association of the luxembourg fund industry

Luxembourg, 17 October 2016

Response to IOSCO consultation Report on Good Practices for the Termination of Investment Funds

Introduction

The Association of the Luxembourg Fund Industry (ALFI) is the representative body of the Luxembourg investment fund community. Created in 1988, the Association today represents over 1300 Luxembourg domiciled investment funds, asset management companies and a wide range of service providers such as custodian banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax experts, auditors and accountants, specialist IT providers and communication companies. The Luxembourg Fund Industry is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment structures are distributed on a global basis in more than 70 countries with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI wishes to underline the following:

- The definition of "responsible entity" under the suggested best practices may vary according to circumstances (see table in Annex 2).

- As regards liquidation, it must be noted that Luxembourg law and regulatory practice differ depending on the type of fund – common fund (*fonds commun de placement* ("FCP")) or investment company – and, in case of umbrella structures, depending on whether a sub-fund is to be liquidated or if the liquidation concerns the FCP/investment company as a whole. For investment companies, the Luxembourg law of 10 August 1915 on commercial companies (the "1915 Law") applies, unless the relevant investment fund law provides otherwise.

- Finally, the present response does not cover the specific case of umbrella funds and the subsequent treatment of sub-funds, unless specifically indicated.

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A. Disclosure at Time of Investment

Good Practice 1

Investors should be provided with information, at the time of investment, relating to the ability to terminate an investment fund as well as the processes for effecting such termination. In this regard, the investment fund documentation, dependent on the legal form of the investment fund, should:

i. **outline the general circumstances in which an investment fund can be terminated;**

ii. **set out the extent to which investor approval or consent is required to effect the termination;**

iii. **disclose that when a decision to terminate is made, the responsible entity will prepare a termination plan - the key contents of which shall be communicated to investors; and**

iv. **provide a high level overview of the key items that will be covered in the termination plan.**

Question 1 - Which items of information concerning the termination should be available at the time of the investment?

Concerning the disclosure requirements in case of liquidation, Luxembourg law distinguishes between different fund vehicles. Indeed, the Law of 17 December 2010 on undertakings for collective investment (the "2010 Law") requires that the prospectus of an open-ended fund describes the circumstances in which the decision to liquidate a FCP or an investment company can be taken, the modalities of the liquidation and the rights of unitholders unless this information is contained in the management regulations of the FCP or the instruments of incorporation of the investment company.[1]

For investment funds under other product laws than the 2010 Law – these can in principle target only so-called well-informed investors - the mandatory content of the prospectus is generally not set out in detail in the relevant laws. The relevant texts and regulatory practice aim to ensure however that the prospectus contains all information that is relevant for the investor to make an informed decision when investing, in particular

[1] Article 151 (2) and Annex I, Schema A point 1.10. of the 2010 Law.

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about all relevant risks, including liquidation and a summary of the applicable conditions procedures.[2]

In addition, the Luxembourg legal framework contains specific provisions on the liquidation of fund vehicles or their sub-funds. Please see hereafter a list of liquidation scenarios covered in substance in both the 2010 Law and the law of 13 February 2007 relating to specialised investment funds (the "2007 Law"):

1. For FCP: Liquidation of the whole structure:

   a) upon the expiry of any period as may be fixed by the management regulations;

   b) in the event of cessation of their duties by the management company or by the depositary, if they have not been replaced within two months without prejudice to the specific circumstance addressed in point c) below;

   c) in the event of bankruptcy of the management company;

   d) if the net assets of the common fund have fallen for more than 6 months below one quarter of the legal minimum [1,250,000 EUR];

   e) in all other cases provided for in the management regulations.

      Management regulations determine the contractual relationship between the management company and the investors in a FCP. It is regulatory practice that point e) above gives a wide discretion to the management company to liquidate the FCP, even for grounds that lie outside the FCP, such as alignment of the product range of the management company.

   f) in a case where the net assets of the FCP have fallen below two thirds of the legal minimum [1,250,000 EUR], the CSSF may, having regard to the circumstances, compel the management company to put the FCP into liquidation.

2. For investment companies (whole structure): Details depend on the company type and provisions in the constitutive documents. Besides, the 2010 Law and the 2007 Law contain general provisions applicable to investment companies with general meetings to allow for a facilitated termination process for investment companies with very low residual assets:

[2] See e.g. article 53 of the Law of 13 February 2007 on specialised investment funds.

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a) If the capital of an investment company falls below two thirds of the minimum capital [1,250,000 EUR], the directors (one-tier structure) or the management board (two-tier structure), as the case may be, shall submit the question of the dissolution of the investment company to a general meeting for which no quorum shall be prescribed and which shall decide by a simple majority of the units represented at the meeting.

b) If the capital of the investment company falls below one quarter of the minimum capital [1,250,000 EUR], the directors or the management board, as the case may be, shall submit the question of the dissolution of the investment company to a general meeting for which no quorum shall be prescribed; dissolution may be resolved by unitholders holding one quarter of the units at the meeting.

c) The meeting shall be convened so that it is held within a period of forty days as from the ascertainment that the net assets have fallen below two thirds or one quarter of the minimum capital [1,250,000 EUR], as the case may be.

3. Liquidation of sub-funds: Although the investment fund laws foresee the existence of sub-funds and allow their liquidation, their liquidation is as such not regulated by any law. There is a regulatory practice, set out in a note of the regulator of 29 March 1993 regarding the closing procedure of a sub-fund of an umbrella-structure.

   It is market practice that the decision to liquidate a sub-fund is not reserved to its investors, but to the management company of a FCP or to the governing body of the investment company. Regulatory practice provides that certain elements – such as the identity of the responsible entity, the circumstances of the liquidation and the deposit of undistributed assets at the *Caisse de Consignation* – have to be mentioned in the fund documentation.

ALFI therefore considers that the current legal and regulatory framework contains strong elements aiming at ensuring adequate investor information at the time of investment. Based on such practice in Luxembourg, ALFI recommends that disclosure to investors upon termination of the fund be structured as detailed below, which should provide enough flexibility for responsible entities to organize the procedure in light of the investors' interests and the specific features of the fund:

- The circumstances in which an investment fund or sub-fund thereof can be terminated;

- The entity responsible for initiating the termination process;

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- A description of the termination procedure regarding information of such liquidation to the investors;
- The entity responsible for the execution of the termination decision;
- Form of payment of the proceeds of the termination.

