

PURE CAPITAL
INDEPENDENT ASSET MANAGEMENT

LEGAL UPDATE

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For ALL TYPES OF FUNDS

Communication to market participants on the application of the ESG Ratings Regulation and the new disclosure requirements under the SFDR

Since 2 July 2026, the ESG Ratings Regulation (EU) 2024/3005 has introduced new SFDR disclosure requirements under Article 13 of SFDR. Financial market participants and financial advisers within the scope of the SFDR that disclose ESG ratings to third parties as part of their marketing communications must publish the required information specified in Annex III, point 1, of the Regulation on their website and include a link to those disclosures in the relevant marketing communications.

Launch of the ESMA Common Supervisory Action on the risk management function of UCITS Management Companies (Mancos) and AIFMs

ESMA launched a Common Supervisory Action (CSA) on the risk management function of UCITS Mans and AIFMs across the European Union. In Luxembourg, the CSSF has contacted a sample of AIFMs to complete a questionnaire assessing the governance, organization of the risk identification function, risk identification, monitoring processes, and reporting arrangements. Only AIFMs specifically contacted by the CSSF are in scope.

CSSF Circular 26/915 – Extension of DORA to third-country branches

CSSF Circular 26/915 clarifies that third-country branches established in Luxembourg fall within the scope of DORA where their head office would qualify as an entity listed under Article 2(1)(a) to (t) of DORA. The Circular updates the existing CSSF framework accordingly: Circular 20/750 no longer applies to these branches, while the ICT outsourcing provisions of Circular 22/806 cease to apply, without affecting its non-ICT outsourcing requirements. The Circular also brings these branches within the scope of relevant DORA-related circulars, including Circulars 25/882, 25/892 and 25/893. Finally, it specifies that, where technical issues prevent the use of the standard reporting channel, major ICT incidents must be reported to the CSSF by email within the applicable regulatory deadlines, with reasons for using the alternative channel provided. The changes apply with immediate effect.

eRegister by eDesk

The CSSF has launched eRegister by eDesk, a centralised access point to public information. Its first feature allows professionals to access fund, sub-fund and share class identification data via a public API.

Access is subject to the prior signing of an agreement between the CSSF and the applicant, whether an individual or a legal entity. Interested parties can request access by contacting itcompliance@cssf.lu. Technical details and data specifications will be provided once the agreement has been signed.

CSSF Tokenisation FAQs

The CSSF recognises the efficiency and cost benefits of tokenisation and adopts a technology-neutral approach, assessing risks based on the use case rather than the underlying technology. Through its newly published FAQs, the CSSF encourages entities considering tokenisation projects to engage at an early stage in order to identify the applicable regulatory frameworks, licensing requirements and potential implementation challenges. Entities are expected to provide a comprehensive description of the project, including the asset lifecycle, token characteristics, stakeholder roles, contractual arrangements and outsourcing aspects. The FAQs aim to facilitate compliant tokenisation initiatives and will be updated as new market and regulatory issues emerge.

Communication on the CSSF Feedback Report – Circular CSSF 24/856

Following the entry into force of Circular CSSF 24/856 on 1 January 2025, the CSSF published a feedback report based on its first year of experience with the new notification framework for NAV calculation errors, investment rule breaches and other UCI-level errors. The report provides statistics on notifications received, highlights key observations and recurring issues identified by the CSSF, and shares feedback on the new eDesk/API submission process. Entities are expected to take these observations into account when assessing incidents and preparing future notifications under the Circular.

CRF publishes strategic analysis on crypto-asset misuse in financial crime

The Luxembourg Financial Intelligence Unit (FIU) highlights the continued misuse of crypto-assets for suspected money laundering and terrorist financing, based on an analysis of suspicious activity and transaction reports received in 2025. Bitcoin and Ether remain the dominant crypto-assets identified in reported cases, while stablecoins are playing an increasingly significant role. Fraud-related proceeds, particularly those stemming from social engineering schemes, investment scams and cyber-enabled fraud, represent a major source

of illicit funds entering the crypto-asset ecosystem. The report also points to increasingly sophisticated laundering techniques involving intermediary accounts and wallets, no-KYC services, decentralised finance (DeFi) platforms, cross-chain bridges and Layer 2 networks. Against this backdrop, the FIU underscores the importance of strengthening blockchain analytics capabilities, enhancing cross-sector risk assessments and fostering greater cross-border cooperation to detect, trace and disrupt crypto-enabled financial crime.

