



association of the
luxembourg fund industry

New Fund Law

Luxembourg Regulated Investment Vehicles

An overview of the regulatory requirements
under the law of 17 December 2010

Updated as at 1 March 2011



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ALFI thanks KPMG in Luxembourg, which produced the content of this brochure,
for its authorization to reprint. KPMG in Luxembourg is a member of ALFI.

ALFI is pleased to reprint KPMG's new edition of the Luxembourg Regulated Investment Vehicles brochure, incorporating the recent changes in the legal and regulatory environment. The purpose of the brochure is to provide an overview of the various vehicles that may be set up in Luxembourg covering the complete spectrum of the Fund industry.

The overview covers the following aspects:

- Legal and regulatory requirements
- Shareholding
- Reporting requirements
- Approval and supervision
- Taxation

A changing environment

Since the last edition of this brochure, significant legal changes have occurred or are on their way within Europe.

The final text of the UCITS IV Directive, published in November 2009, requires an implementation in the Member States' national laws by 1 July 2011. Luxembourg was one of the first countries to transpose the text with the vote of a new fund law on 17 December 2010 that entered into force on 1 January 2011. UCITS IV, which has been widely welcomed, will introduce an "Efficiency Package" of six major amendments that aim to improve the effectiveness of the UCITS regime and provide the funds industry with billions of euros worth of efficiency gains.

This package consists of:

- A full Management Company Passport (MCP).
- Introduction of a framework for master-feeder structures.
- A new framework for fund mergers.
- A Key Investor Information Document (KIID) in place of the Simplified Prospectus.
- Speedier regulator-to-regulator notification procedures.
- Improved supervisory cooperation mechanisms.

A range of Level 2 implementing measures, notably for the Management Company Passport, mergers, master-feeders and notification process, adopted by the European Commission in July 2010, were also transposed in Luxembourg with two CSSF Regulations: Règlements CSSF N°10-04 and N°10-05.

Together with a CSSF circular implementing a set of CESR guidelines (now ESMA), the full UCITS IV package was made available in Luxembourg on 1 January 2011.

The Luxembourg Government took the opportunity of the UCITS IV change to amend/improve some other areas of the Fund law. The following elements are of particular significance to the Fund Industry:

- Delegation of asset management only to a licensed entity that is under the supervision of a regulator that exchanges information with the CSSF.
- Cross sub-fund investment is allowed for Part I and Part II funds under certain conditions.
- Foreign UCITS and UCIs management by a Luxembourg management company are not subject to Luxembourg taxation.
- Exemption of subscription tax is applicable for Exchange Traded Funds and Microfinance Funds.

The year 2010 was also marked with the continued discussions around the implementation of a new EU regulatory framework for **Alternative Investment Fund Managers** with a final text voted at the European Parliament in November 2010. In Luxembourg, the Alternative Investment Fund Managers Directive (“AIFMD”) will impact the applicable framework for Part II funds, SIFs and SICARs. Although the transposition is not expected before the second quarter of 2013 and a significant package of implementing level 2 measures

are foreseen, decisions on structuring new funds or new businesses may have to take this new dimension into consideration.

Also under scrutiny by the European Commission are the duties and responsibilities of the Depositary Banks and the remuneration of managers. After implementing new regulation in this respect as part of the Alternative Investment Fund Directive, a change of the UCITS regulation is also on its way and is expected to materialize in an upcoming “UCITS V”.

Luxembourg Fund industry

Over the years, Luxembourg has developed a strong reputation as a centre of excellence for a large variety of investment funds. The legal framework of the country offers a large selection of investment vehicles that may be used to accommodate the strategies pursued by promoters.

As at 31 December 2010, the size of the Luxembourg Fund industry was EUR 2.20 trillion (2009: EUR 1.84 trillion). There were 3,667 funds (2009: 3,463) or 12,937 sub-funds (2009: 12,232) approved. During the year 2010, 471 new funds were set up while 267 were closed or liquidated. In terms of sub-funds there was a net increase of 705 sub-funds during the year. Net subscriptions

during the year were EUR 161 billion, while the market accounted for an increase of EUR 353 billion.

In addition there were 244 (2009: 237) SICARs and 26 (2009: 24) securitization vehicles on the list of regulated vehicles by the Commission de Surveillance du Secteur Financier (the Luxembourg regulator) as at 31 December 2010. 2010 has seen a significant increase in the number of SIFs from 971 at the end of December 2009 to 1192 at the end of December 2010.

The table below shows the number of funds under the different laws and the size of the assets managed.

	2010			2009		
	Funds	Sub-funds	Assets EUR billion	Funds	Sub-funds	Assets EUR billion
Part I (2002 law)	1,846	8,361	1,763	1,843	7,976	1,465
Part II (2002 law)	629	2,069	222	649	2,137	221
SIF	1,192	2,507	214	971	2,119	154
SICAR	244	-	-	237	-	-
Securitization (regulated)	26	-	-	24	-	-