Good Practice 2

Investment fund documentation should set out how the responsible entity will deal with investors who are not contactable at the time a responsible entity decides to terminate an investment

Question 2 - Should regulators develop good practices to address issues concerning uncontactable investors and, if so, what particular issues should these cover?

There are no provisions in Luxembourg regulations stating that the fund documentation have to set out how the responsible entity should deal with uncontactable investors before, during or after the termination of the investment fund.

ALFI believes that in light of the considerable diversity of fund structures, such as, for example, different distribution patterns, numbers of investors, origins and sophistication of investors, the responsible entity should take into account the specificities of each investment fund and elaborate, in cooperation with the fund's service providers, internal policies aiming at ensuring that if a fund has uncontactable investors in its register of investors, all reasonable steps will be taken to establish contact with such investors.

The constitutive documents and the prospectus of the fund, based on which the investment decision is made, may refer to the website where the relevant extracts of this policy are published and it could also be available at the registered office of the investment fund and/or the responsible entity. This policy may cover issues such as:

- Definition of uncontactable investors;
- how many times an attempt shall be made to contact them;
- by what reasonable means the responsible entity will attempt to contact them;
- what regular, reasonable, attempts the responsible entity will undertake to try to contact uncontactable investors during the life of the investment fund, when terminating it and during the termination process; and

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- how the responsible entity deals with the termination proceeds that remain unclaimed (i.e. deposit of the funds with Caisse de Consignation, as provided for under Luxembourg law and regulatory practice).

Question 3 - What is considered a reasonable time period and/or reasonable efforts to deem an investor "uncontactable"?

Applying by analogy CSSF Circular 15/631 on dormant accounts an investor should be deemed as uncontactable if after 6 years there has been no communication with the same and if during the last 3 years the investor has not initiated any transaction. However a responsible entity should always take into account the specific features of a fund and its investors to consider the time frame after which an investor shall be deemed "uncontactable".

The internal policy issued by the responsible entity may establish procedures to adjust this period in situations where an investment fund operates normally and when terminating the investment fund.

Question 4 - In the absence of a formal domestic regime, what is the most appropriate way for the responsible entity to deal with the distribution proceeds of investors who cannot be contacted?

Luxembourg legislation[3] provides that the termination proceeds of the uncontactable investors will be deposited with the Caisse de Consignation to be held for the benefit of the persons entitled thereto which deposit the Caisse de Consignation is obliged to accept. Such deposit should in principle be made at the latest nine months after the liquidation process.

B. Decision to Terminate

[3] Law of 29 April 1999 on the consignment with the State (loi du 29 avril 1999 sur les consignations auprès de l'Etat)

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Good Practice 3

The responsible entity's decision to terminate an investment fund should take due account of the best interests of investors in the investment fund.

ALFI agrees that it is good practice for the responsible entity to take the decision to terminate an investment fund with due consideration to the investors' best interests.

Responsible entities of regulated funds in Luxembourg are generally subject to statutory obligations to manage such funds in the best interests of investors. The same principle is laid down in the AIFM and UCITS Directives. In addition, where not already applicable through statutory provisions, both Luxembourg regulatory practice and general principles of company law relating to corporate governance would require responsible entities to manage funds while taking into account the interests of the shareholders or investors.

The above would equally apply to responsible entities when considering the voluntary termination of funds. In such context, it also important to ensure that no investor is unduly harmed or unfairly treated by allowing a fund to continue its operations pending the adoption of the decision to terminate the fund. It would indeed be good practice for fund terms to provide that redemptions in a fund are also suspended as from the moment that its potential termination is entertained with investors, preventing investors the opportunity to "run for the door" just before the decision is adopted.

ALFI is of the opinion however that the best interests of investors should not be the only driver in taking the decision to terminate a fund, which should include (without limitation) other considerations, such as:

(a) *Differing investor interests:* The interests of different investors in the same fund are not always aligned so that the responsible entity may need to balance the differing interests of certain groups of investors but may ultimately need to take a decision that is counter to the interests of part of the investors in the fund.

For example, where a number of investors sufficiently representative of the assets of an open-ended fund has requested the redemption of their participation in the fund, the responsible entity may want to voluntarily terminate the fund to put all investors on equal footing. This would however not be in the interest of the investors that have already submitted a redemption request prior to the decision to terminate as they may lose their priority position as redeeming investor (compared to investors being part of the termination process) and may need to share in the costs and the duration of the termination.

Also, a majority investor (or a small group of investors with a controlling participation) in the fund could abuse its position in its own interest to the detriment of other investors in the fund (e.g. to squeeze out other investors and/or

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to force a sell-off of the fund's assets to the majority investor). Responsible entities should maintain the power to withstand such pressure and to take the decision to terminate a fund in consideration of other interests.

(b) *Other parties' interests:* While the investors' interests are important, the responsible entity should not be blind to the interests of other parties involved in managing the fund.

For example, in case a small group of investors with a controlling participation unreasonably blocks the termination of a fund, while the responsible entity (or the delegated portfolio manager or sponsor) of the fund believes the fund to no longer be economically viable (e.g. assets under management are too low to justify the costs) or consider a termination appropriate (e.g. disposal of a line of business, poor track record), there should still be flexibility for the responsible entity to take the decision to terminate the fund with sufficient notice, to the extent possible depending on the legal form of the fund concerned.

A responsible entity's obligation to take due consideration of the best interests of investors should not result in allowing investors to abuse of their positions, nor should responsible entities, managers or sponsors be forced to continue managing a fund against their own interests.

In addition to the investors' interests and the interest of parties involved in managing the fund, it is also worth mentioning the interests that potential creditors or other debtees of the fund may have (e.g. employees, tax authorities). Although their interests should not be prioritised over any investor interests, they should be considered in deciding to terminate a fund.

As regards closed-ended funds, the termination will typically occur in accordance with the fund terms, consisting of an initial duration, often with extension possibilities. In taking the decision to extend the initial (or extended) duration of, or to terminate, a closed-ended fund, responsible entities should give due consideration to the best interests of the investors in the fund (e.g. in disposing of fund assets at the opportune moment), while abiding by the terms provided in the fund documentation (which could include disposing of fund assets at time that is not optimal).

ALFI therefore supports good practice 3 in principle, but is of the opinion that it should not be overly prescriptive or granular and allow for sufficient flexibility in practice.

