Newsletter June 2015

SFAMA Guidelines on the calculation and disclosure of the Total Expense Ratio (TER) of collective investment schemes

1. Introduction

The SFAMA amended its Guidelines on the calculation and disclosure of TER and PTR of collective investment schemes dated 16 May 2008 (version 12 August 2008) in line with the revised Swiss Federal Ordinance of 22 November 2006 on Collective Investment Schemes (hereinafter "CISO") and revised Ordinance of the Swiss Financial Market Supervisory Authority of 27 August 2014 on Collective Investment Schemes (hereinafter "CISO-FINMA").

The new name of the amended Guidelines version 20 April 2015 is "Guidelines on the calculation and disclosure of the Total Expense Ratio (TER) of collective investment schemes" (hereinafter the "Guidelines").

These amended Guidelines entered into force on 1 June 2015.

2. PTR Calculation and Disclosure

As their new title already gives away, the Guidelines do not longer regulate the calculation and disclosure of the PTR, as it is no longer requested to disclose the PTR in the annual and semi-annual reports starting with the reports for financial years beginning 1 January 2015 or later. Moreover, based on the SFAMA NEWS – summer edition, the publication of the PTR is no longer required for reports which are due for filing with the FINNA after 1 June 2015.

3. TER Calculation and Disclosure

With regard to the calculation and disclosure of the TER, the terminology of the Guidelines was brought in line with the revised CISO.

Furthermore, section 3 regarding operating expenses was revised. In particular, the Guidelines provide now for a further alternative to the inclusion in the TER of all fees and incidental costs charged to the income statement: namely the inclusion of an "all-in fee" charged by the fund management company / SICAV / SICAF or management company <u>including</u> all incidental costs. The other alternative of a "flat fee" <u>plus</u> any fees and costs which the flat fee does not include is still permitted as well.

Moreover, in order to comply with the requirements of the Federal Occupational Pension Regulatory Commission in respect of collective investment scheme transparency, the exception regarding funds of funds has been worded more flexible: If a collective investment scheme invests a significant portion of its net assets in target funds which do not publish a TER as per the Guidelines or for which no current TER is available (e.g. hedge funds), a calculation <u>may be waived</u> (and no longer "is to be waived") and a corresponding explanation is to be published.

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The content of this Newsletter does not represent legal advice and may not be used as such. For a personal consultation, please get in touch with your contact at Suter Howald Attorneys at Law. Should you have further questions in relation to the topics in this Newsletter, please contact:

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