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GLOBAL GUIDE 2016/17
INVESTMENT FUNDS

Investment funds in Luxembourg: regulatory overview

Julie Thai
Luther S.A.

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RETAIL FUNDS

1. What is the structure of the retail funds market? What have been the main trends over the last year?

Open-ended retail funds

Over the last year, Luxembourg has maintained its position as a premier financial centre for the structuring and the distribution of retail investment funds.

Under the Law of 17 December 2010 on undertakings for collective investment (Collective Investment Law), retail investment funds in Luxembourg can be set up as either:

- Open-ended undertakings for collective investment in transferable securities (UCITS) subject to Part I of the Collective Investment Law.
- Open-ended undertakings for collective investment (UCIs) subject to Part II of the Collective Investment Law.

The most recent landmark development for open-ended retail funds has been the implementation of Directive 2014/91/EU on UCITS depositary functions, remuneration policies and sanctions (UCITS V). The Law of 10 May 2016, transposing UCITS V, entered into force on 1 June 2016 (UCITS V Law).

Closed-ended retail funds

Closed-ended retail funds can be set up as closed-ended UCIs and will be subject to Part II of the Collective Investment Law (*see above, Open-ended retail funds*).

Regulatory framework and bodies

2. What are the key statutes, regulations and rules that govern retail funds? Which regulatory bodies regulate retail funds?

Open-ended retail funds

Regulatory framework. In addition to the Collective Investment Law, UCITS must comply with specific regulations issued by the Luxembourg financial supervisory authority, the *Commission de Surveillance du Secteur Financier* (CSSF) (*see below, Regulatory bodies*), including:

- CSSF Regulation N° 10-04 relating to UCITS organisational and procedural requirements (CSSF Regulation N° 10-04).
- CSSF Circular 14/587 on provisions applicable to UCITS depositaries, as amended by CSSF Circular 15/608 (Circular 14/587).
- CSSF Circular 12/546 on authorisation and organisation of Luxembourg UCITS management companies as well as self-managed UCITS, as amended by CSSF Circular 15/633 (Circular 12/546).
- CSSF Circular 11/512 clarifying risk management rules and procedures.
- CSSF Circular 04/146 regarding protection against late trading and market timing practices (Circular 04/146).
- CSSF Circular 02/77 relating to NAV calculation errors and non-compliance with investment rules applicable to collective investment undertakings (Circular 02/77).
- IML Circular 91/75 on the revision and remodelling of rules applicable to Luxembourg collective investment undertakings, as amended by CSSF Circular 05/177 (Circular 91/75).

Furthermore, the following government regulations are applicable to UCITS:

- Grand-Ducal Regulation of 28 October 2013 relating to the fees to be levied by the CSSF.
- Grand-Ducal Regulation of 8 February 2008 clarifying certain definitions relating to UCITS.

UCIs are subject to:

- Part II of the Collective Investment Law.
- Certain regulations applicable to UCITS (such as Circular 04/146, Circular 02/77, and Circular 91/75).
- Specific regulations, such as CSSF Circular 02/80 relating to rules applicable to UCIs pursuing alternative investment strategies (Circular 02/80).

Regulatory bodies. The CSSF is responsible for the initial authorisation and ongoing supervision of UCITS and UCIs, as well as their management companies. The CSSF carries out its duties exclusively in the interest of the public and has all supervisory and investigative powers necessary for the exercise of its functions.

Closed-ended retail funds

See above, *Open-ended retail funds*.

3. Do retail funds themselves have to be authorised or licensed?

Open-ended retail funds

UCITS. A Luxembourg UCITS must obtain prior authorisation from the CSSF to carry out its activities. As part of the authorisation procedure, the following elements must be submitted to the CSSF:

- The relevant application questionnaire(s).
- The draft constitutive documents or management regulations.

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- The draft prospectus and related Key Investor Information Document(s) (KIID).
- The draft agreements to be entered into by the UCITS and its service providers (including most notably the depositary).
- Application documents relating to the board of directors.
- Information relating to the management company (if any).
- The risk management process and other relevant operational procedures.

