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## WELCOME

This edition of the ManCo Newsletter explores the key regulatory, supervisory, and market developments shaping the European financial landscape. From liquidity management reforms and AI-driven financial risks to sustainable finance and emerging alternative assets, the selected articles provide concise insights into a rapidly evolving environment.

At Pure Capital S.A., we remain focused on adapting with integrity, embracing innovation, and delivering long-term value to our clients and partners.



# REGULATORY DEVELOPMENTS

## **CSSF INTRODUCES NEW LIQUIDITY MANAGEMENT REQUIREMENTS FOR UCITS AND AIFMS**

On 18 March 2026, the Commission de Surveillance du Secteur Financier (CSSF) issued a significant communication outlining strengthened liquidity management obligations for Luxembourg domiciled UCITS and Luxembourg authorised AIFMs managing open ended AIFs. These measures arise from the Law of 3 March 2026, which transposes Directive (EU) 2024/927 also known as AIFMD II / UCITS VI into Luxembourg legislation. The new framework has been in effect since 16 April 2026.

Under the updated regime, UCITS and AIFMs must now select at least two Liquidity Management Tools (LMTs) from those listed in Annex III of the 2010 Law or Annex V of the 2013 Law. Importantly, the CSSF stipulates that swing pricing and dual pricing alone are insufficient, ensuring that managers adopt a more robust and diversified liquidity risk framework aligned with the fund's investment strategy, liquidity profile, and redemption policy.

Managers are required to embed their chosen LMTs directly into fund documentation whether fund rules, instruments of incorporation, UCITS prospectuses, or AIF disclosure documents. These disclosures strengthen transparency toward investors and align with the regulatory emphasis on better communication of liquidity governance practices.

Beyond disclosure, the CSSF now mandates detailed policies and procedures governing the activation and deactivation of each LMT, supported by clear operational and administrative arrangements. This ensures that fund managers can implement liquidity controls swiftly and effectively in stressed market conditions.

Finally, UCITS and AIFMs must have notified the CSSF of their selected tools and provided accompanying documentation on governance and operational processes. They must also have reported all actual activations or deactivations of LMTs in accordance with the 2010 and 2013 Laws.

Find out more: [LMT Requirements](#)



# CSSF OPINION

## FINANCIAL FRAUD AND ONLINE SCAMS IN THE AGE OF ARTIFICIAL INTELLIGENCE

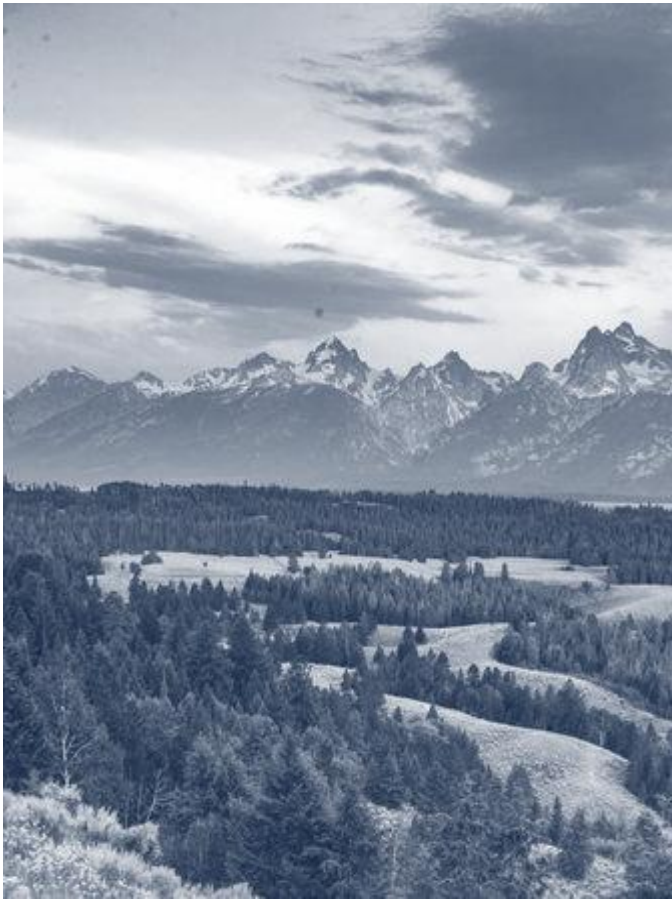
As artificial intelligence becomes a central driver of innovation in the financial sector, it is simultaneously enabling a new generation of sophisticated criminal schemes. The CSSF highlights this growing threat in its brochure on financial fraud and online scams released on February 5, 2026.