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Good Practice 4

Following a decision to terminate an investment fund, the responsible entity should issue a termination plan. This should set out the steps to be taken during the termination process and should take into account the best interests of investors. The termination plan should contain, depending on the legal form of the investment fund, information relating to at least the following key items:

i. **the rationale for terminating the investment fund;**
ii. **the extent to which investor approval is required to effect the termination, if at all, together with details of relevant processes;**
iii. **details on the estimated costs of the termination and whether investors will bear these;**
iv **whether another entity be appointed to effect the termination (e.g. will**
v. **the estimated duration of the termination process and how information will be communicated to investors throughout;**
vi. **the existence of alternative investment opportunities (including mergers, or transfers to other investment products), if any;**
vii. **investor dealing arrangements (including the necessity for suspension of subscriptions and redemptions) in the investment fund;**
viii. **an indication of the asset valuation method (including illiquid or hard to value assets) of the investment fund;**
ix. **process for dealing with illiquid assets or addressing any windfall payments due**

ALFI agrees that it is good practice for the responsible entity to prepare a termination plan following a decision to terminate an investment fund and broadly agrees with the proposed content of such plan, to the extent applicable to the fund concerned. The terms "responsible entity" in this section should be read as including the liquidator of a fund where the responsible entity in charge of managing the fund in going concern would be replaced by a liquidator.

The timing of the termination plan seems crucial in order for it to have added value next to any already existing reports and/or investor communications prescribed by law or regulatory practice.

Key terms of the (anticipated) termination process are often already included in the fund documents, in particular the offering documents of funds. Building on such information, the termination plan should contain, if practically possible at the given stage, more

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detailed information on the proposed termination process, including the role of the auditor of the fund, which consists in principle in auditing the period prior to the termination and the review of the termination report, to the extent applicable to the fund concerned.

Depending on the legal structure of the fund, it is the board of managers or directors or the management company as responsible entity which would be expected to issue a draft termination plan at the time the decision to terminate the fund is taken. Where an external liquidator is appointed, such liquidator as responsible entity during the termination process should however have the flexibility to execute the termination on his own terms, without the plan proposed by the responsible entity of the fund before the termination decision being forced on him. The responsible entity should be at liberty to derogate from the initial termination plan upon providing adequate information to investors, wherever such derogation is deemed material by the responsible entity.

A summary of rules around voluntary liquidation of corporate and contractual funds can be found in Annex 1 and 2 to the present document.

ALFI is however of the opinion that:

(a) *Disclosure:* Only a summary of the termination plan should be shared with, or made available to, investors in a fund. Extensive or detailed information could indeed lead to wrong expectations.

For example, information regarding the costs and timing of the termination process should not be too granular.

(b) *Non-binding nature:* The termination plan should not be binding for the responsible entity and should be a moving document. The responsible entity should not be held to the terms set out in the plan and should certainly not be held liable for not implementing the termination of the fund according to the information set out in the plan. It should also be in a position to deviate from or to change the termination plan throughout the termination process. Exceptions to the non-binding nature could be applied where the termination plan includes information that is already included in the fund documents at binding fund terms (e.g. information around who bears what costs related to the termination of the fund).

Terminations of funds, particularly of alternative funds and funds investing in real assets (real estate, private equity, infrastructure, etc.), are by definition unpredictable. Responsible entities need to maintain the flexibility to change the approach to the termination of a fund, to deal with unforeseeable situations (e.g. illiquid or hard-to-value assets, windfall payments and clawbacks), to incur additional costs, to extend the expected duration of the termination process, etc. It would be unhelpful to the smooth running of the termination process if deviations from, or changes to, the termination plan would require any formalities or would be subject to any form of governance process.

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It is important to note that Luxembourg laws and regulations already require the liquidator of a fund to regularly disclose certain information to investors and also set out certain rules around the termination process (e.g. ability to subscribe and redeem from a fund, providing for liabilities). It would however be good practice for the termination plan to include basic information on when and how the responsible entity will keep all investors equally informed throughout the termination process. In addition, investors should be provided with information on the termination process at least annually and more frequently upon key events during the termination where the responsible entity in its discretion deems an additional communication appropriate. While investors should not be left in the dark, it should be at the discretion of the responsible entity which information to share relating to the ongoing termination process.

It is also important to note that terminations can play out very differently in practice depending on the type of funds. Traditional funds (such as UCITS or other securities funds) would often have a large number of investors, meaning that extensive investor information obligations would be cumbersome and may in many cases not prove to be relevant; at the same time, their investments are generally liquid so that the termination process would generally be closed quickly, warranting less information requirement. Alternative funds would often have a smaller number of investors, which may have obtained certain rights with regard to disclosure of information and/or involvement in key decisions; at the same time, their investments are generally illiquid and take time to realise; a closer interaction between the responsible entity and the investors would therefore be warranted.

Question 5 - Do you agree that a termination plan is a useful tool to facilitate the smooth running of the termination process? Please provide information to back up your conclusion.

ALFI agrees that the termination plan is a useful tool to facilitate the smooth running of the termination process, subject to the above observations (i) that only a summary should be disclosed to investors, (ii) that the plan should not be binding (the case being, subject to limited exceptions), and (iii) that the responsible entity should have the right to deviate from and change the plan during the termination process. In any case the information disclosed to investors should be proportionate to the complexity of the termination procedure and the type of investors concerned.

Question 6 - In order to promote investor awareness and facilitate investment decision making, what are the key items which should be set out in the termination plan? Furthermore, should investors be provided with the full termination plan or is a summary sufficient

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with a right to receive a copy of the full termination plan on request?

ALFI agrees with the key items of the termination plan as proposed in good practice 4, to the extent applicable to the fund concerned, and would not recommend adding additional items. Item viii relating to the asset valuation method remains applicable but the entity should however be allowed to derogate from these rules according to the circumstances and the needs of the termination procedure, provided investors are made aware of such possibility. Reference is also made in this regard to ALFI's comments on Best Practice 12 on conflicts of interest. Therefore it may be preferable to specify that general information on pricing of the remaining fund's assets could be included in the termination plan.

ALFI is of the opinion that providing, in addition to disclosures required by law or regulatory practice, a summary of the termination plan to investors should be sufficient to fulfil any information rights and in order to keep sensitive information undisclosed for the benefit of the fund and other investors' and/or third party interests (e.g. competitors of the fund manager).

Question 7 - What items relating to the investor approval process should be contained within the termination plan?

ALFI is of the opinion that the termination plan should indicate whether any investor approval or consultation process is applicable and, if so, briefly summarize the key steps and any applicable majority requirements, even if this information is already stated in the fund documents. Whether investor approval or consultation on the termination is required should depend on the legal form of the investment fund and/or on the fund terms. The timing of any approval process should be mentioned if practically feasible at this stage.