The CSSF keeps an official list of UCITS which are authorised in Luxembourg and subject to its supervision. Entry on the official list will mean that a UCITS has been authorised by the CSSF.

Furthermore, a foreign UCITS may be marketed in Luxembourg subject to prior notification to the regulator of its home Member State and transmission of such notification by the latter to the CSSF.

UCIs. The procedure for authorisation of open-ended UCIs is quite similar to that of UCITS (except for the KIID and certain substance or procedural requirements).

Closed-ended retail funds

See above, *Open-ended retail funds: UCIs*.

Marketing

4. Who can market retail funds?

Open-ended retail funds

UCITS. Shares or units of a Luxembourg UCITS can be marketed by the fund itself or by its designated management company (if any) as part of its collective portfolio management function.

The appointed management company can delegate the marketing activities to third parties. These include:

- Local distributors subject primarily to the Law of 5 April 1993 on the financial sector.
- Foreign distributors with adequate financial resources and capabilities. A UCITS can also appoint such entities directly.

UCIs. See above, *Open-ended retail funds: UCITS*.

Closed-ended retail funds

See above, *Open-ended retail funds*.

5. To whom can retail funds be marketed?

Open-ended retail funds

UCITS. A Luxembourg UCITS can be marketed to all types of investors, including retail and institutional investors. However, a UCITS can also choose to create sub-funds or share/unit classes that are reserved for certain investors only.

UCIs. In principle, the marketing rules for UCITS are applicable to open-ended UCIs.

Closed-ended retail funds

See above, *Open-ended retail funds*.

Managers and operators

6. What are the key requirements that apply to managers or operators of retail funds?

Open-ended retail funds

UCITS. A UCITS management company acting on behalf of a common investment fund (*fonds commun de placement*) (FCP) or a designated management company for an investment company with variable capital (*société d' investissement à capital variable*) (SICAV) can only commence its business activities once authorisation from the CSSF is obtained. For details of legal fund vehicles, see *Question 8*.

Applications for authorisation must comprise all relevant information and documents allowing the CSSF to identify and assess the applicant, including:

- A programme of activities.
- Information on the organisation and infrastructure, management and shareholding structure.
- The policies and procedures.

A UCITS management company must comply with the general requirements set out in Chapter 15 of the Collective Investment Law, especially in relation to:

- Initial capital and own funds.
- Substance (for example, the head office and registered office must be located in Luxembourg).
- Governance (for example, the persons who effectively conduct the business of the management company must be of sufficiently good repute and be sufficiently experienced in relation to the type of funds managed).

A UCITS management company must (among other things) maintain permanent compliance, internal audit and risk management functions, and ensure adequate supervision of any delegated activities (*CSSF Regulation N° 10-04; Circular 12/546*).

Under the UCITS management company passport regime, a UCITS management company established and duly authorised in another EU member state can manage Luxembourg UCITS.

UCIs. A UCI management company must seek CSSF authorisation prior to commencing its activities. A UCI must comply with the provisions of Chapter 16 of the Collective Investment Law (unless it also manages UCITS). These provisions are generally less strict than the provisions applicable to UCITS management companies.

Closed-ended retail funds

See above, *Open-ended retail funds: UCIs*.

Assets portfolio

7. Who holds the portfolio of assets? What regulations are in place for its protection?

Open-ended retail funds

UCITS. A UCITS must appoint a depositary bank to ensure the safekeeping and monitoring of its portfolio assets. This bank must be a Luxembourg credit institution supervised by the CSSF.