AI powered tools now allow fraudsters to create highly convincing fake documents, impersonate institutions, and automate large scale phishing operations. These technologies significantly enhance the credibility and efficiency of scams, making it increasingly difficult for individuals and even professionals to differentiate legitimate communications from fraudulent ones.

A notable trend identified by the CSSF involves scammers impersonating the authority itself. Victims are contacted by individuals falsely claiming to represent the CSSF, demanding the payment of taxes, fees, or confidential information, a practice the regulator categorically never engages in. Many fraud attempts also originate on social media platforms, where criminals promote attractive credit offers or investment opportunities, often using forged profiles of reputable financial institutions. These fraudulent schemes typically escalate through private messages and emails sent from non professional accounts, ultimately pressuring victims into sharing personal data or making upfront payments. In response to this rapidly evolving threat landscape, financial vigilance and digital literacy have become essential. While AI can be misused by malicious actors, it is also a powerful tool to combat fraud. Advanced detection systems can identify suspicious behaviors, recognize anomalies, and adapt quickly to emerging scam techniques. The CSSF encourages financial institutions to strengthen their technological safeguards and urges consumers to verify the authenticity of all communications, particularly those requesting urgent action. Reporting suspicious behavior and consulting official guidance remain critical steps in preventing online fraud. In a world where cyberthreats evolve as quickly as technology itself, collective awareness and responsible digital behavior form the strongest defense against increasingly intelligent fraud schemes.

Find out more: [Online financial frauds and scams in an artificial intelligence world](#)





# ESG

## LUXEMBOURG'S SUSTAINABLE FINANCE MOVES FROM MOMENTUM TO MATURITY

A joint study by the Association of the Luxembourg Fund Industry (ALFI), the Luxembourg Sustainable Finance Initiative (LSFI) and PwC Luxembourg reviews how sustainable finance has evolved since 2020 and what “recalibration” now means for investors, regulators and fund promoters, with a focus on fund markets in Europe and Luxembourg.

For comparability, the analysis excludes funds of funds (to avoid double counting) and removes money market funds from public-market figures; in Europe and Luxembourg it focuses on UCITS (and non EU equivalents).

By end 2025, sustainable public and private market funds domiciled in Luxembourg represented €1,632.7 billion in assets under management. In public markets, sustainable funds totalled €815.4 billion versus €3,495.4 billion in conventional funds (excluding money market funds). Luxembourg domiciled sustainable public market funds grew at a 9.1% CAGR from 2020–2025 to 2,327 funds, and SFDR Article 8 and 9 products represented 71.5% of Luxembourg public market fund AuM.

Across Europe, sustainable public market funds totalled €2.6 trillion out of €14.0 trillion (excluding money market funds), while the global total reached €3.1 trillion by end 2025. Luxembourg remained Europe’s leading domicile, representing 31.0% of Europe’s sustainable public market AuM; in private markets it held 77.0% of Europe’s sustainable private market fund AuM. Sustainable private market funds domiciled in Luxembourg reached €855.6 billion by 2024 (40.1% of the country’s private market fund AuM).

