

ALERT

Amendment of the Luxembourg Investment Funds Legal Toolbox

14 July 2023

On 11 July 2023, a law reforming Luxembourg investment funds (the “**Law**”) was adopted by the Luxembourg Parliament with the aim to, notably, improve and strengthen the prominence of Luxembourg as a leading financial hub. The Law brings amendments to the five sectorial legal toolboxes guiding the investment funds industry, namely the laws on SICAR, SIF, RAIF, UCI, and AIFM.

Below we describe the main changes provided by the Law, as well as their implications for the Luxembourg investment fund industry.

New threshold for “*well-informed investor*”

The Law modifies the definition of the term “*well-informed investor*”, included in the laws on SICAR, SIF and RAIF, in order to reinforce the coherence between the different laws and to align the Luxembourg regime with the European standard by lowering the current investment threshold from EUR 125,000 to EUR 100,000.

This lowering of the current investment threshold to EUR 100,000 brings the Luxembourg regime in line with European standards and, in particular, with Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (the “**EuSEF Regulation**”) and Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (the “**EuVECA Regulation**”).

Extension of the period during which the minimum capital must be reached

The Law extends the period during which the minimum capital must be built up for funds governed by the SICAR law, the SIF law, and the RAIF law from 12 to 24 months, and by Part II of the UCI law, from 6 to 12 months.

These extensions adapt the Fund laws to market needs by adding more flexibility, thus allowing asset managers to focus on their strategy, while, at the same time, benefiting from a solid legal framework that supports their growth.

More flexibility for Part II UCI

The Law extends the type of legal forms available for SICAV to that available for the SIF, SICAR and RAIF in order to liberate more potential in the structuring of investment vehicles.

Modifications for AIFM

The Law introduces the possibility for alternative investment fund managers (“**AIFM**”) to use “*tied agents*” thus aligning the legal framework applicable to them with that of management companies authorised under Chapter 15 of the UCI Law.

Targeted amendments are also made to the AIFM Law to clarify the relationship between the AIFM Law and other law provisions regarding the marketing of alternative investment funds in Luxembourg and to tidy up certain definitions contained in the AIFM Law.

Modernisation of the subscription tax

In the framework of its latest action plan on the Capital Markets Union (“**CMU**”), the European Commission has encouraged Member States to put in place national tax incentives to accompany the emergence of new European products, such as European Long Term Investment Funds (“**ELTIFs**”) and Pan-European Individual Retirement Savings Plans (“**PEPPs**”). The Law modernises the subscription tax regime notably to that aim.

As a result, both ELTIFs and PEPPs are added to the list of funds and investments benefiting from the subscription tax exemption. Luxembourg ELTIF will thus not be subject to subscription tax when they adopt the form of a UCI, a SIF or a RAIF. The Law also exempts UCIs (or any compartment thereof) whose securities are reserved for individual investors acting through a PEPP in line with regulation (EU) 2019/1238 from the subscription tax. This gives PEPPs a tax framework at least as favourable as that applied nationally to pension funds.

Implications

This reform of Luxembourg investment fund laws provides for more flexibility and more opportunity to investors. This Law demonstrates Luxembourg's ability to meet the new challenges and will further strengthen the legislative framework for the fund industry, which is evolving in a highly competitive international environment. Measures taken by Luxembourg in relation to ELTIFs and PEPPs are also an opportunity to further strengthen Luxembourg's position as a leading financial center.

Do you have further questions?



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