	Part I Fund (UCITS)	Part II Fund (UCI)	
Applicable legislation	Law of 17 December 2010 (“Fund law”). Part I	Law of 17 December 2010 (“Fund law”). Part II	
Eligible assets	Restricted to: Transferable securities, investment funds, financial derivative instruments, cash and money market instruments that are compliant with Article 41 of the Fund law, the Commission Directive of 19 March 2007 implementing Council Directive 85/611/EEC as transposed in Luxembourg by the grand-ducal decree of 8 February 2008 and CESR guidelines on a common definition of European money market funds (CESR 10-049). Uncovered short sales and borrowings are not permitted. More details can be found in KPMG’s brochure entitled “Clarification of Definitions concerning Eligible Assets for investments of UCITS”.	Unrestricted. Prior approval of the investment objective and strategy by the CSSF.	
Risk diversification requirements	Detailed risk diversification is required per Articles 42 to 52 of the Fund law.	Risk diversification requirements are detailed in CSSF Circular 91/75 and are less stringent than the ones in application for Part I funds. In addition, specific restrictions are contained in: - CSSF Circular 91/75 for funds investing in venture capital, futures, options and real estate. - CSSF Circular 02/80 for funds adopting an alternative investment strategy.	
Entity type	SICAV (SA) SICAF (SA,SCA) FCP All three must be open-ended.	SICAV (SA) SICAF (SA,SCS, SCA,Sàrl) FCP Structures may be open or closed-ended.	
Segregated sub-funds	Yes	Yes	
Cross sub-funds investment	Yes	Yes	
Master - Feeder	Yes Subject to very strict rules.	Yes	

SIF	SICAR	Securitization vehicle – regulated
Law of 13 February 2007 (“SIF law”).	Law of 15 June 2004 (“SICAR law”).	Law of 22 March 2004 (“Law on Securitization”).
Unrestricted.	<p>Restricted to direct and/or indirect investment in securities that represent risk capital.</p> <p>CSSF Circular 06/241 defines the notion of risk capital and the way the CSSF will decide if the investment objective of the SICAR complies with the requirement to invest in risk capital.</p> <p>Risk capital consists mainly of high risk investments made in view of their launch, development or listing on stock exchange. Such investments may take varied forms and are normally done with a medium-term view.</p> <p>The SICAR may also marginally enter into financial derivative instruments on an exceptional basis.</p> <p>Temporary investment in other assets is allowed pending investment in risk capital.</p>	Securitization of risks linked to all kinds of assets, whether movable or immovable, tangible or intangible as well as risks relating to obligations or liabilities assumed by third parties or relating to all or part of the activities of a third party. Such risks can be taken on by the securitization vehicle through the acquisition of assets, the securing or guaranteeing of liabilities, or the entering into any kind of obligation.
Risk diversification requirements are detailed in CSSF Circular 07/309 and are less stringent than the ones in application for part I and Part II funds.	No risk diversification requirements.	No risk diversification requirements.
<p>SICAV / SICAF (SA,SCA,Sàrl, SCoSA)</p> <p>FCP</p> <p>Structures may be open or closed-ended.</p>	Corporate entity with fixed or variable share capital (SA,SCA,Sàrl, SCoSA, SCS)	<p>Securitization company (SA, SCA, Sàrl, SCoSA) Public offering may only be conducted under the structure of a SA or SCA.</p> <p>Securitization fund (FCP, Fiduciary trust)</p>
Yes	Yes	Yes
No	No	No
Yes	Yes	Yes

	Part I Fund (UCITS)	Part II Fund (UCI)	
Required service providers in Luxembourg	<p>Depositary</p> <p>Réviseur d'entreprises agréé</p>	<p>Depositary</p> <p>Central administration</p> <p>Réviseur d'entreprises agréé</p>	
Management company requirement	<p>FCP Yes Management Company established in Luxembourg under Chapter 15 of the Fund law or a Management Company established in another EU Member State.</p> <p>SICAV/SICAF May appoint a Luxembourg or EU management company or be set-up as a self-managed SICAV (Chapter 15 of the Fund law).</p>	<p>FCP Yes (Chapter 16 of the Fund law)</p> <p>SICAV/SICAF No</p>	
Substance requirements in Luxembourg	<p>Head office of SICAV/ SICAF or of the Luxembourg management company of the FCP must be in Luxembourg.</p> <p>No nationality or residency requirements for Directors of funds which have appointed a management company.</p> <p>General requirement for one of the two conducting officers of the Luxembourg management company or self-managed SICAV to be located in Luxembourg.</p> <p>For non-luxembourg management companies, local rules apply.</p>	<p>Head office of SICAV/ SICAF or of the management company of the FCP must be in Luxembourg.</p> <p>No nationality or residency requirements for Directors of funds or management company.</p>	
Minimum capital requirement for fund/company	<p>€ 1,250,000 to be reached within 6 months of authorization.</p> <p>Self-managed SICAV/SICAF: € 300,000 at the date of authorization and € 1,250,000 to be reached within 6 months of authorization.</p>	<p>€ 1,250,000 to be reached within 6 months of authorization.</p>	
Minimum capital requirement for management company	<p>Initial capital : € 125,000</p> <p>Additional capital: 0.02% of the value of the portfolios managed by the management company in excess of € 250,000,000.</p> <p>Initial capital and additional capital are capped to € 10,000,000.</p> <p>Possibility to reduce capital need by 50% if a guarantee is received from a bank or an insurance company.</p>	<p>€ 125,000</p>	
Risk management	<p>The risk management function is regulated by the CSSF circular 07/308, the Règlement CSSF N° 10-4 and CSSF circular 11-498 implementing CESR guidelines 10-788.</p>	<p>The risk management function is not regulated.</p>	
Regulated Asset management	<p>Yes Regulated in the country of domicile.</p>	<p>Yes Regulated in the country of domicile (transitory provision up to 1 July 2012 for funds created before 1 January 2010).</p>	

