

PURE CAPITAL

INDEPENDENT ASSET MANAGEMENT

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For ALL TYPES OF FUNDS

CSSF Frequently asked questions regarding International Financial Sanctions

On 30 September 2025, the CSSF published Version 9 of its FAQ on the AML/CFT Market Entry Form – Fund and IFM (eDesk). The Market Entry Form is required at the set-up of a UCITS, Part II UCIs, SIFs, SICARs and investment fund managers (IFMs), including management companies and AIFMs or asking authorization/registration of a label for all types of AIFs (ELTIFs, EuSEF, EuVECA,...). The FAQ clarifies when the form must be submitted, how updates should be handled, and the documentary requirements for key function holders.

Main Updates:

- Q1 – When should a Market Entry Form be completed?

Specifies when the form is needed (e.g. new funds, sub-funds, ELTIF updates, qualified shareholders in IFMs).

- Q5 – For existing Funds/IFMs, should the managers/directors submit a new declaration of honour, CV, criminal record and copy of their ID in the Market Entry Form?

Managers/directors already approved by CSSF (in a Fund or an IFM) are not required to resubmit the declaration of honour, CV, criminal record, or ID copy when a new version of the Market Entry Form (MEF) is sent. Just reference the previous submission.

New appointments must be notified separately to the CSSF.

- Q6 – For existing Funds/IFMs, should a new compliance officer in charge of the control of compliance with the AML/CFT professional obligations (“RC”) be appointed, and should this person not be part of the board of managers/directors, which documents must be provided to the CSSF?

For appointing a new RC, the signed identification form and any required documents must be sent to CSSF by e-mail. Submission via eDesk is only possible if the RC change coincides with a trigger event requiring a Market Entry Form.

CSSF FAQ - International Financial Sanctions

On 3 November 2025, the CSSF has published an updated FAQ outlining how Luxembourg financial professionals must comply with international financial sanctions. It consolidates key obligations and procedures, including:

- Legal Framework:
 - Law of 19 December 2020 (restrictive measures)
 - Grand-ducal Regulation of 14 November 2022
 - CSSF Regulation 12-02
- Key Requirements:
 - Apply restrictive measures without delay (e.g. freeze funds, block transactions)
 - Notify:
 - Ministry of Finance (sanctions@fi.etat.lu or by post)
 - CSSF (adm_jurcc@cssf.lu) – simultaneously
 - Use official templates provided by the Ministry, including the frozen funds reporting form

This FAQ serves as a practical guide to ensure timely and compliant implementation of sanctions by financial-sector entities.

Chamber of Deputies publishes bill of law no 8628 on AIFMD 2 and UCITS 6

The Luxembourg bill of law 8628 transposes Directive EU/2024/927 into the law of 17 December 2010 on UCI and the Law of 12 July 2013 on AIFM, with the objective of aligning Luxembourg law with the revised EU regime while introducing targeted national adjustments aimed at maintaining regulatory clarity, operational efficiency and market attractiveness.

Key regulatory developments

1. Integration of the revised EU framework

- Delegation oversight: clearer rules on functions, reporting, and cooperation.
- Liquidity risk management : enhanced standards applicable to both AIFs and UCITS, covering preventative tools and crisis-management mechanisms.

- Depositary services: harmonised oversight and cross-border access.
- Supervisory reporting: Alignment of supervisory reporting requirements applicable to AIFMs and UCITS management companies
- Loan-originating AIFs: The introduction of a fully-fledged legal framework for loan-originating AIFs, addressing leverage limits, risk retention mechanisms, diversification requirement, and conflicts of interest controls

2. Luxembourg- Specific policy choices

Alongside the EU transposition, the draft law introduces several national adaptations reflecting Luxembourg's pragmatic regulatory approach:

- additional liquidity management tools (LMTs) beyond EU list for stress scenarios.
- Restrictions on consumer lending : No lending to Luxembourg consumers or servicing such loans locally (with narrow exceptions).
- In-kind issues subscriptions/redemptions for UCITS:
 - Exemption from auditor's report if fair treatment ensured;
 - Extended to FCPs and UCITS ETFs.