In Luxembourg, UCITS V was anticipated with the issuance of Circular 14/587, which applies to all UCITS depositaries and regulates the safekeeping of assets, oversight duties, delegation and liability (among other things). However, since Regulation (EU) 2016/438 on the obligations of depositaries (UCITS V Delegated Regulation) will apply from 13 October 2016, the CSSF will revise

Circular 14/587 in the coming months. Therefore, all aspects specifically covered by the UCITS V Law and/or the UCITS V Delegated Regulation will be deleted. In the meantime, in the event of any conflict between the provisions of Circular 14/587 and UCITS V Law, the provisions of UCITS V Law will prevail.

UCIs. The UCITS V Law introduced a single depositary regime by aligning the depositary regime applicable to UCIs with the regime applicable to UCITS (*see above, Open-ended retail funds: UCITS*).

Closed-ended retail funds

See above, *Open-ended retail funds: UCITS*.

Legal fund vehicles

8. What are the main legal vehicles used to set up a retail fund and what are the key advantages and disadvantages of using these structures?

Open-ended retail funds

Legal vehicles. In principle, both UCITS and UCIs can be set up as any of the following types of legal vehicle:

- **Investment company with variable capital (*société d'investissement à capital variable*) (SICAV) .** A SICAV can be self-managed or can appoint a management company. SICAVs issue shares.
- **Common investment fund (*fonds commun de placement*) (FCP) .** This is an undivided co-ownership of assets without legal personality that issues units. An FCP must appoint a management company.
- **Investment company with fixed capital (*société d'investissement à capital fixe*) (SICAF) .** A SICAF can be self-managed or can appoint a management company.

Advantages. The comparative advantages of these legal vehicles are as follows:

- **SICAV.** The share capital of a SICAV is equal to its total net asset value (NAV), which facilitates the subscription and redemption procedures.
- **FCP.** Due to its contractual form, an FCP is not subject to company law requirements, and therefore provides its participants with more organisational flexibility than a SICAV.

Disadvantages. A SICAF must hold a general meeting before a notary to modify its capital at each subscription or redemption of shares.

Closed-ended retail funds

Legal vehicles. The legal structures used for closed-ended UCIs are the same as for open-ended UCIs (*see above, Open-ended retail funds: Legal vehicles*).

Advantages. See above, *Open-ended retail funds: Advantages*.

Disadvantages. See above, *Open-ended retail funds: Disadvantages*.

Investment and borrowing restrictions

9. What are the investment and borrowing restrictions on retail funds?

Open-ended retail funds

UCITS. A UCITS can invest in the following types of assets, subject to certain eligibility criteria and concentration limits being met:

- Transferable securities and structured financial instruments.
- Money market instruments.
- Units of UCITS and other collective investment undertakings.
- Deposits with credit institutions.
- Financial derivative instruments.

Among the applicable risk diversification requirements, a UCITS must comply with the "5/10/40" rule. This rule requires that both:

- A maximum 10% of the fund's net assets must be invested in transferable securities and money market instruments issued by a single issuer.
- The aggregate value of transferable securities and money market instruments held by the relevant UCITS in the issuers in which it invests more than 5% must be limited to 40% of its net assets.

A UCITS can borrow up to 10% of its net assets on a temporary basis and/or to acquire immovable property essential for the direct pursuit of its business. However, this must not exceed 15% of its net assets cumulatively.

UCIs. Unless it is granted specific derogation from the CSSF or is pursuing a specific investment strategy (for example, in relation to venture capital, futures contracts/options, and/or real estate), an open-ended UCI must not:

- Invest more than 10% of its net assets in unlisted securities (that is, securities that are not listed on a stock exchange or dealt in on another regulated market that operates regularly and is recognised and open to the public).
- Invest more than 10% of its net assets in securities issued by a single issuer.
- Acquire more than 10% of the same type of securities issued by a single issuer.
- Borrow more than an amount corresponding to 25% of its net assets.

Closed-ended retail funds

See above, *Open-ended retail funds: UCIs*.

10. Can the manager or operator place any restrictions on the issue and redemption of interests in retail funds?

Open-ended retail funds

UCITS. Within a UCITS, it is possible to create sub-funds and share/unit classes that are restricted to certain investors (*see Question 5, Open-ended retail funds*).