SIF	SICAR	Securitization vehicle – regulated
Depositary Central administration Réviseur d'entreprises agréé	Depositary Central administration Réviseur d'entreprises agréé	Depositary Administrative agent Réviseur d'entreprises agréé
FCP Yes (Chapter 15 or Chapter 16 of the Fund law) SICAV/SICAF No	No	Securitization fund Yes (Commercial Law) Securitization company No
Head office of SICAV/ SICAF or of the management company of the FCP must be in Luxembourg. No nationality or residency requirements for Directors of funds or Chapter 16 management company. General requirement for one of the two conducting officers of the Chapter 15 management company to be located in Luxembourg.	Head office of the SICAR must be in Luxembourg. No nationality or residency requirements for Directors.	Head office of securitization company or of the management company of the securitization fund must be in Luxembourg. No nationality or residency requirements for Directors of securitization company or management company.
€ 1,250,000 to be reached within 12 months of authorization.	Total of subscribed share capital and share premium of € 1,000,000 to be reached within 12 months of authorization.	Securitization fund No minimum requirement Securitization company SA/SCA: € 31.000 Sàrl: € 12.500 SCoSA: no minimum requirement.
€ 125,000 For Chapter 15 management companies, additional capital based on the assets under management is required if in excess of € 250,000,000.	—	Will depend on the legal form chosen. The minimum capital will range from € 12,500 for a Sàrl to € 31,000 for a SA.
The risk management function is not regulated.	The risk management function is not regulated.	The risk management function is not regulated.
No	No	No

	Part I Fund (UCITS)	Part II Fund (UCI)	
Eligible investors	All types	All types	
Listing	Possible	Possible	
Capital calls	<p>FCP Capital calls can be made either by way of capital commitments or through the issue of partly paid units. The law does not prescribe the minimum percentage of payment of the unit.</p> <p>SICAV Capital calls may only be made by way of capital commitments as partly paid shares are not allowed for a SICAV.</p> <p>SICAF If the SICAF is set up as a SA or SCA, capital calls can be organized through capital commitment or by way of the issue of partly paid shares. At least 25% of each share must be paid-up.</p>	<p>FCP Capital calls can be made either by way of capital commitments or through the issue of partly paid units. The law does not prescribe the minimum percentage of payment of the unit.</p> <p>SICAV Capital calls may only be made by way of capital commitments as partly paid shares are not allowed for a SICAV.</p> <p>SICAF For a Sàrl capital calls may only be made by way of capital commitments as partly paid shares are not allowed. If the SICAF is set up as a SA, SCA or SCS, capital calls can be organized through capital commitment or by way of the issue of partly paid shares. At least 25% of each share must be paid-up.</p>	



SIF	SICAR	Securitization vehicle – regulated
Well-informed investors	Well-informed investors	All types
Possible	Possible	Possible
<p>FCP Capital calls may be made by way of capital commitments or through the issue of partly paid units. The law does not prescribe the minimum percentage to which each unit must be paid-up.</p> <p>SICAV Capital calls may be done by way of capital commitments or through the issue of partly paid shares. At least 5% of each share must be paid-up.</p> <p>SICAF Capital calls may be done by way of capital commitments or through the issue of partly paid shares. At least 5% of each share must be paid-up.</p>	<p>Capital calls may be made by way of capital commitments or through the issue of partly paid shares. At least 5% of each share must be paid-up.</p>	<p>Securitization fund Capital calls can be made either by way of capital commitments or through the issue of partly paid shares. The law does not prescribe the minimum percentage to which each share must be paid-up.</p> <p>Securitization company Partly paid shares are not allowed for the Sàrl and SCoSA so capital calls must be organized through capital commitment. If the company is set up as a SA or SCA, capital calls can be organized through capital commitment or by way of the issue of partly paid shares. At least 25% of each share must be paid-up.</p>



	Part I Fund (UCITS)	Part II Fund (UCI)	
Issue of shares / units	<p>FCP Units must be issued at the NAV price. Such price may be increased by expenses and commissions.</p> <p>Existing unitholders do not have a pre-emption right when new units are issued, unless specifically provided for in the Management Regulations.</p> <p>SICAV The issue of shares does not require an amendment of the Articles.</p> <p>Shares must be issued at the NAV price. Such price may be increased by expenses and commissions.</p> <p>Existing shareholders do not have a pre-emption right when new shares are issued, unless specifically provided for in the Articles.</p> <p>SICAF The issue of shares requires an amendment of the Articles.</p> <p>The share price will be determined based on the principles laid down in the Articles.</p> <p>When the SICAF is organized as a SA or SCA, existing shareholders have a pre-emption right when new shares are issued, unless this right was waived by the Shareholders' Meeting.</p>	<p>FCP Units must be issued at the NAV price. Such price may be increased by expenses and commissions.</p> <p>Existing unitholders do not have a pre-emption right when new units are issued, unless specifically provided for in the Management Regulations.</p> <p>SICAV The issue of shares does not require an amendment of the Articles.</p> <p>Shares must be issued at the NAV price. Such price may be increased by expenses and commissions.</p> <p>Existing shareholders do not have a pre-emption right when new shares are issued, unless specifically provided for in the Articles.</p> <p>SICAF The issue of shares requires an amendment of the Articles.</p> <p>The share price will be determined based on the principles laid down in the Articles.</p> <p>When the SICAF is organized as a SA or SCA, existing shareholders have a pre-emption right when new shares are issued, unless this right was waived by the Shareholders' Meeting.</p>	
Distribution of dividends	<p>The distribution of dividends must be foreseen in the prospectus of the fund.</p> <p>For SICAV and FCP, distributions (interim or final) can be made irrespective of the realized results within the period, to the extent the minimum share capital is maintained.</p> <p>For SICAF, final dividend distributions may not result in a decrease in assets to an amount less than one-and-a-half times the fund's total liabilities to its creditors.</p> <p>Interim dividend distributions are subject to statutory requirements per Article 72-2 of the Commercial Law.</p>	<p>The distribution of dividends must be foreseen in the prospectus of the fund.</p> <p>For SICAV and FCP, distributions (interim or final) can be made irrespective of the realized results within the period, to the extent the minimum share capital is maintained.</p> <p>For SICAF, final dividend distributions may not result in a decrease in assets to an amount less than one-and-a-half times the fund's total liabilities to its creditors.</p> <p>Interim dividend distributions are subject to statutory requirements per Article 72-2 of the Commercial Law.</p>	

