

# New legal framework for inactive accounts, safes and unclaimed insurance contracts

Until recently, Luxembourg's financial sector had no specific legislation on dormant accounts, safes and life insurance contracts. Only regulatory guidance was available on this highly technical topic, such as through Circular CSSF 15/631 on dormant or inactive accounts. The Law of 30 March 2022 on inactive bank accounts, inactive safe-deposit boxes and unclaimed insurance contracts, ("**Law**") introduces a legal framework applicable to financial institutions and insurance undertakings authorised in Luxembourg.

The purpose of the Law is threefold: prevention of inactivity, mandatory consignment after prolonged inactivity, and simplification of the restitution of assets.

First, the Law contains various provisions aiming to prevent the proliferation of inactive accounts and safes as well as unclaimed life insurance contracts. Banks and insurance companies are required to closely monitor their client relations and uphold regular contact. They have to introduce specific internal procedures and will have to comply with strict client information obligations.

Second, in case of prolonged inactivity and unfruitful research to identify the account owner, the Law provides for a consignment obligation. To this end, banks and insurance companies must file a digital consignment request with the *Caisse de consignation* (consignment office), within a 3-month period at the expiry of a period of inactivity defined in the Law (10 years for bank accounts and safe-deposit boxes and 6 years for unclaimed insurance contracts). Successful consignment requests will put an end to the contract concluded between clients and credit institutions or insurance companies. However, the *Caisse de consignation* can refuse the consignment request, in which case the assets will remain under the custody of the relevant entities.

Third, the Law facilitates the restitution process for account holders, beneficiaries or their heirs, by introducing a centralised electronic register, held by the *Caisse de consignation*. Any person with a right to the consigned assets can consult this register.

Moreover, the Law forces banks and insurance companies to closely monitor inactive accounts, safes and insurance contracts. An annual information report will have to be transferred to the respective regulator (CSSF or CAA) as well as the tax administration.

Covered entities and their management bodies may be subject not only to administrative sanctions by the CSSF and the CAA in their supervisory roles regarding the application of the Law, but also to criminal sanctions in the event of violation of consignment obligations.

The Law entered into force on 1 June 2022 but contains numerous transitional measures for accounts, safes and life insurance contracts that were already inactive prior to that date.

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