

ATOZ ALERT

The CSSF issues FAQ on virtual assets

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The Luxembourg supervisory authority (*Commission de Surveillance du Secteur Financier* – “**CSSF**”) issued an FAQ on virtual assets today.

This is a further step in the development of the country's position as a world leader in the booming industry of digital services.

The CSSF confirms that investing in virtual assets is not suitable for all kinds of investors and/or all investment objectives, and that, therefore, UCITS and UCIs addressing non-professional customers and pension funds are not allowed to invest directly or indirectly in virtual assets.

On the contrary, alternative investment funds (“**AIFs**”) may invest directly and indirectly in virtual assets under the cumulative condition that i) the AIF markets its units only to professional investors and ii) the authorised AIFM obtains an extension of authorisation from the CSSF for this new investment strategy.

In line with its previous communications, and notably with the consumers warning issued on 14 March 2018, the CSSF reminds that “virtual assets present specificities such as their volatility, liquidity and technological risk which could significantly affect the risk profile of the investment vehicle” and reiterates “the importance of having adequate internal control functions and their key role in the approval of new products/investment strategies”.

As such, any AIFM that intends to manage AIFs investing in virtual assets will have to provide specific information to the CSSF, notably as to how the investments will be made, how the risks will be managed, how the custody of the assets will be organised, etc.

Not surprisingly, the CSSF also reminds that, should the AIFM provide virtual assets services, a complete application file for registration as a virtual asset service provider (“**VASP**”) needs to be submitted to the CSSF before commencing the activity.

Finally, the CSSF emphasises that the *Responsable du Contrôle* (“**RC**”) and the *Responsable du Respect* (“**RR**”) of supervised entities investing in virtual assets must possess, and must be able to demonstrate, an adequate understanding of the new money laundering, terrorist financing and proliferation financing risks posed by virtual assets and the necessary measures to mitigate them.

Do you have further questions?



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