SIF	SICAR	Securitization vehicle – regulated
<p>FCP The unit price will be determined based on the principles laid down in the Management Regulations.</p> <p>Existing unitholders do not have a pre-emption right when new units are issued, unless specifically provided for in the Management Regulations.</p> <p>SICAV The issue of shares does not require an amendment of the Articles.</p> <p>The share price will be determined based on the principles laid down in the Articles.</p> <p>Existing shareholders do not have a pre-emption right when new shares are issued, unless specifically provided for in the Articles.</p> <p>SICAF The issue of shares requires an amendment of the Articles.</p> <p>The share price will be determined based on the principles laid down in the Articles.</p> <p>When the SICAF is organized as a SA or SCA, existing shareholders have a pre-emption right when new shares are issued, unless this right was waived by the Shareholders' Meeting.</p>	<p>The issue of new shares requires an amendment of the Articles unless the SICAR is set-up with variable share capital.</p> <p>The share price will be determined based on the principles laid down in the Articles.</p> <p>The issue of new shares will be conducted as provided for in the Articles. The existing shareholders will have a pre-emption right if specifically provided for in the Articles.</p>	<p>Securitization fund The unit price will be determined based on the principles laid down in the Management Regulations.</p> <p>Existing unitholders do not have a pre-emption right when new units are issued, unless specifically provided for in the Management Regulations.</p> <p>Securitization company The issue of new shares requires an amendment of the Articles.</p> <p>The share price will be determined based on the principles laid down in the Articles.</p> <p>When the securitization company is organized as a SA or SCA, existing shareholders have a pre-emption right when new shares are issued, unless this right was waived by the Shareholders' Meeting.</p>
<p>The distribution of dividends must be foreseen in the prospectus of the fund.</p> <p>For SICAV and FCP, distributions (interim or final) can be made irrespective of the realized results within the period, to the extent the minimum share capital is maintained.</p> <p>For SICAF, final dividend distributions may not result in a decrease in assets to an amount less than one-and-a-half times the fund's total liabilities to its creditors.</p> <p>Interim dividend distributions are subject to statutory requirements per Article 72-2 of the Commercial Law.</p>	<p>The distribution of dividends must be foreseen in the prospectus of the SICAR.</p> <p>Dividend distributions, interim and final, are not subject to specific regulatory requirements, except for compliance with minimum capital requirements.</p>	<p>Securitization fund There are no restrictions on distributions (interim or final).</p> <p>Securitization company Final dividend distribution may not result in a decrease in assets to an amount less than the subscribed capital plus non-distributable reserves.</p> <p>Interim dividend distributions are subject to statutory requirements per Article 72-2 of the Commercial Law.</p>

	Part I Fund (UCITS)	Part II Fund (UCI)	
Prospectus directive as transposed into the Luxembourg law	<p>Closed-ended</p> <p>Part I funds may not be closed-ended.</p> <p>Open-ended</p> <p>Part I funds may make a public offer on the basis of their prospectus prepared in accordance with the requirements of the Fund law.</p> <p>The prospectus must be updated on an ongoing basis.</p>	<p>Closed-ended</p> <p>A prospectus prepared in compliance with the requirements of the Prospectus Directive must be prepared when an “offer to the public” within the meaning of the Prospectus Directive is made except if the offer falls under any exemption of the Prospectus Directive. In that case, a prospectus must be prepared in accordance with the Fund law.</p> <p>Open-ended</p> <p>Part II funds may make a public offer on the basis of their prospectus prepared in accordance with the requirements of the Fund law.</p> <p>The prospectus must be updated on an ongoing basis.</p>	
Key Investor Information Document (KIID)	<p>Required</p> <p>(Transitory provision up to 1 July 2012 for funds created either before 1 January 2011 or those created in the period from 1 January 2011 to 1 July 2011 who have opted for the law of 20 December 2002).</p>	<p>Not required</p>	
NAV computation frequency	<p>NAV must be computed on each day there are subscriptions or redemptions with a minimum of twice a month.</p>	<p>NAV must be computed on each day there are subscriptions or redemptions with a minimum of once a month.</p>	



SIF	SICAR	Securitization vehicle – regulated
<p>Closed-ended</p> <p>A prospectus prepared in compliance with the requirements of the Prospectus Directive must be prepared when an “offer to the public” within the meaning of the Prospectus Directive is made except if the offer falls under any exemption of the Prospectus Directive. In that case, a prospectus must be prepared in accordance with the SIF law.</p> <p>Open-ended</p> <p>SIF may make a public offer on the basis of their prospectus prepared in accordance with the requirements of the SIF law.</p> <p>The prospectus must be up-to-date when new securities are issued to new investors.</p>	<p>A prospectus prepared in compliance with the requirements of the Prospectus Directive must be prepared when an “offer to the public” within the meaning of the Prospectus Directive is made except if the offer falls under any exemption of the Prospectus Directive.</p> <p>A SICAR that makes an offer under an exemption of the prospectus Directive must prepare a prospectus compliant with the SICAR law.</p> <p>The prospectus must be updated each time new securities are issued.</p>	<p>A prospectus prepared in compliance with the requirements of the Prospectus Directive must be prepared when an “offer to the public” within the meaning of the Prospectus Directive is made except if the offer falls under any exemption of the Prospectus Directive.</p> <p>There are no specific requirements when an offer falls under an exemption of the Prospectus Directive.</p>
Not required	Not required	Not required
NAV is computed on the frequency set in the Articles or Management Regulations.	Not required	<p>Securitization fund Not required</p> <p>Securitization company Not required</p>