3. Technical clarifications supporting implementation

- Ancillary activities: broader definition for efficient structuring.
- Substance expectations : confirmation alignment with existing CSSF practice.
- Loan origination rules: clarifies 20% diversification limit, 5% risk retention, and leverage conditions.

CSSF Updates Q&A on Circular 25/894

The CSSF has released an updated version of its Q&A to clarify reporting obligations applicable to funds not authorised by the CSSF, as well as to foreign UCITS managed by Luxembourg-based entities. The Q&A supplements CSSF Circular 25/894, which amended Circular 15/612.

1. Scope of application and notification requirements

Luxembourg UCITS management companies subject to Chapter 15 (SG15) are required to identify and report UCITS established in another EU Member State that they manage. Likewise, authorised AIFMs must notify the CSSF of the AIFs established in another Member State under their management. As a general rule, these notifications are

expected to be filed prior to any notification relating to cross-border management under the freedom to provide services or through a branch.

2. Funds in formation and material changes

Funds that are still in the process of formation cannot be notified under Circular 25/894. However, an AIFM may notify the management activity of an AIF in formation under Article 33 of the AIFMD, provided that the Circular 25/894 notification is submitted once the fund has been constituted.

A notification is also required in the event of a change of AIFM or a change in the regulatory status of the fund (authorised versus non-authorised). With respect to ELTIFs, any Luxembourg non-authorised AIF that includes an ELTIF compartment falls within the scope of the circular, and any subsequent changes must be reported to the CSSF via eDesk using the dedicated Circular 25/894 workflow.

3. Ongoing reporting obligations and lifecycle events

Financial reports for in-scope funds must be submitted to the CSSF via eDesk. Where an AIF enters into liquidation, the AIFM must notify the CSSF within ten business days of the effective date; following such notification, the ongoing reporting obligations under Circular 25/894 no longer apply.

The Q&A also sets out the acceptable operating models for depositaries, fund administration and delegated portfolio management, depending on the type of fund and its place of establishment. In particular, it addresses requirements applicable to non-financial asset strategies, conditions for EU and third-country delegations, and safeguards to prevent conflicts of interest, notably vis-à-vis the depositary. Comparable matrices apply to EU UCITS managed by Luxembourg SG15 entities.

4. Retroactive application and timing (new in Version 2)

The CSSF confirms that the circular does not apply retroactively to AIFs that have already been notified, except where a subsequent change triggers the use of the updated forms. By contrast, the reporting obligation applies retrospectively to foreign UCITS that were already managed prior to the effective date of the circular, with the aim of ensuring a comprehensive overview of all EU UCITS managed by Luxembourg UCITS ManCos.

5. Notification deadlines

Where management of a fund commences prior to its legal constitution, the required information must be submitted within ten business days following the constitution of the fund. In the event of a cessation of management, notification must be made at the time of cessation or within ten business days thereafter. Finally, if the service providers

ultimately appointed at launch differ from those initially indicated, the relevant form must be updated within ten business days following contract execution.

CSSF Issues Versions 5-6 of FAQ on Circular 22/811 (UCI Administrators)

On 23 October 2025, the CSSF published Version 5 of its FAQ on Circular 22/811, which governs UCI Administrators (UCIAs). This update removed Questions 5.1 and 6.1, previously addressing (i) the timing for the submission of the first annual reporting under point 7 of the UCIA Circular and (ii) the comparison between the notion of “central administration” under the 2010, 2007 and 2004 Laws and the concept of “UCI administration” under the UCIA Circular.

Subsequently, on 18 December 2025, the CSSF released Version 6 of the FAQ, which notably amended Question 2.1 regarding the scope of application of the UCIA Circular. The revised wording clarifies that the Circular applies to any entity listed under point 2.1 (“In-Scope Entities”) performing in Luxembourg all or any of the three functions defined under point 10 (registrar, NAV calculation and accounting, client communication) for UCIs, including regulated and non-regulated UCIs established in Luxembourg as well as foreign UCIs. It also extends to management companies subject to Chapter 15 or 16 of the 2010 Law and AIFMs authorised under Chapter 2 of the 2013 Law when pursuing UCI administration activities through a branch in another EU Member State. Conversely, the Circular does not apply to entities not listed under point 2.1, such as cases where an unregulated Luxembourg UCI is administered by itself or by its registered AIFM under Article 3(2) of the 2013 Law.