One would however expect the termination plan to be issued following the decision to terminate the fund. Where investor approval or consultation would be required for such termination, including information on the investor approval or consultation process in the termination plan would be redundant as it would follow the actual approval or consultation process itself. It could be more appropriate for such information to feature in the fund documents.

Question 8 - How should illiquid securities be treated in the context of investment funds seeking to wind-up and terminate?

ALFI is of the opinion that the responsible entity should have flexibility in treating illiquid securities, including (without limitation) the right to delay the termination process, as well

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as to side pocket certain securities (or other types of illiquid assets). It would be appropriate for the responsible entity to adequately inform the investors about key events in treating illiquid securities.

Question 9 - Should an investment fund be permitted to revoke its authorization without liquidating all positions? If yes, what happens to the illiquid assets? If no, should an investment fund be permitted to continue indefinitely until all assets can be valued and sold and the investment fund may then terminate?

ALFI is of the opinion that an investment fund should be permitted to continue without limitation in terms of duration until all assets can be realised (or otherwise disposed of, for example through a side pocket or distribution in kind) and the liquidation of the fund can be closed. This will also be beneficial in the light of any contingent liabilities that the fund may be subject to.

Question 10 - Should the custodian of the investment fund hold illiquid securities or securities with nil value until such time as a value can be realized?

ALFI is of the opinion that the custodian (or the bank in charge during the termination process) should perform duties in relation to the custody or safekeeping of illiquid securities or securities with nil value until the closing of the termination process, in line with local requirements and regulatory practice, irrespective whether such assets are liquid or illiquid, of value or of nil value.

Question 11 - How should windfall payments be treated?

Practice on windfall payments differs according to whether a small or significant amount is at stake (e.g. gift to charities in case of small sums, additional payments to investors if more significant amounts). Relevant considerations include (without limitation): need to maintain bank accounts opened and up-to-date investor information (for example for AML/KYC purposes), etc.

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ALFI is of the opinion that windfall payments received during the termination process should in principle be allocated to the investors in the fund at the time of the decision to terminate the fund, in proportion to their participation at that time. There should however be sufficient flexibility to deviate from this principle, for example with regard to small amounts.

In order to appropriately allocate windfall payments received after the termination process, the responsible entity in charge of the liquidation should ensure that it receives adequate information on incoming payments and that it will retain access to the register of investors in the fund following the termination process for a reasonable period of time. ALFI believes that the principle of proportionality described in the preceding paragraph shall also operate in this situation.

Question 12 - Are service providers entitled to recoup all costs and fees for the services provided to investors for the service of holding and distributing the windfall payment?

ALFI is of the opinion that service providers should indeed be entitled to recoup all reasonable costs and fees for their services in holding and distributing windfall payments to investors.

Question 13 - Should the responsible entity or the custodian remain in operation (i.e. prohibited from revoking their authorization and winding up) until such time as all windfall payments have been realized and distributed to investors?

The custodian may remain in operation for banking duties (asset safekeeping/transaction settlement) during the termination process. A custodian should not be forced in all circumstances to continue its services to the fund even if it would be in a reduced form.

Due consideration needs to be given to financial regulators' requirements or demands around the closure of bank accounts in such situations. An example is the CSSF's request for closure of the bank account of a sub-fund six months after its closing. ALFI considers the customary regulatory requirement to close the bank accounts within a certain delay not to be reasonable or practicable in all circumstances, especially when windfall payments are expected. The entity responsible for the termination process and the custodian/bank should define common policies to handle windfall payments and the functioning of the fund's bank account after the termination.

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Good Practice 5

The responsible entity should consider suspending investor subscriptions and redemptions during the termination process of an open-ended fund with a view to protecting the interests of investors

Question 14 - Does the suspension of dealings adequately address the issue of first mover advantage in cases where investment funds are terminating?

ALFI believes that the suspension of dealings is indeed an adequate way of addressing the issue of first mover advantage in cases where investment funds are terminating. The criteria governing the suspension of dealings of an investment fund are usually prescribed in the constitutional documents and prospectus or offering document of the investment fund. The suspension of dealings should take effect as soon as the decision to terminate has been formally taken by the responsible entity. Investors are then informed promptly of the suspension in line with the provisions of the fund's offering documents. In certain cases, the suspension can also take effect before the decision to terminate has been formally taken to ensure an equal treatment of all investors, for example when the responsible entity convenes the investors of the investment fund to decide on the termination.

An equally effective way of addressing the issue of first mover advantage is to continue satisfying redemption requests by making adequate provisions for the liquidation costs to be taken into account in the redemption net asset value. This requires a thorough mapping of all outstanding and expected liquidation costs. Certain liquidation costs may however not be determined accurately at the time the termination is decided and must be estimated in good faith. The responsible entity will generally include an adequate buffer in the provision for liquidation costs to cater for unexpected costs and expenses. If at the closure of the liquidation, the provisions made exceed the actual liquidation costs, the difference will be reimbursed to all investors concerned. The equal treatment of investors is therefore ensured.

Question 15 – Are there instances where it would be

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appropriate to continue accepting subscriptions and/or redemptions during the termination process? If so, please disclose and provide the rationale.

ALFI considers that subscriptions should in principle be suspended during the termination process, without prejudice to any specific applicable legal requirements. As the investment fund will be in a divestment phase and the original investment policy and restrictions may cease to operate, it would not be in the best interest of investors to continue accepting subscriptions. The responsible entity will generally not have any need for further subscription proceeds.

Accepting redemptions during the termination process of open-ended investment funds may be appropriate for a number of commercial, legal and or practical reasons. Provided the principle of fair treatment of all investors is ensured and adequate provisions are made (see response 14 above) and that the investment fund's portfolio is sufficiently liquid, ALFI does not see any concerns for not accepting redemptions.

Accepting redemptions during the termination process may for example allow investors to exit the investment fund substantially earlier than at the formal closure of the liquidation of the investment fund, without any risk of unfair treatment. The termination process of an investment fund may take time due to legal, regulatory or practical requirements, which the responsible entity may not want to impose on its investors. Commercially, it will in certain circumstances ease discussions with investors if they have visibility and control over the timing of their exit of the investment fund. Further, this may also allow the sponsors/initiators of the investment fund to allow third party investors to exit early while handling the orderly termination process of the investment fund and all legal and regulatory actions themselves via their remaining participation in the investment fund.