LBR publishes notice on the collection of reasons for consulting the Register of Beneficial Owners

On 24 July 2026, Luxembourg Business Registers (LBR) published an information notice confirming that users of the Register of Beneficial Owners (RBO) must now state the reason for each consultation before accessing information.

This requirement implements the traceability framework introduced by the law of 23 January 2025, requiring LBR to log the searcher's identity, the information consulted, the date and time, the relevant file reference and the precise reason provided for the consultation. Such logs must be retained for five years.

LBR clarifies that no specific level of detail is required and that reasons are collected for logging purposes, without any assessment of its content. Any compliance review would fall within the remit of the CNPD or the competent courts.

Importantly, the measure does not modify the substantive conditions governing access to the RBO, but merely enhances the traceability of consultations.

Publication of the law of 16 July 2026 amending the law of 12 November 2004 on AML/CFT

On 23 July 2026, the law of 16 July 2026 amending the AML/CFT Law of 12 November 2004 was published in the Official Journal. This law aims to strengthen Luxembourg's national AML/CFT governance and risk-assessment framework through:

- Enhanced Prevention Committee: expansion of its role as the national coordination mechanism for AML/CFT risks, including risk mitigation, coordination of AML/CFT statistics, and support from a newly appointed national AML/CFT coordinator and executive secretariat.
- Risk assessments: national AML/CFT risk assessment must be reviewed at least every four years, with ad hoc sectoral assessments where necessary, taking into account the EU supranational risk assessment.
- Statistics: the executive secretariat must collect and consolidate AML/CFT statistics and report them annually to the European Commission and AMLA.

The reform primarily strengthens Luxembourg's public-sector AML/CFT governance, risk assessment and statistical reporting framework. It does not directly introduce any material new AML/CFT obligations for private-sector obliged entities.

CSSF highlights AI-related cybersecurity risks and resilience expectations

On 7 July 2026, the CSSF published a communiqué highlighting the opportunities and growing cybersecurity risks associated with the adoption of artificial intelligence (AI) in the financial sector.

While AI can improve operational efficiency and support cyber defense, increasingly sophisticated models may enable faster and more scalable cyberattacks by accelerating the discovery and exploitation of vulnerabilities.

The CSSF stresses that preventive measures and timely patching alone are insufficient. In line with DORA's Information and Communication Technology (ICT) risk management requirements, supervised entities should strengthen their ability to detect, contain and recover from AI-enabled attacks. Key recommendations include reducing exposed attack surfaces, prioritising vulnerabilities based on risk, securing software development pipelines, implementing network segmentation and zero-trust principles, enhancing threat detection capabilities, and regularly testing incident response and recovery arrangements.

Overall, the CSSF calls for the holistic and resilient cybersecurity framework capable of addressing the evolving risks associated with AI and recognizing that preventive measures alone cannot eliminate all cyber threats.

Draft Law 8815 amending the Electronic Invoicing Law and VAT Law

On 30 July 2026, the Luxembourg Chamber of Deputies submitted a draft law extending mandatory electronic invoicing beyond public procurement (B2G) to domestic B2B transactions. The proposal, which partially implements, the EU VAT in the Digital Age (VIDA) framework, would require Luxembourg established businesses to issue, transmit and receive structured e-invoices compliant with the EN 16931 standard through a common delivery network.

The draft law also introduces corresponding amendments to the Luxembourg VAT legislation.

ESMA sets the key T+1 deadlines for allocations, confirmations and settlement

ESMA reminds market participants to accelerate preparations for the EU's transition to a T+1 settlement cycle, scheduled to take effect 11 October 2027. A key milestone is set for 7

December 2026, by which firms are expected to have implemented accelerated and standardised post-trade allocation and confirmation processes. The final phase focuses on settlement optimisation, enhanced use of CSD functionalities and industry-wide testing. The statement provides a clear roadmap to support readiness and a smooth transition across EU financial markets.