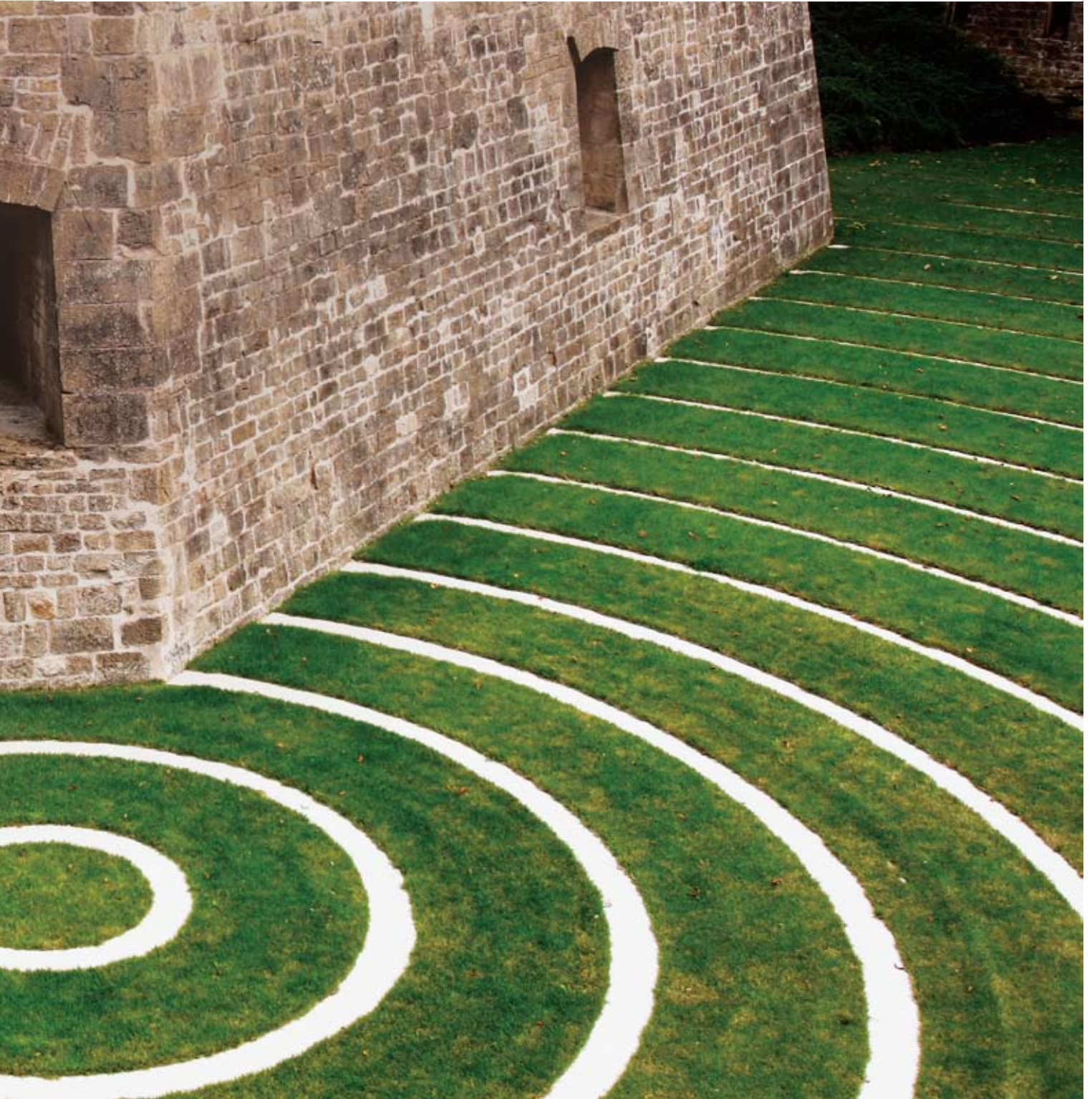
	Part I Fund (UCITS)	Part II Fund (UCI)	
Valuation principles	Valuation of assets is made on the basis of the realizable value estimated in good faith, unless provided for differently in the Articles or Management Regulations.	Valuation of assets is made on the basis of the realizable value estimated in good faith, unless provided for differently in the Articles or Management Regulations.	
Financial reports	<p>Audited annual report is required within 4 months of the year-end.</p> <p>Semi-annual report due within 2 months of the 6 month period-end.</p>	<p>Audited annual report is required within 4 months of the year-end.</p> <p>Semi-annual report due within 2 months of the 6 month period-end.</p>	
Generally accepted accounting principles	<p>Irrespective of the methodology used for the calculation of the NAV, the reports may be prepared as follows:</p> <p>Annual report</p> <ul style="list-style-type: none"> - Lux GAAP, i.e. provisions of the law of 19 December 2002 except for: <ul style="list-style-type: none"> • The content and layout of the annual report. • The valuation of assets which is ruled by articles 9§3, 28§4, 39, 90, 95, 99§5 of the new Fund law. <p>or</p> <ul style="list-style-type: none"> - IFRS <p>Semi-annual report</p> <ul style="list-style-type: none"> - Lux GAAP, i.e. provisions of the law of 19 December 2002 except for: <ul style="list-style-type: none"> • The content and layout of the annual report. • The valuation of assets which is ruled by articles 9§3, 28§4, 39, 90, 95, 99§5 of the new Fund law. <p>or</p> <ul style="list-style-type: none"> - IFRS <p>Consolidated accounts</p> <p>IFRS is mandatory if the company is listed in accordance with the EU regulation 1606/2002.</p>	<p>Irrespective of the methodology used for the calculation of the NAV, the reports may be prepared as follows:</p> <p>Annual report</p> <ul style="list-style-type: none"> - Lux GAAP, i.e. provisions of the law of 19 December 2002 except for: <ul style="list-style-type: none"> • The content and layout of the annual report. • The valuation of assets which is ruled by articles 9§3, 28§4, 39, 90, 95, 99§5 of the new Fund law. <p>or</p> <ul style="list-style-type: none"> - IFRS <p>Semi-annual report</p> <ul style="list-style-type: none"> - Lux GAAP, i.e. provisions of the law of 19 December 2002 except for: <ul style="list-style-type: none"> • The content and layout of the annual report. • The valuation of assets which is ruled by articles 9§3, 28§4, 39, 90, 95, 99§5 of the new Fund law. <p>or</p> <ul style="list-style-type: none"> - IFRS <p>Consolidated accounts</p> <p>IFRS is mandatory if the company is listed in accordance with the EU regulation 1606/2002.</p>	