In addition, a UCITS sub-fund can be closed to further subscriptions (on either a temporary or permanent basis) when reaching the end of the initial subscription period or achieving an economically efficient size.

Conversely, a UCITS can foresee special circumstances (such as a temporary liquidity shortage) allowing for a delayed settlement of redemptions and a prorated reduction of redemption requests.

UCIs. Open-ended UCIs can establish more flexible rules for the issuance and redemption of shares/units.

Closed-ended retail funds

See above, *Open-ended retail funds: UCIs*. Closed-ended funds do not offer any redemption rights.

11. Are there any restrictions on the rights of participants in retail funds to transfer or assign their interests to third parties?

Open-ended retail funds

UCITS. Under the Collective Investment Law, there are no restrictions on the transfer of rights held in a UCITS to third parties.

UCIs. There are no specific legal restrictions to transfer rights held in a UCI to third parties. Any contractual restrictions should be provided for in the fund documents.

Closed-ended retail funds

See above, *Open-ended retail funds: UCIs*.

Reporting requirements

12. What are the general periodic reporting requirements for retail funds?

Open-ended retail funds

Investors. UCITS must publish a prospectus, an audited annual report within four months from the end of each financial year, and a semi-annual (unaudited) report within two months from the end of the relevant financial period. UCIs must also publish a prospectus and similar financial reports (but within six and three months respectively from the end of the relevant financial period).

Regulators. UCITS and UCIs must submit monthly, semi-annual and annual financial information to the CSSF. Self-managed UCITS and UCITS management companies must submit additional periodic reports to the CSSF in accordance with Circular 12/546.

Closed-ended retail funds

See above, *Open-ended retail funds*.

Tax treatment

13. What is the tax treatment for retail funds?

Open-ended retail funds

Funds. UCITS and UCIs must pay an annual subscription tax of 0.05% on their NAV. This rate is reduced to 0.01% for certain money market funds/cash funds and sub-funds or classes reserved for institutional investors.

Exemptions apply to:

- The value of the assets represented by shares/units held in other collective investment undertakings, provided these are already subject to subscription tax.
- Special institutional money market funds.
- Pension funds.
- Collective investment undertakings investing in microfinance.
- Exchange traded funds.

Resident investors. No withholding tax applies on dividend and capital gains distributions to resident investors. Any distributions received will be subject to Luxembourg income tax.

Non-resident investors. No withholding tax applies on dividend and capital gains distributions to non-resident investors. Furthermore, non-resident investors are not subject to Luxembourg income tax when investing in Luxembourg UCITS and UCIs.

Tax reporting. UCITS and UCIs are subject to tax reporting requirements imposed under the US Foreign Account Tax Compliance Act (FATCA) and the OECD Common Reporting Standard (CRS) rules.

VAT. Management services rendered to UCITS and UCIs are exempt from VAT.

Closed-ended retail funds

See above, *Open-ended retail funds*.

Quasi-retail funds

14. Is there a market for quasi-retail funds in your jurisdiction?

There is no distinct market for quasi-retail funds in Luxembourg. However, Regulation (EU) 2015/760 on European long-term investment funds (ELTIF Regulation) allows EU alternative investment funds (*see Question 16*) investing mainly in eligible long-term assets to be marketed to retail investors under certain conditions (such as providing a key information document specifying the product features and risks).

Reform

15. What proposals (if any) are there for the reform of retail fund regulation?

Regulation (EU) 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs Regulation) introduces the requirement to provide a key information document (KID) for a wide range of investment products from 31 December 2016. However, UCITS will not need to produce a PRIIPs Regulation-compliant KID until 31 December 2019, at which point a review will be carried out to assess whether the transitional period should be extended.

Furthermore, Directive 2014/65/EU on markets in financial instruments (MiFID II) will have a significant impact on UCITS distribution models when it enters into force on 3 January 2018. Under MiFID II, the classification of "complex" financial instruments has been extended to include structured UCITS. Consequently, fund distributors will no longer be able to market such funds on an execution-only basis, without performing an appropriateness test.