Update on CSSF ESG FAQ

The CSSF has clarified that SFDR RTS precontractual templates, when included in a prospectus or issuing document, form an integral part of that document. Consequently, any amendments to these templates must follow the standard prospectus amendment process, including the e-Identification procedure applicable to UCI prospectuses and offering documents. Only material changes, assessed on a case-by-case basis in accordance with Circular CSSF 14/591, must be submitted to the CSSF for prior review and authorisation. These include changes to a fund's SFDR classification, material amendments relating to the ESMA Guidelines on funds' names using ESG or sustainability-related terms, and material modifications to the SFDR criteria framework, such as changes to the investment strategy, index, methodology, investment objective, or disclosed investment thresholds.

The update does not introduce any new SFDR disclosure requirements but provides important procedural clarification regarding the treatment of amendments to SFDR precontractual templates. In particular, it confirms that such amendments fall within the ordinary prospectus amendment regime rather than being subject to a separate SFDR filing process.

Financial Stability Board (FSB) warns G20 ministers on frontier AI, cyber risk and market vulnerabilities

The FSB warns that, while financial markets have remained resilient, vulnerabilities persist, particularly in relation to sovereign debt fragilities, private credit risks, rising market leverage and elevated AI-related valuations. It highlights that frontier AI could significantly increase cyber threats and contagion risks across the financial system. The FSB calls for stronger cyber resilience, robust recovery capabilities, and enhanced oversight of critical technology providers, while continuing to assess the safe use of AI in financial services.

CSSF Highlights New Consumer Protection Rules for Sustainability Claims

Since 27 September 2026, the rules introduced by Directive (EU) 2024/825 on empowering consumers for the green transition have applied in Luxembourg. The CSSF reminds financial market participants that sustainability-related claims addressed to consumers must be clear, accurate and properly substantiated. Firms should also avoid presenting compliance with

existing legal requirements as a distinctive sustainability feature, as part of the broader effort to combat misleading environmental and sustainability claims.

LBR launches sanction phase of RCS and RBO compliance monitoring

The LBR has launched the sanction phase of its compliance monitoring procedure for the Luxembourg Trade and Companies Register (RCS) and the RBO, following the entry into force of the framework introduced by the law of 23 January 2025.

After a seven-month remediation period, LBR may now initiate enforcement proceedings against entities whose registered information is incomplete, inaccurate or not kept up to date. A formal notice will first be issued, allowing the entity to rectify the identified deficiencies. Failure to comply may result in a range of measures, including the publication of a non-compliance notice on official extracts and certificates, daily penalty payments of up to EUR 3,600, and, ultimately, ex officio deregistration after twelve months of non-compliance.

The new regime underscores the importance for registered entities of ensuring that information filed with the RCS and RBO remains accurate, complete and up to date. It also reflects the strengthened supervisory role entrusted to LBR in enhancing the reliability and transparency of Luxembourg's corporate registers.

CSSF Annual Report 2025

The CSSF's 2025 Annual Report highlights the importance of Luxembourg's asset management industry, with EUR 7,848.7 billion in assets under management by authorised investment fund managers as at 31 December 2025. The CSSF's supervisory focus notably covered governance, internal control functions, sustainable finance, risk management, and anti-money laundering and counter-terrorist financing (AML/CFT).

Governance, internal controls and compliance

As part of an ESMA Common Supervisory Action (CSA), the CSSF assessed the effectiveness of compliance and internal audit functions within investment fund managers. While the overall level of compliance was considered satisfactory, the CSSF identified a number of shortcomings, including insufficiently detailed policies, procedures and reporting, as well as inconsistencies in compliance monitoring frameworks and internal audit plans.

On-site inspections

On-site inspections remained a key component of the CSSF's supervisory approach. In 2025, the CSSF conducted 59 on-site inspections of investment fund managers, covering, among other areas, governance, AML/CFT, risk management, ESG-related matters and MiFID activities. The entities inspected represented approximately 46% of the assets managed by Luxembourg investment fund managers. The most common findings are related to the

oversight of delegated activities, collective portfolio management, support functions, valuation processes and the functioning of governing bodies.

Delegation oversight and best execution

The report places particular emphasis on weaknesses identified in the oversight of delegates. The CSSF observed deficiencies in the due diligence performed on delegated portfolio managers, a lack of documented controls and insufficient monitoring arrangements relating to best execution.

In several cases, investment fund managers did not have access to sufficiently detailed information to assess the quality of execution achieved by their delegates or to effectively verify the adequacy of the delegates' control frameworks.