Giving investors visibility and control on the timing of their redemptions will also allow proper planning of alternative investment solutions. Certain investors may need to promptly take action while other may need time to source alternative investment solutions. This is certainly relevant for larger institutional and professional investors, but may also be beneficial for retail investors who do not wish to have parts of their investment portfolio in cash for longer periods of time.

Good Practice 6

The termination plan should be approved by the responsible entity of the investment fund. In relevant circumstances, the custodian should also approve the termination plan.

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ALFI agrees that the responsible entity of the investment fund should approve the termination plan, to the extent applicable to the fund concerned. Depending on the legal form of the investment fund concerned, the responsible entity may no longer be in a position to approve such plan (or such approval would be of no added value), for example where a liquidator has been appointed and has full discretion in handling the termination process. The termination plan should provide investors as early as possible with relevant information. In case the termination plan was approved and provided to investors by the responsible entity, it may be subsequently modified by the appointed liquidator.

ALFI does not agree that the custodian of the investment fund should approve the plan as it is not handling the termination process and should only act upon instruction from the responsible entity (or the liquidator). It would however be advisable that the termination plan is discussed with, and shared with, the custodian to ensure a smooth running of the termination process.

C. Decision to Merge

Good Practice 7

The responsible entity should clearly communicate to investors the decision to merge an

Good Practice 8

To the extent possible, the responsible entity should only offer investors the option to merge where the receiving investment fund has similar investment objectives, policies and risk profile to the terminating investment fund.

Good Practice 9

The responsible entity should offer investors the right to redeem free of redemption or exit charges before the merger takes place. Investors should be informed of the available alternatives sufficiently in advance.

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Good Practice 10

Where the decision to merge is for commercial reasons, the responsible entity should incur all costs. Where the responsible entity proposes not to incur these costs, this decision should be documented in the investor communication including a rationale for the decision.

Question 16 - In cases where mergers are proposed as alternatives to investment fund terminations, should the responsible entity incur all of the costs of the mergers?

It is ALFI's view that, because a merger should always be decided in the best interests of the investors, the latter normally benefit from a better performance and/or an envisaged reduction of costs due to economies of scale resulting from a greater size of the fund. Moreover, it is important to note that in the case of fund termination, transaction costs associated with the dis-investment of the assets would usually be borne by the investors. Hence, in the case of a merger proposed as alternative to an investment fund termination, some costs (such as market-related transaction costs associated with portfolio rebalancing, broker fees for cross trading, custody settlement charges, market stamp duties and FTT including the tax exemption requests) might be charged to the investors. This is an assessment to be made by the responsible entity, which should make an assessment of the overall economic and long-term benefits for investors of participating in a merger, rather than a fund termination. For UCITS the UCITS Directive provides that legal, advisory or administrative costs associated with the merger shall not be charged to the funds or the investors.

The merger costs should be documented and clearly communicated to the investors in advance and a right to exit the fund free of charge within a defined time period prior to the merger should be granted to them. This will enable investors to make an informed decision on whether they would like to stay in the fund and support the merger cost or redeem their holdings free of cost.

When some cost are to be undertaken by the investors, attention must be paid to any limits set in the legal fund documentation such as, but not limited to, maximum fee levels.

In any case, the responsible entity should have regard to the liquidity features of the fund's portfolio, when considering to propose a fund merger instead of a termination to investors.

D. During the Termination Process

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Good Practice 11

The responsible entity should ensure that appropriate / adequate information about the termination process is communicated to all investors concurrently and in an appropriate and timely manner.

(i) ALFI considers that appropriate and adequate information about the termination process should not only be communicated by the responsible entity to all investors of an investment fund, but also to other stakeholders such as servicer providers, creditors and regulatory bodies. Stakeholder communication is not only important during the termination process, but also prior to the effective termination date or the appointment of a responsible entity in charge of the termination, provided that such communication does not violate confidentiality of information or the constitutional documents of the fund or leads to unequal treatment of investors . Appropriate, adequate and timely communication prior to the start of the termination process ensures that the process is transparent, questions by stakeholders in relation to the liquidation/termination process are dealt with in advance and possible concerns are mitigated.

(ii) ALFI also agrees with the guideline that information should be disseminated simultaneously to all direct investors in an appropriate manner to ensure their equal treatment. Depending on the complexity of the termination process, countries of distribution of the fund and the number of direct investors, effective and appropriate means of communication can include emails, notices and publications in national gazettes and newspapers. Appropriate means of communication should also provide sufficient information with respect to the suspension of subscription and redemptions of shares/units. .

(iii) Once the decision to terminate the investment fund has been resolved, the outcome of this decision should be communicated to all investors. Without prejudice to local legal and regulatory requirements, this information can be transmitted in electronic format to all direct investors of the investment fund. Because of operational constraints we believe that, except for general publications in gazettes and newspapers, the responsibility of communication to indirect investors remains with the nominees (direct investors).

(iv) Where a distinct responsible entity in charge of the termination has being appointed, ALFI shares the view that (depending on the topic) effective and regular communication with direct investors, servicers, creditors and regulatory bodies is important to ensure that the termination process is both

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efficient and transparent. Such regular communication can be achieved through investor notices for significant events during the termination/liquidation process (e.g. interim distribution of liquidation proceeds, shareholders' meetings, liquidator reports). The scope and extent of the communication should take into account the type of fund and the qualification of the investors.

- Annual and interim reports of the responsible entity in charge of the termination could include, as appropriate:
  - Actions taken by the responsible entity during the termination/liquidation period (e.g. sale of investment portfolio, termination of contractual agreements, distributions of liquidation proceeds to investors)
  - A Statement of Net Assets
  - A Statement of Operations and Changes in Net Assets
  - Statistical information (i.e. no. of shares outstanding at the beginning and end of the period, net asset value per share at the beginning and end of the period)
  - Notes to the Financial Statements

- Reporting to the regulator on a quarterly basis, as currently required by the CSSF:
  - Actions taken by the responsible entity in charge of the termination during the termination period (e.g. sale of investment portfolio, termination of contractual agreements, distributions of liquidation proceeds to shareholders)

Question 17 – *Should a fund be permitted to deviate from its investment restrictions while engaged in a termination process? If so, at which stage of a termination process should the fund be permitted to deviate from the restrictions?*

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(v) With regard to **question 17**, ALFI believes that it is not possible to continue observing investment restrictions during the termination period for 3 main reasons:

a. In the vast majority of cases the aim is to convert to cash in order pay advances on the termination proceeds in cash to investors as early as possible

b. Illiquid assets may need to be held over a certain time period in order to improve the chances of recovery

c. Depending on the evolution of the portfolio, reinvestment (rather that reimbursing investors) would be required to stay aligned with the fund's investment policy

During termination the fund only continues to exist for the needs of the termination. Hence the original investment restrictions should no longer apply, even if the responsible entity should, insofar as reasonably practicable, ensure that the principle of risk spreading is respected to a certain extent.