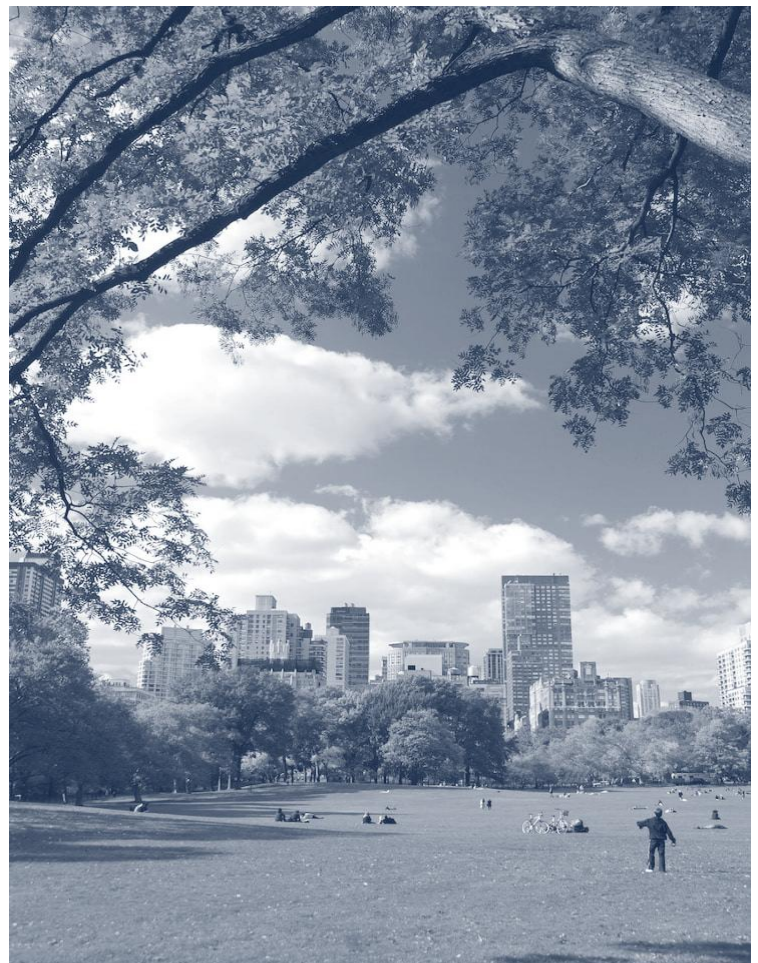
The report frames the current environment—marked by volatility and regulatory adjustment—as a shift from rapid expansion to maturity, where credibility depends on evidence rather than labels. For Luxembourg, sustaining leadership will hinge on stronger data, clearer reporting and better measurement of real world outcomes.

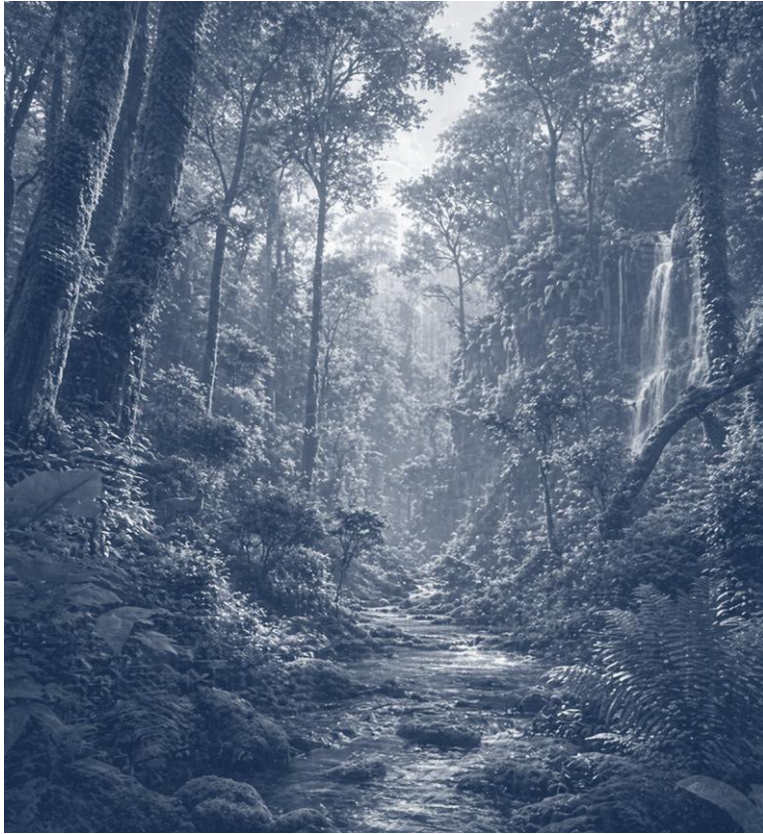
Find out more: [Luxembourg’s Sustainable Finance Moves from Momentum to Maturity](#)