Sustainable finance and greenwashing risks

In the area of sustainable finance, the CSSF continued its supervisory work relating to the SFDR, the Taxonomy Regulation and ESMA's guidelines on fund names. Inspections revealed several shortcomings in pre-contractual disclosures, periodic reporting and website disclosures.

In particular, the CSSF identified insufficient transparency regarding the methodologies used to classify certain investments as "sustainable", inconsistencies between investor disclosures and underlying portfolio holdings, and risks of incorrect fund categorisation under the SFDR framework. The CSSF also reiterated the importance of clearly distinguishing binding investment commitments from sustainability objectives and ensuring consistency between sustainability-related disclosures and actual portfolio composition in order to mitigate greenwashing risks.

Fund costs and fees

The CSSF also identified shortcomings in the monitoring of costs and charges borne by funds, particularly in relation to exceptionally high costs and the delayed implementation of remediation measures. Inconsistencies between certain SFDR periodic disclosures and pre-contractual disclosures were also noted.

Anti-Money Laundering

In the AML/CFT area, the CSSF continued its supervisory activities and identified several weaknesses relating to sanctions screening, alert handling processes, and controls applicable to distributors and clients subject to discretionary portfolio management arrangements.

Oversight of tied agents

In 2025, the CSSF conducted a thematic inspection campaign focusing on the supervision of tied agents. The inspections identified, among other issues, incomplete registration of certain tied agents in the national registers of the countries in which they operate, deficiencies in

internal control procedures, particularly within internal audit plans, and weaknesses in the identification and management of conflicts of interest.

The CSSF reiterated that tied agents act under the full and unconditional responsibility of the investment fund manager and that effective oversight of their activities must therefore be ensured.

Liquidity risk management

The CSSF also carried out a thematic review of liquidity stress-testing frameworks. The review identified several areas for improvement, including insufficiently severe stress scenarios, limited consideration of certain liability-side liquidity risks, inadequate testing frequency and shortcomings in the formalisation of contingency plans.

Specific findings were also made in relation to semi-liquid funds investing in private debt, real estate and private equity, particularly regarding stress-testing assumptions, liquidity pocket replenishment mechanisms and reverse stress-testing practices.

Supervisory priorities for 2026

Risk management and private assets

In 2026, the CSSF intends to further strengthen its supervisory focus on funds exposed to private assets, including private debt, real estate, private equity, semi-liquid funds and ELTIFs. Reviews will notably cover liquidity and credit risk management frameworks, the adequacy of stress-testing scenarios, the use of reverse stress tests and the operational readiness of managers to activate and implement LMTs.

Delegation Oversight

The supervision of delegated activities will remain a key supervisory priority. The CSSF will continue to assess the quality of due diligence performed on delegates, the ongoing monitoring of delegated activities and the effectiveness of the control frameworks established by managers.

Valuation Processes

On-site inspections also highlighted findings relating to valuation functions, particularly in the context of funds investing in less liquid or complex assets. These findings underscore the importance of robust valuation governance, reliable valuation methodologies and appropriate control mechanisms.

Sustainable Finance

Sustainable finance will remain a major area of supervisory focus. The CSSF will continue to assess the quality and consistency of disclosures made under the SFDR and the Taxonomy Regulation, the transparency of ESG methodologies used by managers and the alignment

between sustainability characteristics promoted to investors and actual investment strategies. Particular attention will also be paid to greenwashing risks and compliance with ESMA's guidelines on ESG- and sustainability-related fund names.

Conclusion

Overall, the 2025 Annual Report confirms that the CSSF's key prudential expectations continue to focus on sound governance, effective internal control functions, robust oversight of delegated activities, strong AML/CFT frameworks and reliable sustainability-related disclosures. Findings arising from on-site inspections also demonstrate increased scrutiny of valuation processes, liquidity risk management arrangements and funds investing in private assets, all of which are expected to remain at the forefront of the CSSF's supervisory agenda in 2026.