HEDGE FUNDS

16. What is the structure of the hedge funds market? What have been the main trends over the last year?

The term "hedge funds" should be understood as Luxembourg regulated hedge funds, namely:

- **Specialised investment funds (SIFs) .** These are subject to the Law of 13 February 2007 relating to specialised investment funds (SIF Law) and offer great flexibility in terms of asset eligibility and diversification.
- **UCIs pursuing alternative investment strategies (Alternative UCIs) .** These are also used but to a lesser extent nowadays. Alternative UCIs are subject to the Collective Investment Law.

Over the last few years, the Luxembourg hedge funds market has been affected by the implementation of Directive 2011/61/EU on alternative investment fund managers (AIFM Directive). Under the Law of 12 July 2013 on alternative investment fund managers (AIFM Law), Luxembourg hedge funds qualifying as alternative investment funds (AIFs) must be managed by an alternative investment fund manager (AIFM), in compliance with certain organisational and procedural requirements.

Regulatory framework and bodies

17. What are the key statutes and regulations that govern hedge funds in your jurisdiction? Which regulatory bodies regulate hedge funds?

Regulatory framework

Alternative UCIs. See *Question 2, Open-ended retail funds: UCIs*.

SIFs. In addition to the SIF Law, the following main regulations are applicable to SIFs:

- CSSF Regulation N° 15-07 on the application of Article 42a of the SIF Law regarding risk management and conflicts of interest (CSSF Regulation N° 15-07);
- CSSF Circular 15/627 regarding monthly reporting to the CSSF.
- CSSF Circular 07/309 regarding risk-spreading in the context of SIFs (Circular 07/309).

Full Scope AIFs. A hedge fund whose assets are acquired through the use of leverage exceeding a threshold of EUR100 million will be considered a "Full Scope AIF" and will be subject to the full scope of the regime under the AIFM Directive. A Full Scope AIF should therefore appoint a duly authorised AIFM or be internally managed (where the legal form of the AIF permits an internal management and where the AIF's governing body has chosen not to appoint an external AIFM) in compliance with the requirements of the AIFM Directive.

Regulatory bodies. See *Question 2, Open-ended retail funds: UCITS*.

18. How are hedge funds regulated (if at all) to ensure compliance with general international standards of good practice?

Luxembourg hedge funds are largely regulated, and especially so since the implementation of the AIFM Directive.

Risk

Hedge funds are subject to specific risk diversification requirements, which vary depending on the chosen investment vehicle. For example:

- Alternative UCIs are subject to the investment rules set out in Circular 02/80.
- SIFs must comply with the risk-spreading guidelines set out in Circular 07/309. In particular, a SIF should not invest more than 30% of its assets or commitments in the same type of securities issued by the same issuer (except in specific cases or when a derogation is granted by the CSSF).

Valuation and pricing

The following valuation and pricing rules are applicable:

- For Alternative UCIs, the valuation of the assets must be based on the realisable value estimated in good faith, unless otherwise provided for in the constitutive documents.
- For SIFs, the valuation of the assets must be based on the fair value, unless otherwise provided for in the constitutive documents.
- For Full Scope AIFs the valuation must be performed by the AIFM or by an external valuer in accordance with the conditions set out in the AIFM Law.

Systems and controls

The following systems and controls are applicable:

- For Alternative UCIs, there are no specific requirements under the Collective Investment Law to establish a permanent risk management system. However, it is market practice to implement such a procedure.
- Pursuant to CSSF Regulation N° 15-07, SIFs must establish a permanent risk management function, as well as appropriate risk management and conflict of interest policies.
- Full Scope AIFs must establish both permanent compliance and internal audit functions and liquidity management, valuation and remuneration policies.