## CSSF UPDATES ITS SUPERVISORY PRIORITIES FOR SUSTAINABLE FINANCE

On 2 March 2026, the Commission de Surveillance du Secteur Financier (CSSF) released an updated set of supervisory priorities highlighting its strengthened focus on sustainable finance across Luxembourg's financial sector. The update underscores the regulator's continued emphasis on ensuring robust ESG integration, transparency, and effective risk management within regulated entities. The CSSF reiterates that sustainability considerations are no longer viewed solely as regulatory requirements but as essential components of long term strategic and financial resilience. This shift reflects Luxembourg's active role in EU and international working groups that advocate for coherent and clarified sustainability frameworks. By promoting alignment and consistency across jurisdictions, the CSSF aims to support financial market participants in navigating evolving ESG rules while maintaining the credibility of sustainability related practices. For credit institutions and investment firms, the updated priorities place continued emphasis on transparency and disclosure obligations under the Sustainable Finance Disclosure Regulation (SFDR). These obligations will be supervised through the long form report, as detailed in Circular CSSF 22/821 for credit institutions and Circular CSSF 24/853 for investment firms. The self assessment section within these reports forms part of prudential supervision and may trigger enforcement actions where necessary. Risk management and governance also remain at the forefront of supervisory expectations. The CSSF will monitor alignment with Circular CSSF 21/773 and the EBA's ESG risk management guidelines, now implemented locally via Circular CSSF 26/905. On site inspections will increasingly integrate ESG considerations within governance, credit risk assessment, and climate related risk management processes. Moreover, the regulator may conduct targeted ESG specific inspections to ensure effective risk integration. The CSSF further emphasises the importance of compliance with MiFID II sustainability related obligations. Supervision will continue to follow a proportionate, risk based approach, adjusting its scope according to each entity's risk profile and the broader regulatory environment.

Find out more: [ESAs publish joint Guidelines on ESG stress testing](#)





## INVESTING IN FORESTS: THE RISE OF A NATURAL ASSET IN ALTERNATIVE INVESTMENT

Over the last two decades, institutional diversification has relied heavily on alternative assets. A less visible but increasingly relevant segment is timberland investing. While forests may seem far from financial markets, they share key features with other real assets: they are tangible, long-term in nature, and generate identifiable economic cash flows. Through professionally managed vehicles often structured as AIFs investors can access diversified portfolios of forest properties. Timberland performance is typically driven by three foundations: (1) the biological growth of trees, which increases volume and value over time; (2) timber harvesting, which can be timed with market conditions and serves end uses such as construction, pulp and bio-based materials; and (3) appreciation of forest land values, influenced by local supply-demand dynamics and land-use trends. Additional upside can come from emerging revenue streams such as carbon credits, renewable energy projects, biodiversity-linked initiatives and recreational uses. Historically, timberland has offered competitive long-term returns—often cited around 6–9% per year with relatively moderate volatility and low correlation to equity and bond markets. In an institutional portfolio, a small allocation (commonly 1–3%) can strengthen overall diversification. Key risks include fire, disease, extreme weather and timber demand fluctuations; these can be mitigated through geographic diversification, species mix and disciplined asset management. Beyond finance, forests are a particularly tangible “nature-based” investment: they contribute to carbon sequestration, biodiversity protection and renewable material supply. For many investors, timberland is a practical way to align financial objectives with environmental responsibility.



In this context, Luxembourg Europe’s leading hub for alternative fund structuring offers a natural ecosystem for developing forestry investment vehicles. The trend also highlights the need for multidisciplinary financial education that combines investment expertise with sustainability and real-economy understanding, helping future professionals assess and support the next frontier of alternative management.