CSSF Updates Annex to Circular 22/822 on FATF High-Risk & Monitored Jurisdictions

On 27 October 2025, CSSF revised the Annex to Circular 22/822 to reflect the latest FATF public statements, aligning Luxembourg AML/CFT obligations with global standards. The Annex distinguishes :

I. High-Risk Jurisdictions :

- Democratic People’s Republic of Korea (DPRK) :

The FATF confirms that the DPRK still presents major deficiencies in its AML/CFT framework and remains concerned about its illicit activities related to proliferation and the financing of weapons of mass destruction. It maintains the requirement

for counter-measures and reminds jurisdictions to sever banking ties with the DPRK, close its branches, assess the heightened proliferation risk, and limit financial relationships with its nationals.

- Professionals must remain vigilant regarding risks linked to the DPRK's AML/CFT deficiencies, particularly in relation to proliferation financing. They must apply enhanced due diligence and monitoring measures to prevent any circumvention of counter-measures, inform the CSSF in case of a correspondent banking relationship with a North Korean institution, and maintain strengthened suspicious transaction reporting mechanisms to the FIU
- Iran:

Since 2016, Iran has not fully addressed its AML/CFT deficiencies despite the FATF action plan. The FATF requires effective counter-measures, including restrictions on Iranian branches and subsidiaries and the implementation of enhanced due diligence and reporting mechanisms. The FATF remains concerned about terrorism financing and proliferation risks and keeps Iran on its list until full implementation of the measures.

- Professionals must apply enhanced due diligence and monitoring measures for any relationship with Iran, including correspondent banking and third parties located in Iran. They must intensify controls, analyze sensitive transactions, obtain information on their purpose, and inform the CSSF in case of correspondent banking or reliance on an Iranian third party. Strengthened suspicious transaction reporting mechanisms to the FIU must also be maintained.
- Myanmar:

Myanmar has not addressed its AML/CFT deficiencies despite its 2020 commitment and the expiration of the action plan in 2021. The FATF requires enhanced due diligence measures proportionate to the risks, without hindering humanitarian or legal flows. If no progress is observed by February 2026, counter-measures will be considered.

- Professionals must exercise particular caution in business relationships with Myanmar, including with its companies and financial institutions or their representatives. They must assess risks linked to AML/CFT deficiencies and apply enhanced measures. Suspicious transaction reporting mechanisms to the FIU must be maintained.

II. Jurisdictions Under Increased Monitoring (“Grey List”)

Includes: Algeria, Angola, Bolivia, British Virgin Islands, Bulgaria, Cameroon, Côte d'Ivoire, DR Congo, Haiti, Kenya, Lao PDR, Lebanon, Monaco, Namibia, Nepal, South Sudan, Syria, Venezuela, Vietnam, Yemen, Burkina Faso, Mozambique, Nigeria, South Africa.

ESMA 2026 Work Programme

In its 2026 Annual work programme, the ESMA highlighted its main point of focus and the timeline of their publication in 2026. Key areas of focus in 2026 could include the use of leverage by funds, liquidity, as well as interconnectedness of funds with the rest of the financial system.

Under the AIFMD and UCITS Directive ESMA will in 2026 develop Guidelines providing indications to guide the competent authorities on the activation of suspensions of subscriptions and redemptions of funds. Similarly, the EC's assessment and review of the PRIIPs Regulation and SFDR may give rise to regulatory technical standards (RTS) and requests for technical advice from the ESAs to contribute to the simplification of the legislative framework and burden reduction for financial market participants.

ESMA reveals distribution costs as major component of UCITS investment expenses

ESMA has published its first in-depth analysis of UCITS and AIF cost structures across the EEA, revealing that distribution costs are a major driver of overall investment expenses. For UCITS, distribution fees account for almost half of total costs ($\approx 48\%$), while for AIFs they represent around 27%. This reflects the continued reliance on traditional distribution channels—mainly banks and investment firms—which bundle advisory and portfolio management services and therefore charge higher fees than low-cost digital platforms and neo-brokers.

The report further shows that inducements paid by asset managers to distributors remain a significant cost component, representing 45% of ongoing UCITS costs and 34% for AIFs. These payments, often not fully visible to investors, influence distribution choices and raise transparency and potential conflict-of-interest concerns.