Insider dealing and market abuse

Insider dealing and market abuse are prohibited by the Law of 9 May 2006 on market abuse, as supplemented by CSSF Circulars 06/257 and 07/280. Regulation (EU) 596/2014 on market abuse (Market Abuse Regulation) will replace the current framework from 3 July 2016.

Transparency

See *Question 23*.

Money laundering

Both hedge funds and their managers must comply with the Law of 12 November 2004 on the fight against money laundering and terrorist financing (as supplemented by various regulations).

Marketing

19. Who can market hedge funds?

Alternative UCIs

The rules are the same as for open-ended retail funds (*see Question 4, Open-ended retail funds*).

SIFs

The rules are the same as for open-ended retail funds (*see Question 4, Open-ended retail funds*).

Full Scope AIFs

Shares or units of a Full Scope AIF can be marketed by the fund itself, the AIFM or an intermediary on their behalf (including credit institutions or professionals of the financial sector authorised under the Law of 5 April 1993 on the financial sector).

20. To whom can hedge funds be marketed?

Alternative UCIs

The rules are the same as for open-ended retail funds (*see Question 5, Open-ended retail funds*).

SIFs

Shares/units of SIFs can only be marketed to "well-informed" investors (that is, institutional, professional or retail investors who meet specific criteria set out in the SIF Law).

AIFs

Under the AIFM Directive marketing passport regime, AIFs managed by an authorised AIFM can be marketed to professional investors in another EU member state. Under the AIFM Law, foreign AIFs can further be marketed to retail investors in Luxembourg provided both:

- In their home member state they are subject to regulations that require the same level of investor protection and prudential supervision.

- They comply with the requirements set out in CSSF Regulation N° 15-03.

Investment restrictions

21. Are there any restrictions on local investors investing in a hedge fund?

See *Question 20*.

Assets portfolio

22. Who holds the portfolio of assets? What regulations are in place for its protection?

Hedge funds must appoint a depositary that is approved by the CSSF for the main purpose of safekeeping and monitoring their assets. The following rules apply depending on the type of fund:

- Alternative UCIs must appoint a depositary pursuant to Part II of Collective Investment Law and Circular 91/75.
- Alternative UCIs qualifying as Full Scope AIFs must appoint an authorised depositary which complies with the applicable AIFM Directive requirements (in relation to appointment eligibility, scope of duties, delegation, and liability framework).
- SIFs must appoint a depositary in accordance with the SIF Law and Circular 91/75.
- SIFs qualifying as Full Scope AIFs must appoint a depositary that is compliant with the AIFM Directive.

Requirements

23. What are the key disclosure or filing requirements (if any) that must be completed by the hedge fund?

Investors

The key disclosure or filing requirements to be made to investors vary depending on the type of fund:

- For Alternative UCIs, the rules are the same as for open-ended retail funds (*see Question 12, Open-ended retail funds: Investors*).
- SIFs must publish an offering document and an audited annual report within six months from the end of the financial year.
- Full Scope AIFs are required to disclose certain information (for example regarding investment strategy and objectives), as well as publish an audited annual report within six months from the end of the financial year. Full Scope AIFs must also:
  - provide a certain amount of information prior to the investment, as specified in the AIFM Law; and
  - disclose periodically to the investor, information concerning the liquidity risk and the level of leverage.

Regulators

The key disclosure or filing requirements to be made to regulators vary depending on the type of fund:

- For Alternative UCIs, the rules are the same as for open-ended retail funds (*see Question 12, Open-ended retail funds: Investors*).
- SIFs must submit monthly and annual financial reports to the CSSF.
- Full Scope AIFs are required to submit periodic financial reports to the CSSF. In addition, Full Scope AIFs must also submit the following to the CSSF:
  - regular reporting (regarding the principal trading instruments and markets as well as leverage levels);
  - ad hoc reporting upon request; and
  - specific reporting in case of acquisition and/or control of major holdings of certain unlisted companies.

