC), our service offering builds on the smart combination of experience possessed by our talented consultants, who bring together every topic of interest to the CSSF. Often in tandem with its affiliate Arendt & Medernach, ARC provides assistance that is legally sound as well as pragmatic, in form of ‘mock’ inspections, or as support when the CSSF is on its way. In either case, we ensure that you are well prepared for an inspection on any of the relevant topics.

Our approach

DOCUMENT REVIEW

WORKSHOPS & MEETINGS

FINAL REPORT

REMEDIATION

Provision of list of documents and review desk-top based.

After our initial review of the documentation you sent, we deep dive into the nitty gritty detail during thematic workshops and interviews with your experts.

We will summarise the outcome of our inspection in a concluding workshop or a report, as you prefer.

We would be delighted to help fix the issues we found.

Focus areas

Many clients want preparatory efforts to be as close to the 'real thing' as possible. We honour this by working to mimic the regulator's own approach.

- ✓ **Governance and delegation:** The CSSF evaluates the bases on which decisions are taken, and by whom. This assessment can cover all sorts of themes, from asset valuation, to HR, to delegate oversight. If you are not perfectly cognisant of the rationale your IFM uses to decide which task is delegated to whom, to set certain KPIs, or to establish how the valuations of your portfolio companies may be challenged – and if your meeting minutes do not explain all this – then you should speak to us.
- ✓ **Risk management:** IFMs are expected to master a comprehensive set of tools to cope with evolving requirements and market events. If your risk management policies are not being kept duly up to date, or if there is any doubt as to the exact scope of the good-practice requirements for risk management applicable to your funds, then you should speak to us.
- ✓ **AML:** If your AML/CFT procedures are not duly updated and/or applied and the corresponding risk assessments regularly reviewed, if RC and RR roles and duties are not clearly defined, if you lack a suitable training programme for your IFM's activities that is held at regular intervals, or if risk-appropriate screening, monitoring or due diligences are not being performed, then you should speak to us.
- ✓ **IT:** If you lack an IT incident overview, if you are unsure how incidents (like a faulty spam filter) could impact your daily business, or if you have yet to conduct a materiality and risk assessment of your full IT delegation framework and cloud, then you should speak to us.



If you want to:

- Review your organisational compliance in some or all of the focus areas above
- Know whether your work processes meet CSSF expectations
- Prepare for an announced CSSF visit



Then
talk to us!

For more information, contact us at OnsiteVisitsARC@arendt.com

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