SIF	SICAR	Securitization vehicle – regulated
<p>Assets are to be valued at fair value to be determined in compliance with the rules detailed in the Articles or Management Regulations.</p>	<p>Assets are to be valued at fair value to be determined in compliance with the rules detailed in the Articles.</p>	<p>Securitization fund Valuation of assets is made on the basis of the realizable value estimated in good faith unless provided for differently in the Articles or Management Regulations.</p> <p>Securitization company Valuation of assets is made at the lower of acquisition cost or market value or at acquisition cost less any permanent impairment considered by the Board of Directors.</p>
<p>Audited annual report is required within 6 months of the year-end.</p> <p>No semi-annual report is required.</p> <p>If a closed-ended SIF is listed on an EU regulated market the deadlines may be shorter.</p>	<p>Audited annual report is required within 6 months of the year-end.</p> <p>No semi-annual report is required.</p> <p>If the entity has securities listed on an EU regulated market the deadlines may be shorter.</p>	<p>Securitization fund Same requirements as for the FCP.</p> <p>Securitization company Audited annual report is required at year-end. It must be available 15 days before the Annual General meeting of shareholders and filed with the Registrar within 7 months of the year-end.</p> <p>No semi-annual report is required.</p> <p>If the entity has securities listed on an EU regulated market the deadlines may be shorter.</p>
<p>Irrespective of the methodology used for the calculation of the NAV, the reports may be prepared as follows:</p> <p>Annual report</p> <ul style="list-style-type: none"> - Lux GAAP, i.e. provisions of the law of 19 December 2002 except for: <ul style="list-style-type: none"> • The content and layout of the annual report. • The valuation of assets which is ruled by articles 9, 28§4, 40§1 of the SIF law. or - IFRS <p>Semi-annual report Not required</p> <p>Consolidated accounts IFRS is mandatory if the company is listed in accordance with the EU regulation 1606/2002.</p>	<p>Irrespective of the methodology used for the calculation of the NAV, the reports may be prepared as follows:</p> <p>Annual report</p> <ul style="list-style-type: none"> - Lux GAAP only, i.e. provisions of the law of 19 December 2002 except for the valuation of assets which is ruled by article 5§3 of the SICAR law. or - IFRS <p>Semi-annual report Not required</p> <p>Consolidated accounts IFRS is mandatory if the company is listed in accordance with the EU regulation 1606/2002.</p>	<p>Irrespective of the methodology used for the calculation of the NAV, the reports may be prepared as follows:</p> <p>Annual report</p> <ul style="list-style-type: none"> - Securitization fund Lux GAAP only, i.e. provisions of the law of 19 December 2002 except for: <ul style="list-style-type: none"> • The content and layout of the annual report. • The valuation of assets which is ruled by articles 9§3, 28§4, 39, 90, 95, 99§5 of the new Fund law. or - IFRS <ul style="list-style-type: none"> - Securitization company Lux GAAP, i.e. provisions of the law of 19 December 2002. or - IFRS <p>Semi-annual report Not required</p> <p>Consolidated accounts IFRS is mandatory if the company is listed in accordance with the EU regulation 1606/2002.</p>

	Part I Fund (UCITS)	Part II Fund (UCI)	
Other reports	Long-form report to be issued by the auditor with the annual report in accordance with CSSF Circular 02/81.	Long-form report to be issued by the auditor with the annual report in accordance with CSSF Circular 02/81.	
Consolidation	No exemption granted – normally not required due to diversification requirements.	No exemption granted.	



SIF	SICAR	Securitization vehicle – regulated
None	None	None
The law contains an exemption to prepare consolidated accounts for the SIF and its subsidiaries.	The law contains an exemption for the SICAR to prepare consolidated accounts.	No exemption granted.