24. What are the key requirements that apply to managers or operators of hedge funds?

Alternative UCIs

The key requirements applicable to managers or operators of Alternative UCIs are the same as for open-ended retail funds (*see Question 6, Open-ended retail funds: UCIs*).

SIFs

The key requirements applicable to managers or operators of SIFs are the same as for open-ended retail funds (*see Question 6, Open-ended retail funds: UCIs*).

Full Scope AIFs

Full Scope AIFs must be managed by a duly authorised AIFM. If the AIFM is established in Luxembourg, it must be approved by the CSSF.

Legal fund vehicles and structures

25. What are the main legal vehicles used to set up a hedge fund and what are the key advantages and disadvantages of using these structures?

The legal vehicles for hedge funds are the same as for retail funds (*see Question 8, Open-ended retail funds*). However, SIFs can choose from a wider range of corporate forms. The most common forms for SIFs include:

- Partnership limited by shares (*société en commandite par actions*).
- Public limited company (*société anonyme*).
- Special limited partnership (SLP) (*société en commandite spéciale*).

The SLP was introduced by the AIFM Law based on the Anglo-Saxon limited partnership model. It is particularly attractive to investors as it offers great flexibility in relation to structuring and organisation.

Tax treatment

26. What is the tax treatment for hedge funds?

SIFs must pay an annual subscription tax of 0.01% on their NAV. Exemptions apply to:

- The value of the assets represented by shares/units held in collective investment undertakings, provided such are already subject to subscription tax.
- Special institutional money market funds.
- Pension funds.
- SIFs investing in microfinance.

For Alternative UCIs, see *Question 13, Closed-ended retail funds*.

The provisions applicable to resident investors, non-resident investors, tax reporting and VAT are the same as for open-ended retail funds (*see Question 13, Open-ended retail funds*).

Restrictions

27. Can participants redeem their interest? Are there any restrictions on the right of participants to transfer their interests to third parties?

Redemption of interest

Alternative UCIs. See *Question 10, Open-ended retail funds: UCIs.*

SIFs. These can be open or closed-ended. The redemption rules must be specified in the fund documents.

Transfer to third parties

Alternative UCIs. See *Question 11, Open-ended retail funds: UCIs.*

SIFs. Under the SIF Law, there are no restrictions on the transfer of rights held in a SIF to third parties (subject to the investor eligibility criteria being met). Any contractual restrictions should be provided for in the fund documents.

Reform

28. What (if any) proposals are there for the reform of hedge fund regulation?

Current proposals for the reform of the hedge fund market are as follows:

- Bill No. 6929 will introduce a new type of fund: the reserved alternative investment fund (RAIF) is a new AIF to be managed by an authorised AIFM. The RAIF will provide the same characteristics and flexibility as a SIF, but will not be authorised or supervised by the CSSF. It is expected that the new law introducing the RAIF will enter into force in the coming months.
- Bill No. 6936 will amend the SIF Law, the AIFM Law and the Collective Investment Law (among others). Under the current version of the bill, UCIs and investors of SIFs who are not professional investors within the meaning of MiFID II can only invest in a certain type of assets determined by the CSSF. Furthermore, the bill provides that closed-ended UCIs will no longer be required to issue shares based on the NAV, but on a price fixed in accordance with their constitutive documents.

ONLINE RESOURCES

Commission de Surveillance du Secteur Financier (CSSF)

W www.cssf.lu

Description. Official website of the Luxembourg financial supervisory authority. The website contains electronic versions of the applicable laws and regulations. The website also contains relevant information and documents relating to authorisation procedures.

Practical Law Contributor profile

Julie Thai, Counsel

Luther S.A.
T +352 27484 667
F +352 27484 690
E julie.thai@luther-lawfirm.com
W www.luther-lawfirm.lu

Professional qualifications. Avocat à la Cour, Luxembourg

Areas of practice. Investment management and financial services.

Languages. English, French, Vietnamese

Professional associations/memberships. Luxembourg Bar Association; Association of the Luxembourg Fund Industry; International Bar Association.