European Commission proposes amendments to SFDR

On 20 November 2025, the European Commission unveiled a proposal to revamp the Sustainable Finance Disclosure Regulation (SFDR) to make it simpler, more effective, and better suited for retail investors.

Key Highlights

- Simplified Transparency Rules

Removal of entity-level reporting on “principal adverse impacts” for most firms, reducing duplication with CSRD and lowering compliance costs.

- Streamlined Product Disclosures

Focus on clear, comparable, and relevant information to improve investor understanding.

- New Product Categories

Introduction of three distinct categories:

- Sustainable: Products directly contributing to environmental or social objectives.
- Transition: Supporting companies/projects moving toward sustainability.
- ESG Basics: Integrating basic ESG criteria without full sustainability alignment.

Products must allocate at least 70% of assets to the chosen category and exclude harmful activities (e.g., human rights violations, tobacco, weapons, excessive fossil fuels). Only these categories may use ESG-related terms in names and marketing.

CSSF 2025 Financial Crime Questionnaire

The CSSF will open its annual 2025 AML/CFT online questionnaire on 23 February 2026, aiming to gather standardised information on money laundering and terrorist financing risks faced by supervised entities and on the measures implemented to mitigate them. This cross-sector questionnaire supports the CSSF’s risk-based supervision framework. The 2025 edition includes several changes, with new and amended questions clearly marked.

Entities must submit the completed questionnaire via the CSSF eDesk platform by 3 April 2026. The API submission option remains available, supported by the existing user guide.

The questionnaire must be completed within eDesk by the RC (responsable du contrôle) or RR (responsable du respect des obligations professionnelles), though they may delegate completion to another employee or third party; however, responsibility remains with the RC/RR. All involved users must hold an eDesk account with LuxTrust authentication, and entities are encouraged to verify access in advance.

LBR publishes Circular LBR 25/01 Monitoring of regular clients holding an agreement with Luxembourg Business Registers

The LBR Circular 25/02 (November 18, 2025) announces the implementation of enhanced monitoring of regular clients holding an agreement with Luxembourg Business Registers (LBR). The goal is to improve the quality of data filed with the Trade and Companies Register (RCS), in line with the Law of December 19, 2002. This monitoring applies exclusively to professional users who submit a large number of filings. Clients who repeatedly submit incomplete or inaccurate requests will be contacted to address the issue. If no improvement is observed, administrative fees of EUR 10 (excluding VAT) per regularized filing will be charged, in accordance with the Grand-Ducal Regulation of January 23, 2003.

Circular 25/901 relating to specialised investment funds, investment companies in risk capital and undertakings for collective investment subject to Part II of the Law of 17 December 2010

The regulatory framework applicable to Specialized Investment Funds (SIFs), Risk Capital Investment Companies (SICARs) and Undertakings for Collective Investment subject to Part II of the Law of 17 December 2010 has undergone a major modernization.

The CSSF issued Circular 25/901, effective 19 December 2025, to reflect current market practices and strengthen Luxembourg's competitiveness.

1. Objectives of the Reform

- Consolidate several circulars into a single, coherent text.
- Clarify terminology to make alternative investment funds more accessible.
- Align rules with EU standards while maintaining flexibility.
- Adopt a principle-based approach rather than detailed prescriptive rules.
- Adjust requirements according to the type of investor.

- Preserve existing rules for funds approved before the effective date.

2. Key Updates in CSSF Circular 25/901

- Repeal and replacement of CSSF Circulars 02/80, 07/309, 06/241, and certain sections of IML Circular 91/75.
- Investment limits:
 - 25% per entity for funds marketed to non-informed retail investors.
 - 50% for informed or professional investors.
 - Up to 70% for infrastructure investments reserved for informed investors.
- Borrowing:
 - Limit of 70% of assets for funds marketed to non-informed retail investors.
 - No strict limit for funds reserved for informed/professional investors.
- Flexibility:
 - Exemptions possible upon duly justified request.
 - Ramp-up (portfolio build-up) and wind-down (disinvestment) periods may be provided in the offering document.
- Clarifications for SICARs:
 - Definition of risk capital: development intent, specific risk, exit strategy.
 - Specific restrictions (listed securities, liquidity management, derivatives, real estate, commodities).
- Enhanced Transparency: The circular strengthens disclosure requirements in offering documents to ensure clear and complete information for investors:
 - Investment policy: objectives, strategies, asset classes, limits and associated risks.
 - Subscription and redemption conditions: frequency, notice periods, liquidity tools.
 - Borrowing: maximum borrowing limit must be disclosed.
 - Warnings for non-informed investors: explicit mention of high risk and long-term commitment (>10 years).
 - Change procedures: description of how investment policy changes or extensions of fund life (up to three one-year extensions) are handled.

