

Luxembourg Strengthens Its Investment Funds Framework

The newly enacted Luxembourg law, effective from 28 July 2023, marks a pivotal moment in the evolution of the Luxembourgish Investment Fund Hub. The amendments hold strategic significance by streamlining the investment landscape, aligning with industry trends, and enhancing Luxembourg's competitiveness in the global fund marketplace.

By Grzegorz Cieslik

A critical focus of these reforms lies in removing operational hurdles and establishing a level playing field with other fund jurisdictions. Notably, reducing the minimum investment threshold for well-informed investors in SIFs, SICARs, and RAIFs from EUR 125,000 to EUR 100,000 showcases Luxembourg's commitment to investor diversity. This change harmonizes with European fund labels' eligibility requirements, propelling broader market participation and expanding the investor base.

Additionally, the extended timeframe for SIFs, RAIFs, SICARs (24 months) and Part II UCIs (12 months) to reach minimum capital represents a timely adjustment, granting greater flexibility amid challenging fundraising conditions. Eliminating the previous 2-month limit for depositary replacement adds efficiency, reducing operational gaps and ensuring uninterrupted oversight during the transition.

Furthermore, these reforms fortify the Part II UCI regime, offering alternative asset managers more flexible structuring options, such as broadening available legal forms. This update empowers managers to tap into the retail market using structures that resonate with professional and institutional investors, aligning strategies with market preferences.

The Amending Law introduces technical adjustments in the RAIF domain, including a streamlined establishment process and clarified marketing to non-professional investors, fostering transparency and adaptability in this critical segment.

The exemption of ELTIFs from Luxembourg's registration tax and the possibility to structure 'Part II' ELTIFs as SCAs (commercial companies with freely transferable shares) or SCSp (special limited partnerships without legal personality) should help popularise this framework across retail clients.

The forward-looking nature of these amendments underscores Luxembourg's commitment to maintaining its dominant position as a favoured fund domicile. However, it's essential to acknowledge that the investment landscape evolves, necessitating continuous regulatory adaptation. While these changes are substantial and align with the current market landscape, vigilance and ongoing responsiveness to emerging trends remain paramount for sustained growth.

These developments reinforce our confidence in Luxembourg's ability to provide an attractive, responsive, and dynamic framework for investment funds. The industry aspires to nurture an environment fostering growth, innovation, and competitiveness, benefiting investors, fund managers, and the global financial ecosystem.

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