Question 18 – *What other information should be included in the investor communication advising of the decision to terminate*

(vi) With regard to **question 18**, ALFI shares the view that investor communication advising of the decision to terminate should include information whether subscriptions and redemptions of shares or units of the investment fund have been or will be suspended.

Good Practice 12

The responsible entity should - during the termination process and in the context of valuing assets of the terminating fund -

i. **ensure that fair valuation of the assets will apply, and**
ii. **seek to address conflicts of interest arising.**

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Question 19 - What action should the responsible entity take to address issues concerning conflicts of interest in cases of terminating investment funds which are seeking to wind-up?

The principles for the Valuation of Collective Investment Schemes were treated in a separate report issued by IOSCO in May 2013[4]. Even if this report does not emphasize the particular case of termination, ALFI considers that the stated principles can generally apply for the termination phase.

In line with the principles listed in the above report, the responsible entity should assess the level of potential conflicts and put in place a conflicts of interest policy which allows the responsible entity to ensure a transparent and credible liquidation process.

Prior to the liquidation start and before the responsible entity (which can either be a third party or an entity involved in the current operation of the fund) begins with the operations for termination of the fund, the responsible entity must ensure it has appropriate policies in place to avoid or manage conflicts of interest during the termination period. ALFI suggests that the existence of such conflicts of interest policy may be brought to the investors' attention, via the summary termination plan (see answers under Good Practice 4 above) at the time they receive notification about the beginning of the termination process. Upon request, the responsible entity should make available to requesting investors its policy related to the management of conflicts of interest.

In case concerns are raised by stakeholders with respect to existing conflicts of interest, the responsible entity (Liquidator) should seek the involvement of third party service providers (valuers, auditors etc.) to ensure an independent review of their actions.

Where fund documentation allows the involvement of investors in the decision making process, the responsible entity may consider to seek their view on appropriate ways to manage conflicts of interest (including the appointment of an independent liquidator).

E. Specific Types of Investment Funds

[4] IOSCO Final Report – Principles for the Valuation of Collective Investment Schemes, published May 2013
http://www.iosco.org/library/pubdocs/pdf/IOSCOPD413.pdf

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Good Practice 13

The responsible entity may offer professional investors in a terminating investment fund the ability to redeem *in specie* where the consent of the investor has been obtained, while ensuring the best interests of other investors in the investment fund are not

i.

Question 20 – *Are redemptions in specie appropriate for retail investors where the investment fund wishes to terminate?*

Redemptions in kind should always be considered as an alternative to a cash payment for retail investors. When offering a redemption in kind to investors, the responsible entity should take particular care of the appropriateness of this form of distribution in light of factors such as the structure and features of the fund's portfolio, the liquidity of the assets to be offered for in kind redemption, possibility for a retail investor to become registered as the owner of the transferred assets, costs of settlement for the retail investor.

As a general principle, no legal rules or regulatory practice prevents the allocation of assets held in the portfolio that is being terminated to a retail investor. The decision whether liquidation payments should be made in cash or via a pro-rata attribution of assets in a fund's portfolio should be taken by the responsible entity in light of an *in concreto* assessment of the features of the fund being terminated.

In fact, there are situations where an investor, even if considered as a retail investor, may be considered as sufficiently sophisticated and experienced to receive assets directly out of the portfolio of the fund that is being wound up. Such investors may prefer to hold directly a portion of the assets of the fund corresponding to their investment in the fund without having to bear the costs and potential delays of selling the assets on the market.

The responsible entity should also consider the number of potential retail investors to receive a redemption in kind, as costs for assigning small tickets to a greater number of retail investors may be detrimental to the investors in the fund due to potentially elevated costs of holding assets for each investor.

To ensure that retail investors who are offered a redemption in kind, benefit from an optimal information, the responsible entity should provide retail investors with clear detailed information on the operational and economic consequences of accepting a redemption in kind. The attention of investors should also be drawn to the fact that accepting a redemption in kind may have fiscal consequences and that they should consult with their tax advisers. The aim of this information should be to ensure that retail investors will be in a position to make an informed decision on the option to choose from. The responsible entity should consider, to the extent feasible, to provide retail investors

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with a comparative table illustrating the principal differences and consequences of either option.

Question 21 – *To what extent should investor consent be required for redemptions in specie or can reliance be placed on the responsible entity to act in the best interest of all investors?*

The responsible entity should adopt a two-step approach. First, it should assess, in light of the fund's features, its portfolio, liquidity and other associated factors, whether investors should be given the opportunity to choose a redemption in kind.

Should the responsible entity come to the conclusion that offering a redemption in kind is in the interest of the investors, it should provide investors with appropriate information on the conditions of such redemption in kind and seek their explicit consent.

The payment of redemption in kind should only be made to such investors who have explicitly accepted such form of payment.

Question 22 – *Are there situations where difficulties may arise in implementing redemptions in specie?*

Situations to be addressed when implementing redemptions in specie would consist mainly in the following:

- Potential costs for the investor associated with liquidating the portfolio position that was transferred. Such costs will have to be borne solely by this investor. It may include, as part of regulatory practice, costs for a report on the valuation of the assets.
- The transferability of the assets should be ensured by the responsible entity before the transfer as it should be avoided that the entity in charge of keeping the register of shareholders/creditors/etc. of the asset that was transferred will not be in a position to formalise the redemption in kind and the resulting change in the register.
- To ensure that an investor receiving a redemption in kind, will receive an adequate proportion of the fund's portfolio as a result of the redemption in kind, the responsible entity should ensure that the relevant asset can be split in fractions. Alternatively, the responsible entity may consider making excess payments in cash, provided the fund has sufficient liquidity.
- The tax treatment at the level of the fund, the asset and the investor should be carefully considered to avoid detrimental consequences of the operation.

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Good Practice 14

The responsible entity may use side pockets as part of the termination process where the ability to side pocket assets is provided for in the investment fund documentation.