For UCITS, Part II UCIs, SIFs & SICARs

Communication to the Investment Fund Industry regarding the requirement to notify the “suspension of redemption (only)” in the “liquidity management tool (LMT) activation” module related to liquidity management requirements

The CSSF has extended the eDesk “LMT activation” module to cover notifications of redemption-only suspensions for Luxembourg UCIs, SIFs and SICARs. Since 21 September 2026, activations and deactivations of such suspensions must be notified through the eDesk module, although the existing administrative requirements and supporting documentation process remain unchanged. The measure aims to streamline liquidity management notifications and complements the broader LMT framework introduced by the 2026 Law.

ESMA LMT guidelines compliance table

On 21 July 2026, ESMA published a compliance table setting out the extent to which national competent authorities across the EU and EEA comply, or intend to comply, with its Guidelines on LMTs for UCITS and open-ended AIFs. The table provides an overview of the implementation status in each jurisdiction and, where relevant, indicates expected compliance dates and national implementing measures. Published for transparency purposes, it supports the monitoring of regulatory convergence across Member States and does not introduce any new obligations, supervisory expectations or substantive requirements for market participants.

ESMA publishes compliance table for revised MMF stress test guidelines

ESMA’s compliance table provides an overview of how national authorities are implementing the revised 2025 guidelines on stress test scenarios under the Money Market Fund Regulation (MMFR). It confirms broad compliance across the EU and EEA, including by the CSSF, with only Greece reporting non-compliance, while several jurisdictions indicate an intention to comply where no relevant MMFs currently exist. The publication does not introduce new regulatory requirements but highlights the successful integration of the revised stress test framework into national supervisory practices.

ALFI seeks benchmark-based guidance on MMF weekly liquid asset levels

ALFI supports the CSSF's objective of enhancing the resilience of Luxembourg-domiciled MMFs but maintains that weekly liquid asset resilience levels should serve as benchmarks and early-warning indicators rather than binding prudential minima. It advocates a "comply or explain" approach, allowing fund-specific justifications for temporary breaches, and calls for greater clarity on notification requirements. ALFI also encourages the use of ESMA stress-testing methodologies, enhanced reporting during stressed markets, and consistent supervisory treatment across jurisdictions.

For AIFs

Communication regarding management notifications and de-notifications with a European passport for Luxembourg-domiciled IFMs – Changes introduced by the AIFMD II

The law of 3 March 2026 has transposed Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 into Luxembourg laws (the “2026 Law”). In this context, additional activities and/or functions and/or services have been introduced for UCITS management companies and authorised alternative investment fund managers.

In this context, the CSSF hereby informs the Luxembourg-domiciled supervised entities concerned of the publication on its website of updated templates of notification letters. The new templates are available on the CSSF website.

The updated templates must be used by Luxembourg IFM for the notification of their management and marketing cross-border activities within the European Economic Area (EEA) since 31 July 2026.

Chambre des députés publishes Draft Law 8814 amending the AIFM law of 12 July 2013

On 30 July 2026, the Luxembourg Chamber of Deputies published the draft law 8814, proposing amendments to the AIFM law to allow Luxembourg SCS and SCSp qualifying as alternative investment funds (the “AIF”) and not subject to product-specific legislation to adopt a multi-sub-fund structure.

The proposed framework would be available to Luxembourg AIFs managed by either a Luxembourg-authorised AIFM or an AIFM authorised in another EU Member State under AIFMD. Existing sub-fund regimes under the SICAR, SIF, RAIF and Part II UCI laws would remain unaffected, with the specific rules under those regimes continuing to apply.

Key features of the proposed Article 28bis include:

- Constitutive documents : the multi-sub-fund structure and its arrangements must be expressly provided for in the AIF’s constitutive documents, which must also describe each sub-fund’s specific investment policy.
- Asset segregation: Investors’ and Creditors’ rights are generally limited to that sub-fund’s assets.

- Separate liquidation: each sub-fund may be liquidated independently without triggering the liquidation of the other sub-funds. Only the liquidation of the last remaining sub-fund triggers the liquidation of the AIF.
- Cross-sub-fund investment: A sub-fund may invest in other sub-funds of the same AIF, subject to restrictions preventing reciprocal investments and suspending the voting rights attached to the relevant interests for as long as they are held by the investing sub-fund.

Annual reporting: A separate annual report may be prepared for each sub-fund, provided that it also includes aggregated information covering all sub-funds.

The draft law would broaden the structuring options available to fund managers and strengthen the competitiveness and attractiveness of Luxembourg's investment fund industry.

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