These obligations complement EU requirements (AIFMD Directive, Prospectus Regulation) and aim to ensure full transparency on risks, liquidity and fund governance.

Amended EU Benchmarks Regulation

This communication of the CSSF follows the adoption of Regulation (EU) 2025/914 amending the EU Benchmarks Regulation. It targets UCIs and investment fund managers under CSSF supervision that use benchmarks.

As highlighted by ESMA, the changes aim to reduce the regulatory burden for administrators and users of non-significant benchmarks in the EU, while maintaining integrity, robustness, and reliability to ensure strong consumer and investor protection.

Key Changes (Effective January 2026) :

- Scope narrowed:
 - Only critical or significant benchmarks, EU Climate Transition and EU Paris-Aligned Benchmarks, and certain commodity benchmarks remain in scope.
- Reduced burden:
 - Non-significant benchmarks are removed from the regulation.
- Limited opt-in:
 - Directors outside the scope of the rules may request the voluntary application of the rules , subject to conditions.
- ESG oversight:
 - Directors of EU Climate Transition and Paris-Aligned Benchmarks must be registered, authorised, recognised, or endorsed to prevent misleading ESG claims.
- Exemption:
 - Specific regime for spot foreign exchange benchmarks.

ALFI Private Assets Conference 2025

ALFI Private Assets Conference 2025 highlights the resilience and strong momentum of Luxembourg's private assets sector, which has established itself as a leading European hub for private debt, ELTIFs and alternative investment funds more broadly. Against an uncertain economic and geopolitical backdrop, private assets continue to outperform traditional asset classes and now play a central role in institutional asset allocation, with growing emphasis on semi-liquid strategies and a gradual opening to non-professional investors.

The discussions largely focused on regulatory developments, in particular the forthcoming transposition of AIFMD II, described as a targeted evolution rather than a structural overhaul. The revised framework preserves Luxembourg's delegation model while introducing enhanced reporting and product-level requirements, especially for private debt funds. Luxembourg also confirms its leading position in the ELTIF 2.0 market, supported by efficient authorisation timelines and an attractive framework for retail distribution.

Other key themes included the reform of the carried interest tax regime, widely viewed as a critical factor for talent attraction, the digitalisation and tokenisation of the fund value chain, as well as the growing importance of sustainable investments, notably in natural capital, the blue economy and infrastructure. Overall, the conference underlined the strategic role of private asset funds in financing the European economy and reinforced Luxembourg's long-term positioning as a reference financial centre for alternative investments.

For UCITS, Part II UCIs, SICARs and SIFs

CSSF Communication – PRIIP KID Submission Guidance

CSSF clarifies best practices for PRIIP KID submissions to ensure alignment with prospectus content and regulatory standards, outlining expectations for submitting Key Information Documents (KIDs) to the CSSF.

- Content Requirements :
 - KID must be brief, clear, and understandable (per EU Regulation 1286/2014 and Delegated Regulation 2017/653).
 - Provide a condensed description of the investment policy and strategy in plain language for retail investors—not a copy of the prospectus.
 - Mention all positions with material risk profiles, even if ancillary.
 - Include a short description of secondary investment policy, ensuring it remains proportionate to the main policy.
 - Exclude unnecessary details that overload the KID; these belong in the prospectus.
- Annual Update :
 - UCITS KIDs must be updated annually, with CSSF recommending submission within 35 business days after 31 December for supervisory efficiency.
- Dormant Share Classes :
 - Inform CSSF of the effective date for any share classes that are inactive, liquidated, or no longer distributed.
- CSSF Oversight :
 - CSSF may review KIDs periodically and take action on discrepancies or late submissions.

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