Question 23 – What are the benefits to permitting the use of side pockets in the termination process?

1) Safeguard of the investors' best interests:

The first benefit of using side pockets in the context of a termination process is that the investors' best interests are safeguarded by ensuring that they will be reimbursed at later stage when the illiquid assets can be valued and sold on the market.

2) Current regulatory practice in Luxembourg:

It should be possible to rely on side pockets but **only in restricted cases, and under restrictive conditions**, in order to not encourage asset managers to rely on this process as a liquidation tool. To this end, a common position of both ALFI and CSSF led to the establishment of an accelerated procedure for authorisation of a side pocket by the CSSF in Luxembourg.

Prerequisites for asset managers wishing to use side pocketing were listed as follows:

- The responsible entity must confirm in the constitutive documents of the Fund the possibility of side pocketing assets
- Confirmation must be provided that the central administrator of the Fund is able to handle technically the side-pocketing of assets
- Side-pocketing shall not be allowed to solve temporary valuation issues (e.g : suspended stocks)
- The sole illiquid criterion of an asset shall not be deemed sufficient to request side-pocketing
- The responsible entity must realize the assets as soon as it can be valued and reimburse the investors.

Under current regulatory practice in Luxembourg, this accelerated procedure is in principle only possible where the side-pocketing does not represent more than 20% of the assets of the Fund but the regulator may allow a side-pocketing practice for a higher percentage of the assets on a case by case basis.

The possibility of setting up a side pocket should be made on an exceptional basis for a Fund by means of the creation of a new sub-fund or a new share class and shall meet

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restrictive criteria not to encourage the general use of such a practice (example: hiding temporary valuation issues, or poor performance of certain types of assets, …).

iii.

Question 24 - Should it be possible to terminate an investment fund where side pocket assets exist?

Since the valuation of illiquid assets can take an extended amount of time (which cannot be determined with accuracy), an additional benefit of creating a side pocket in the context of a termination of a Fund is that the termination process can still take place without being impeded by the presence of illiquid assets (example: side pocket by creation of a new sub-fund in which the illiquid assets are put, while suspending subscriptions and redemptions).

This allows the responsible entity to liquidate the Fund by distinguishing the liquid assets from the illiquid ones, ensuring that the investors can be reimbursed in a first time following the redemption of the liquid assets held in the Fund's portfolio, and then in a second time of the illiquid assets, as soon as the latter can be valued.

In order to ensure that the Fund liquidation can be terminated at one point, despite the existence of side-pocketed assets, the responsible entity could, taking into account the interest of investors, consider to set up a separate vehicle which would receive the illiquid assets. The former investors in the Fund would retain a proportional right to receive distributions from this vehicle when and if, in the future, a market value can be established for the illiquid assets.

The reimbursement of liquid assets to investors in case of a termination of a sub-fund within a Fund structure, which is linked to a side-pocket should not be impacted by the existence of a side-pocket, as the sub-fund will in principle cease to exist upon the end of the termination of the sub-fund and investors will retain a proportional right over the assets kept in the side-pocket. As the Fund will normally not cease to exist as a result of the termination of one of its sub-funds, the service providers of the Fund will remain in place and will also continue to provide relevant services to the side-pocket under the overall supervision of the Fund's responsible entity.

Question 25 - Who should be responsible for managing and overseeing the side pocket in such circumstances and is this entity entitled to a fee for such services?

a) Entity responsible for managing / overseeing the side pocket and adequate information to regulators and investors:

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In ALFI's opinion, and in line with Luxembourg regulatory practice, the entity responsible for managing and overseeing the side pocket in the context of a termination should be the responsible entity duly appointed to act for the ordinary operation of the fund, which still has to act in the best interests of the shareholders even in such circumstances. The sole purpose of side-pocketing is the reimbursement of the investors as soon as the illiquid assets become liquid again.

Transparency towards the regulatory authorities (via regular reporting) will allow for regulatory overview of the side-pocket. The responsible entity should ensure adequate information to investors (via immediate notice to the investors) for key events, such as when the responsible entity envisages side-pocketing, and as soon as the causes which led to side pocketing are solved (e.g : where illiquid assets can be valuated).

b) Fee for such services:

Fees for the management and administration of assets of a side-pocket are usually less than those of an active Fund (subscriptions / redemptions suspended, reduced activity).

The fees should under no circumstances exceed the fee levels foreseen by the prospectus of the Fund, except for legal expenses / legal actions to preserve the rights and value in relation to the illiquid assets.

Good Practice 15

In the context of a fund of finite duration, the responsible entity should, a reasonable period in advance of the fund's anticipated termination date, consider the procedures that will be required to achieve an orderly wind-up of the fund.

iv.

Question 26 – Are funds of finite duration renewed or their maturity extended? In such cases, what approval process should be followed?

Depending on the fund type, a distinction should be made between UCITS Funds with a predefined duration and other vehicles investing in illiquid asset classes (private equity, real estate, infrastructure, etc.).

Whilst UCITS Funds with a predefined maturity usually invest in highly liquid instruments (money market instruments, bonds, certificates of deposit, etc.), following a certain yield strategy, it is rarely the case that such funds are likely to be subject to maturity extension. Nevertheless it should be subject to the procedures that would be described

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in the respective sales prospectus, the constitutive documents and applicable legal provisions, as the case may be. Hence investors can be considered as adequately informed about situations in which an extension may be decided and on the applicable procedures. The responsible entity should however ensure that investors will be adequately informed about a projected extension and involved, insofar as necessary under applicable laws and regulations, in the decision process.

For funds investing in illiquid asset classes, which are generally limited to investors having a certain level of sophistication (qualified investor; informed investor; institutional investor), the broad description of such extension of maturity is usually made available through the respective offering memorandum (or alike document) and may involve a higher involvement of investors. Given the generally lower number of investors and their greater involvement in the operation of the fund, the responsible entity should ensure that adequate information and involvement of the investors in the decision process is ensured, subject to applicable legal and regulatory considerations.

Question 27 – Are there further matters that need to be considered in relation to specific types of investment funds?

As a general principle, ALFI considers that investors may not be forced to remain within a fund against their will when the duration of the fund is extended. Investors which wish to exit the fund after the ordinary duration (and possible extensions provided for in the fund documentation), should be allowed to redeem their holdings in the fund, if other investors wish to continue the fund vehicle by extending its duration. The responsible entity would need to assess, taking into account factors, such as conflicts of interest, the interests of the other investors and third parties, structure and liquidity of the portfolio, whether the redeeming investor should be offered a redemption in kind or if redemption in cash would be appropriate.