Find out more: [Investing in Forests: The Rise of a Natural Asset in Alternative Investment](#)

# GEOPOLITICS

## ESAS SPRING RISK UPDATE HIGHLIGHTS GEOPOLITICAL PRESSURES AND RISING PRIVATE FINANCE RISKS

The European Supervisory Authorities (EBA, EIOPA and ESMA) have published their Spring 2026 update on risks and vulnerabilities in the EU financial system, warning that geopolitical tensions and fast-growing private finance markets are becoming more prominent sources of stress.

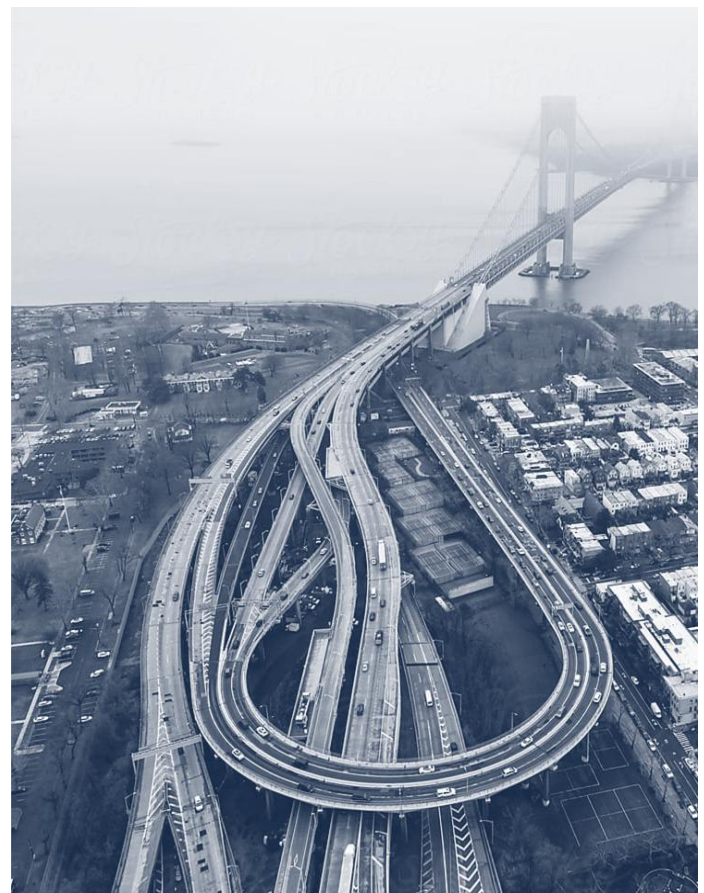
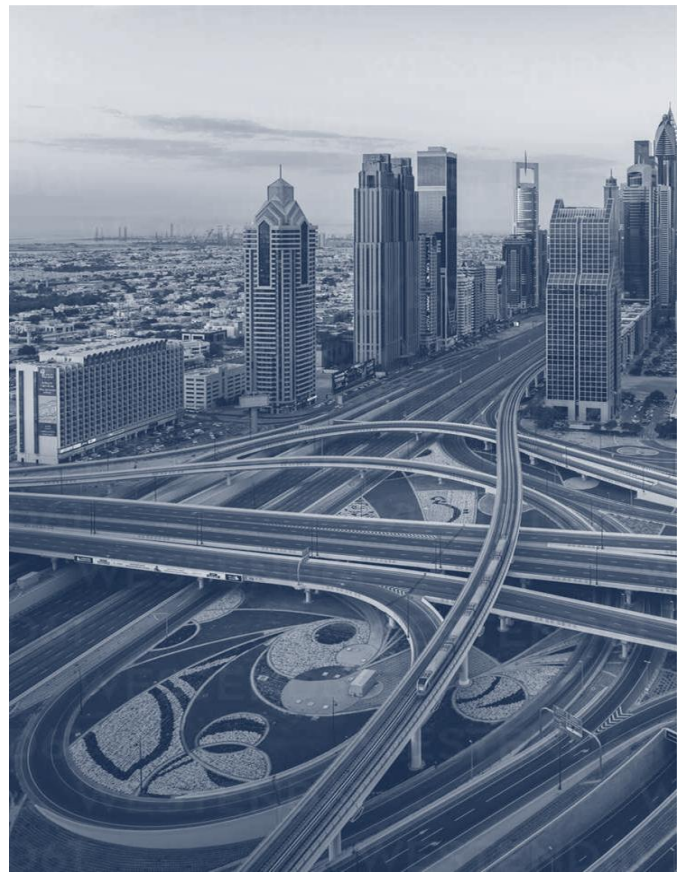
The ESAs point to transmission channels that can quickly move from geopolitics into markets: higher energy prices, renewed inflation pressures and weaker growth expectations. They also reiterate concerns that elevated equity valuations and compressed bond spreads can leave markets prone to sudden repricing and liquidity drops, with higher interest rates tightening funding conditions and weighing on asset quality.