	Part I Fund (UCITS)	Part II Fund (UCI)	
Promoter requirement	Yes	Yes	
Supervision by CSSF	Yes	Yes	
Regular reporting to CSSF	<p>Yes</p> <p>Monthly with due date the 10th of the next month.</p> <p>Annually with due date four months after year-end.</p> <p>Details on reporting contained in CSSF Circular 97/136 as modified by CSSF Circular 08/348.</p>	<p>Yes</p> <p>Monthly with due date the 10th of the next month.</p> <p>Annually with due date four months after year-end.</p> <p>Details on reporting contained in CSSF Circular 97/136 as modified by CSSF Circular 08/348.</p>	
Approval process	<p>Creation of a fund is subject to prior approval by the CSSF of:</p> <ul style="list-style-type: none"> Articles or Management Regulations, full and simplified prospectus and main agreements with service providers. Directors of the fund or managers of the management company. Choice of Depositary and Auditor. Promoter's experience and financial soundness. 	<p>Creation of a fund is subject to prior approval by the CSSF of:</p> <ul style="list-style-type: none"> Articles, or Management Regulations, prospectus and main agreements with service providers. Directors of the fund or managers of the management company. Choice of Depositary and Auditor. Promoter's experience and financial soundness. 	
Process for cross-border distribution in Europe	Regulator to regulator notification	Authorization required in local jurisdictions	

SIF	SICAR	Securitization vehicle – regulated
No	No	No
Yes	Yes	Yes
<p>Yes</p> <p>Monthly with due date the 10th of the next month based on the latest available NAV (when NAV is not calculated monthly)</p> <p>Annually with due date six months after year-end.</p> <p>Details on reporting contained in CSSF Circular 07/310 as modified by CSSF Circular 08/348.</p>	<p>Yes</p> <p>Twice a year, as at June 30 and December 31 with due date 45 calendar days subsequent to the reference date of the report.</p> <p>Details on reporting contained in CSSF circular 08/376.</p>	<p>Yes (only applicable for regulated vehicles that issue securities to the public on a continuous basis – for others no requirements)</p> <p>When issued:</p> <ul style="list-style-type: none"> • Final documents relating to each issue. • Financial statements prepared for investors and rating agencies. • Annual audited report. <p>Half-yearly:</p> <ul style="list-style-type: none"> • Details on the issuing activities and situation as at half-year. • Financial situation including assets and liabilities. <p>At year-end:</p> <ul style="list-style-type: none"> • Balance sheet and profit and loss account.
<p>Creation of a SIF is not subject to prior approval of the CSSF.</p> <p>An authorization file must be submitted to the CSSF within the month following the creation of the SIF. The authorization will be granted subject to:</p> <ul style="list-style-type: none"> • Approval of the constitutional documents. • Approval of the choice of Depositary and Auditor. • Notification of the Directors of the fund or managers of the management company. 	<p>Creation of a SICAR is not subject to prior approval of the CSSF.</p> <p>An authorization file must be submitted to the CSSF within the month following the creation of the SICAR. The authorization will be granted subject to:</p> <ul style="list-style-type: none"> • Approval of the Articles or Management Regulations. • Approval of the choice of Depositary and Auditor. • Notification of the Directors of the SICAR or managers of the management company. 	<p>Creation of a securitization vehicle is subject to prior approval by the CSSF of:</p> <ul style="list-style-type: none"> • Articles or Management Regulations and main agreements with service providers. • Directors of the company or managers of the management company. • Choice of Depositary and Auditor. <p>Notification is required of:</p> <ul style="list-style-type: none"> • Investors that may have a significant influence on the business conduct. • Initiation of the securitization scheme.
Authorization required in local jurisdictions	Authorization required in local jurisdictions	Authorization required in local jurisdictions

	Part I Fund (UCITS)	Part II Fund (UCI)	
Income tax	Tax exempt	Tax exempt	
Withholding tax on dividends and capital gains	Not subject to withholding tax except if EU savings directive applies.	Not subject to withholding tax except if EU savings directive applies.	
Subscription tax	<ul style="list-style-type: none"> • 0.05% of NAV for equity fund. • 0.01% of NAV for money market cash funds and institutional fund. • Exemption for special institutional money market cash funds, pension funds and funds investing in other funds already subject to the subscription tax. 	<ul style="list-style-type: none"> • 0.05% of NAV for equity fund. • 0.01% of NAV for money market cash funds and institutional fund. • Exemption for special institutional money market cash funds, pension funds and funds investing in other funds already subject to the subscription tax. 	
Net wealth tax	Tax exempt	Tax exempt	
Capital duty	No proportional capital duty	No proportional capital duty	
Value Added tax (VAT)	Tax exemption on management services.	Tax exemption on management services.	
Double Taxation Treaties (DTT)	<p>FCP No access to DTT signed by Luxembourg; exception Ireland.</p> <p>SICAV/SICAF Limited to some DTTs.</p> <p>Applicability of DTTs is determined by a decision taken by the Luxembourg fiscal authorities, but without practical experience on the exact classification that may be adopted by the other countries.</p>	<p>FCP No access to DTT signed by Luxembourg; exception Ireland.</p> <p>SICAV/SICAF Limited to some DTTs.</p> <p>Applicability of DTTs is determined by a decision taken by the Luxembourg fiscal authorities, but without practical experience on the exact classification that may be adopted by the other countries.</p>	