Over-arching Questions

Question 28 – Are the good practices well formulated to take account of current best practice?

In ALFI's view the good practices are well formulated. We would however draw IOSCO's attention to existing legal principles and regulatory practice in different jurisdictions, which should be taken into account when finalizing these practices. Moreover best practices should remain sufficiently broad and principles-based so as to allow a responsible entity to implement these principles to the largest extent possible for different types of funds available to investors.

We would also highlight the fact that the definition of "responsible entity" under the best practices may vary according to circumstances (see table in annex).

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Question 29 – Have all key considerations been captured? If not, please identify further elements that need to be considered in respect of terminating investment funds.

ALFI wishes to underline that accounting rules should be taken into account in the context of the termination of funds. It must be noted that market specific arrangements may give rise to specific issues to be dealt with by the liquidator (such as clawbacks or contingent liabilities).

In this context ALFI would recommend to IOSCO to also consider the End of Fund Life 2016 project report sponsored by INREV, The Association of Real Estate Funds and the Investment Property Forum, as well as the Fund Termination Study 2016 research paper by INREV.

ALFI, 17 October 2016

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ANNEX 1 - SUMMARY OF RULES AROUND VOLUNTARY LIQUIDATION OF CORPORATE AND CONTRACTUAL FUNDS

A fund in the corporate form may be dissolved and liquidated at any time by the voluntary decision of its general meeting of shareholders. An extraordinary general meeting of shareholders, invited to resolve upon the dissolution and liquidation of a fund, must be held before a Luxembourg notary. Decisions at such general meeting will be passed in accordance with the quorum and majority requirements required by the company law to amend the fund's articles of incorporation. If this quorum is not satisfied, a second meeting may be convened and shall validly deliberate regardless of the proportion of the capital represented. At both meetings, resolutions, in order to be validly adopted, must be carried by a majority of at least two thirds of the votes cast.

A fund in the contractual form may be liquidated by the decision of the management company and in compliance with any further the provisions set out in the fund's management regulations, if any.

Following the decision to dissolve the fund, whether in the contractual or the corporate form, the Luxembourg supervisory authority for the financial sector *Commission de Surveillance du Secteur Financier* (CSSF) shall be notified of the decision and its approval requested relating to the investors' notice/convening notice. It follows the publication of the liquidation event and the winding-up by the liquidator.

Once the decision to terminate a Luxembourg investment fund has been formally adopted, its liquidation will be opened and the fund will be deemed to exist for liquidation purposes until closing of the liquidation process. Upon notification of the opening of the liquidation of a regulated fund, the CSSF would cross off the fund from the relevant list of authorised investment funds. During the termination process, the responsible entity may distribute liquidation proceeds to investors on an interim basis provided that such distributions respect their equal treatment. Any such payments are voluntary and would generally be accompanied by an explanatory note.

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ANNEX 2 - Termination of Luxembourg investment funds[5]

Overview of responsible entity involved in the termination process[6] of Luxembourg investment vehicles.

Luxembourg investment fund / Responsible entity	**Luxembourg corporate investment funds (SICAV in the form of a *société anonyme* (S.A.) and *société en commandite par actions* (SCA)**	**Luxembourg investment funds in the form of a partnership (*société en commandite simple* (SCS) and *société en commandite spéciale* (SCSp))**	**Luxembourg investment funds in the form of a common fund (*fonds commun de placement* (FCPs))**
Operation of the investment fund during its life	The board of directors (S.A.) / the general partner (S.C.A.)[7] is responsible for the overall operation of the investment fund but may appoint a management company/AIFM or delegate certain functions to service providers under its ultimate responsibility.	The general partner[8] is responsible for the overall operation of the investment fund but may appoint an AIFM or delegate certain functions to service providers in accordance with the partnership agreement and under its ultimate responsibility.	The management company is responsible for the overall operation of the investment fund but may delegate certain functions to service providers under its ultimate responsibility.
Decision to liquidate the investment fund	The board of directors / the general partner has the power to propose the liquidation of the	The general partner generally has the power to decide the liquidation of the investment	The board of directors of the management company takes the decision to put the

[5] This overview does not address the termination of sub-funds, as in most cases the responsible entity in such case is the body entrusted with the ordinary management of the fund.

[6] This overview only deals with the voluntary liquidation of an open-ended investment fund that has been incorporated for an unlimited duration.

[7] The SCA is managed by one or more managers. For the purpose of this document, this is assumed to be the general partner.

[8] The SCS and SCSp are managed by one or more managers. For the purpose of this document, this is assumed to be the general partner.

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	investment fund to the investment fund's shareholders having due regard to the provisions on liquidation of the prospectus / the articles of association.	fund in accordance with the partnership agreement. The partnership agreement may foresee an approval by the limited partners.	investment fund into liquidation in accordance with the provisions of the management regulations (the FCP is not governed by the companies law).
Approval of the decision to liquidate and appointment of liquidator	Luxembourg company law generally requires that the general meeting of shareholders approves the decision to put the investment fund into liquidation and the appointment of the liquidator.	The conditions to put the investment fund into liquidation and the appointment of the entity in charge of liquidation, as well as applicable formalities and conditions are governed by the partnership agreement.	No unitholder approval required except if there are specific provisions to this effect in the management regulations. The liquidator is designated by the management regulations and the management company often assumes this function itself.
Operation of the investment fund during the liquidation process	The liquidator is responsible, inter alia, for the liquidation of the investment fund in accordance with the law, the articles of association and any specific powers given by the general meeting of shareholders.	The liquidator is responsible, inter alia, for the liquidation of the investment fund in accordance with the law, the partnership agreement and any specific powers given by the partners.	The liquidator is responsible, inter alia, for the liquidation of the investment fund in accordance with applicable laws and regulations (including the regulatory practice of the CSSF) and any provisions in the management regulations.

Decision to close the liquidation	The general meeting of shareholders, convened by the liquidator approves, *inter alia*, the auditor's report on the liquidation and the liquidator's report and decides to close the liquidation. Following the decision to close the liquidation, the investment fund ceases to exist.	The meeting of the partners, convened by the liquidator, approves, *inter alia*, the auditor's report on the liquidation and the liquidator's report and decides to close the liquidation. Following the decision to close the liquidation, the investment fund ceases to exist.	The liquidator closes the liquidation of the investment fund following which the investment fund ceases to exist.