A key theme is the rise of private finance—particularly private credit—where limited data, low transparency and complex links to the broader financial system can amplify spillovers if investor sentiment shifts. The ESAs highlight that the sector’s prolonged growth and opaque interconnections increase the likelihood of abrupt changes in liquidity and pricing under stress.

Beyond market risk, the update flags the potential for shocks from cyber-attacks and disruptions to critical infrastructure, alongside multi-line risk for insurers tied to geopolitical flashpoints and transport routes. Despite these headwinds, the ESAs describe the EU financial sector as broadly resilient, with solid capital and liquidity positions and limited direct exposures to the most affected regions.

For fund managers, the message is to stress-test portfolios and liquidity management for faster regime shifts: energy and rates shocks feeding into risk premia, correlated drawdowns, and widening bid-ask spreads. Managers with exposure to private credit or other private-market strategies may face greater scrutiny on valuation processes, leverage and redemption terms, concentration and counterparty links, and the robustness of data used to monitor underlying borrowers. The ESAs’ call for vigilance also reinforces the need to embed geopolitical and operational resilience scenarios—such as service-provider outages or cyber disruptions—into risk frameworks and investor communications.

Find out more: [ESAs spring risk update](#)





# CSSF NEWSLETTER

CSSF NEWSLETTER APRIL 2026

CSSF Newsletter April 2026 highlights a tighter supervisory perimeter and a more operationally prescriptive rulebook for Luxembourg fund structures. For UCITS and Luxembourg-authorized AIFMs managing open-ended AIFs, the centrepiece is the roll-out of AIFMD II / UCITS reforms on liquidity management tools (LMTs): managers must ensure an appropriate set of LMTs is available and embedded in fund documentation and investor disclosure, supported by clear governance on selection, calibration, and escalation/decision-making. The newsletter also underlines that EU guidance is converging quickly into Luxembourg expectations (notably ESMA guidance on LMTs), turning “policy on paper” into demonstrable readiness (data inputs, stress testing links, operational processes, and audit trail). Beyond liquidity, CSSF’s regulatory watch continues to flag ongoing change in adjacent regimes that affect fund operations and counterparties (e.g., derivatives and securities financing reporting/control frameworks), reinforcing the need for robust oversight of delegates and service providers and for reconciliations that stand up under supervisory scrutiny. At the European/international level, the risk narrative remains dominated by geopolitical uncertainty and its spillovers (market volatility, liquidity shocks, and valuation and funding stresses), which supervisors increasingly expect to see reflected in managers’ risk frameworks and contingency playbooks. For fund managers, the practical implication is to connect macro/geopolitical scenarios to liquidity stress testing, redemption assumptions, collateral/financing plans and, where relevant, to pre-defined LMT activation triggers so boards can evidence timely and proportionate decisions in stressed markets. Managers who can show (i) well-reasoned LMT selection and calibration, (ii) documented decision rights and conflicts handling, and (iii) credible escalation and communications planning will be better positioned to navigate both heightened regulatory scrutiny and geopolitical-driven liquidity events.

Find out more: [CSSF Newsletter April 2026](#)



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