SIF	SICAR	Securitization vehicle – regulated
Tax exempt	<p>Tax exemption for income derived from transferable securities.</p> <p>Tax exemption for one year for income on cash held for the purpose of a future investment.</p> <p>The remaining income is subject to the ordinary income tax of 28,80 % (Municipal Business Tax + Corporate Income Tax - Luxembourg city 2011).</p>	<p>Securitization company Fully taxable at a rate of 28,80% (Municipal Business Tax + Corporate Income Tax - Luxembourg city 2011). A reduction of the taxable income to close to € 0 is possible (engagements made to investors and other creditors are fully tax deductible).</p> <p>Securitization fund Tax exempt</p>
Not subject to withholding tax except if EU savings directive applies.	Not subject to withholding tax except if EU savings directive applies.	Not subject to withholding tax except if EU savings directive applies.
<ul style="list-style-type: none"> • Annually 0.01% of NAV. • Tax exemption possible for certain money market and pension funds or SIFs investing in other funds already subject to subscription tax. 	No subscription tax.	<p>Securitization company No subscription tax.</p> <p>Securitization fund Tax exemption.</p>
Tax exempt	Tax exempt	Tax exempt
No proportional capital duty	No proportional capital duty	No proportional capital duty
Tax exemption on management services.	Tax exemption on management services.	Tax exemption on management services.
<p>FCP No access to DTT signed by Luxembourg; exception Ireland.</p> <p>SICAV/SICAF Limited to some DTTs.</p> <p>Applicability of DTTs is determined by a decision taken by the Luxembourg fiscal authorities, but without practical experience on the exact classification that may be adopted by the other countries.</p>	SICAR in the form of a corporate entity (all types except the SCS) should benefit from the Luxembourg double tax treaty network.	<p>Securitization company Yes (all types except the SCS).</p> <p>Securitization fund No access to DTT.</p>

Articles	Articles of incorporation of a Company / Fund.
Closed-ended fund	A fund which is not open to redemptions.
Commercial Law	The Law dated 10 August 1915 on commercial companies, as amended.
CSSF	Commission de Surveillance du Secteur Financier, the Luxembourg financial supervisory authority.
FCP	Fonds Commun de Placement, an unincorporated co-ownership of assets managed by a management company.
IFRS	International Financial Reporting Standards.
Lux GAAP	Luxembourg Generally Accepted Accounting Principles.
NAV	Net Asset Value.
Offer to the public	“Offer to the public” within the meaning of the Prospectus Directive: a communication that is addressed in any form or by any means to individuals and containing sufficient information on the conditions of the offer and on the shares offered, so that the investor is in a position to decide on the purchase or subscription of those shares. This definition also applies to the placement of shares by financial intermediaries.
Open-ended fund	A fund that is open to redemptions.
Part I fund	A fund that complies with Part I of the law of 17 December 2010, also referred to as UCITS (Undertakings for Collective Investment in Transferable Securities).
Part II fund	A fund that complies with Part II of the law of 17 December 2010.
Prospectus Directive	Directive 2003/71/EC (amending Directive 2001/34/EC) on the prospectus to be published when securities are offered to the public or admitted to trading, as transposed into Luxembourg law.

Well-informed investor A well-informed investor must be either :

- An institutional investor:

Undertakings and organizations that manage an important amount of funds and assets. This concept covers inter alia credit institutions and other financial sector professionals, insurance and re-insurance undertakings, welfare institutions and pension funds, industrial and financial groups and structures put in place by these entities to manage an important amount of funds and assets.

- Or a professional investor

Any professional investor within the meaning of Annex II to the Directive 2004/39/EC on markets in financial instruments.

- Or an investor who has adhered in writing to the status of well-informed investor and complies with one of the following conditions:
 - he invests at least € 125,000 in the fund /company,
 - his expertise is confirmed by a banking institution as defined in Directive 2006/48/EC, by an investment firm as defined in Directive 2004/39/EC or by a management company as defined in Directive 2009/65/EC.

SA Société Anonyme (public limited company).

Sàrl Société à Responsabilité Limitée (private limited company).

SCA Société en Commandite par Actions (partnership limited by shares).

S CoSA Société Coopérative organisée comme une Société Anonyme (cooperative company organized as a public limited company).

SCS Société en Commandite Simple (limited partnership).

SICAF Société d'Investissement à Capital Fixe (investment company with fixed capital).

SICAR Société d'Investissement en Capital à Risque (investment company in risk capital).

SICAV Société d'Investissement à Capital Variable (investment company with variable capital).

SIF Specialised investment fund, compliant with the law of 13 February 2007.

UCITS Undertakings for Collective Investments in Transferable Securities.

The Association of the Luxembourg Fund Industry (ALFI), the representative body for the Luxembourg investment fund community, was founded in 1988.

Today it brings together the interests of over a thousand Luxembourg-domiciled investment funds, asset management companies, and more than 190 companies active in the Luxembourg fund industry. These represent a wide variety of service providers, including depositary banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies.

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a world leader in cross-border fund distribution. Luxembourg-domiciled investment structures are distributed in over 50 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its mission as to “Lead industry efforts to make Luxembourg the most attractive international centre”.

Our main objectives are to:

- Help members capitalise on industry trends

ALFI’s many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond, to identify threats and opportunities for the Luxembourg fund industry.

- Shape regulation

An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg’s competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with regulatory authorities, the government and enable ALFI to make an effective contribution to decision-making through relevant input on changes to the regulatory framework, implementation of European directives and regulation of new products or services.

- Foster dedication to professional standards, integrity and quality

Investor trust is essential for success in collective investment services, and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organizing training at all levels, defining codes of conduct, promoting transparency and good corporate governance, and supporting initiatives to combat money laundering.

- Promote the Luxembourg investment fund industry

ALFI actively promotes the Luxembourg investment fund industry, its products and its services. We represent the sector in economic and financial missions organised by the Luxembourg government around the world and take an active part in meetings of the global fund industry.

For more information, visit our website at www.alfi.lu

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