

# CSSF Annual report 2019

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*The report on the CSSF activities and on the development of Luxembourg's financial centre in 2019 has been released and is available on the CSSF website.*

The annual report includes, in addition to statistical data, information on the CSSF's regulatory practice in all areas (including investment funds, management companies and AIFMs) where the CSSF is the competent authority.

As regards the supervision of investment fund managers and UCIs, the CSSF recalls in this report, particularly the importance of:

- rigorously complying with the deadlines for the communication of the financial information to the CSSF (and the need to prepare the financial reports with due care (i.e. they must be accurate in form and content));
- complying with the transparency requirements as regards investment policies and underlying risks in the UCITS prospectuses. Information on the investment strategies, on the investment decision-making processes (including, in particular, the aspects of selection, allocation, weighting, diversification and possible risk budget), on the use of derivative financial instruments and on the UCITS' risk profile must be sufficiently granular (especially for UCITS which pursue more sophisticated investment strategies, make greater use of derivative financial instruments or invest in complex products);

The CSSF also clarifies some elements as regards risk management policies of investment fund managers ("**IFMs**") and recalls the obligation for IFMs to provide a satisfactory explanation on the systems used in relation to stress tests, liquidity risk management, operational risk management and counterparty risk management in their risk management policy.

The annual report 2019 also includes some interesting findings in relation to on-site inspections relating to governance of IFMs (best execution, supervision of delegates, management information, AML/CFT, etc.).

Finally, as regards AML/CFT requirements under the supervision of the CSSF UCIs department, the report highlights the need for IFMs to further improve:

- the due diligence measures applied to the intermediaries, as required by Article 3 of CSSF Regulation 12-02;
- the key performance indicators enabling the ongoing monitoring by IFMs of the activities delegated to registrar and transfer agents in accordance with the requirements of point 466 of Circular CSSF 18/698;
- the programmes of continuing education (those programmes must be adapted to the specificities of investment funds and they must take into account the regulatory provisions applicable in Luxembourg);
- the frequency and documentation of controls in respect of the identification of the persons, entities and groups subject to prohibitions or restrictive measures in financial matters, as required by Article 33 of CSSF Regulation 12-02;
- the due diligence measures on the assets held by the funds, as required by point 309 of Circular CSSF 18/698;
- the due diligence requirements when entering into a business relationship: in particular, systematic procurement of sufficient information must be ensured in order to assess the nature of the intermediary's activities and the ML/TF risks relating thereto;
- the filtering device with respect to the sanctions lists; in this context, the CSSF reiterates that the filter must also apply to legal representatives and beneficial owners of the relevant entities; and
- the inadequate application of the risk-factor approach linked to distribution.

For any further information please contact us or visit our website at [www.elvingerhoss.lu](http://www.elvingerhoss.lu).

The information contained herein is not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific legal advice concerning particular situations.

We undertake no responsibility to notify any change in law or practice after the date of this newsletter

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