

# LUXEMBOURG PRIVATE EQUITY AND VENTURE CAPITAL

September 2025



brochure

This brochure has been prepared by the ALFI Private Equity and Venture Capital Committee. It represents the Committee's interpretation and understanding of the setting up as well as the servicing of private equity and venture capital investment vehicles in the Grand Duchy of Luxembourg.

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ALFI members are welcome to ask questions about this brochure to [info@alfi.lu](mailto:info@alfi.lu).

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## Why Luxembourg?

- The world's top fund centre for cross-border fund distribution;
- The leading Fund centre worldwide after the United States;
- Gateway to Europe (including the United Kingdom and Switzerland) and "Rest of World" (Asia PAC & Middle East);
- Political, legal and fiscal stability;
- State-of-the-art legal and regulatory environment;
- High regulatory and investor protection standards;
- Solid financial sector supervision;
- Rapid and innovative responses to new trends;
- Highly international in the origin of financial institutions, fund initiators, clients, population and workforce;
- Diversified offer of financial products and services;
- Europe's number one investment fund centre by assets and number of funds;
- Unique concentration of investment fund industry experts in all aspects of product development, administration and distribution of alternative funds;
- Complete toolbox of structures to set up a private equity fund;
- Unrivalled know-how in cross-border investment funds business.



## Foreword

This brochure aims to provide general background information on the setting-up as well as the servicing of private equity (PE) and venture capital (VC) investment vehicles in the Grand Duchy of Luxembourg.

Regarding the setting-up of PE and VC investment vehicles, Luxembourg currently offers a large variety of structuring opportunities, such as the limited partnerships established either in the form of a *société en commandite simple* (SCS) or a *société en commandite spéciale* (SCSp), qualifying as an alternative investment fund (AIF).

Investment funds can also be set up in accordance with specific product laws, such as the *fonds d'investissement alternatif réservé* (RAIF or reserved alternative investment fund), the *société d'investissement en capital à risqué* (SICAR or investment company in risk capital) or the specialised investment fund (SIF), as well as the Part II UCI, which may be of particular interest when a distribution to retail investors is desired. In addition, Luxembourg commercial companies can also be set up as a long-term investment fund based on the European Regulation (EU) 2015/760 as amended by the European Regulation (EU) 2023/606, the ELTIF 2.0 or VC vehicles based on the amended European Regulation (EU) 345/2013, the EuVECA.

Luxembourg-based service providers have established experienced teams dedicated to PE and VC investment vehicles.

They are able to offer a wide range of customised services in fund and acquisition structuring, transaction advisory, fund administration, depositary and audit services.

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## 1. Luxembourg – a conducive environment for PE and VC

### Political and economic stability

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The political environment in Luxembourg is very business-friendly and conducive to welcoming decision-makers and entrepreneurs. Attracting international players is considered paramount to building an efficient business framework and economic growth, enabling Luxembourg to establish an innovative and diverse business community.

### A stable and rewarding tax environment

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Luxembourg offers a flexible and attractive tax regime in full compliance with applicable EU directives and regulations. It is considered as one of the most stable tax frameworks in Europe for companies, their shareholders and employees. There is also a special tax regime for specifically skilled individuals that aims to attract a highly qualified workforce in areas such as PE and VC.

### Business-friendly environment

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Choosing the right location for the set-up of PE or VC operations, and in particular PE and VC investment vehicles, requires taking into consideration many different factors.

Luxembourg was among the pioneers in implementing the AIFMD through the law of 12 July 2013 (the "AIFM Law"), and has largely leveraged on its long-standing and recognised UCITS experience to adapt the alternative investment fund industry to the new regulatory standards and marketing or placement regimes.

The AIFMD entails a European marketing passport for AIFMs. Once authorised in a state of the European Economic Area (EEA), these AIFMs can market the AIFs they manage to professional investors in all other EEA Member States. In the context of UCITS, Luxembourg has taken advantage of the opportunities given by the passport regime and has, on that basis, become the leading jurisdiction in the world for retail cross-border distribution.

Thanks to the AIFMD and the AIFMD passport, a substantial number of Luxembourg AIFs is being distributed on a cross-border basis.

A considerable number of Luxembourg UCITS management companies have also obtained approval to act as AIFMs, allowing them to manage both UCITS and AIFs.

### Constant improvements to the toolbox

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On 21 July 2023, a law aimed at improving and modernising the country's investment toolbox came into force. The changes impact five sectoral laws, namely the laws on SICARs, SIFs, RAIFs, Part II UCI Funds, and AIFMs.

Some of the changes include: extending the deadlines to reach the minimum capital, additional structuring options for Part II UCI funds, permission for AIFMs to use tied agents, a lower minimum investment capital requirement from EUR 125,000 to EUR 100,000 to qualify as a well-informed investor, and administrative simplification.

## 1. Luxembourg – a conducive environment for PE and VC

### Players on the Luxembourg PE and VC scene

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#### General partners (GPs)/PE/VC houses or their subsidiaries

Since the middle of the 2010s, many large international houses have set up in Luxembourg, and conduct business abroad with a considerable, growing local presence.

#### AIFMs

There are approximately 950 AIFMs, the vast majority of which are allowed to service AIFs investing in PE and VC. Of 673 registered AIFMs, a large number are themselves pursuing PE and/or VC strategies.

#### Depositaries, fund administrators and independent directors

Under certain conditions, financial institutions or investment firms may be required to be appointed as depositaries under the AIFM Law for asset safekeeping purposes and, depending on the asset type, ownership verification. Depositaries perform additional tasks in relation to a fund's assets. An AIFM must not act as depositary. Please refer to section 2.4.3. for additional information on depositaries.

Administrators generally offer domiciliary, accounting and corporate secretarial services. Administrators may, in addition, offer depositary services for funds with a five-year closed-for-redemption period investing in PE and VC.

Luxembourg is home to both administrators specialised in PE or VC and many more generalist administrators that are often part of larger financial services groups. These groups have the capability to service funds with larger investor audiences, typically UCITS, and more recently Part II UCIs, whether qualifying as ELTIFs or not. Administrators offer AML/KYC, net asset value (NAV) calculation and accounting services, and assist in the preparation of annual reports. They usually also offer domiciliary and corporate secretarial services.

In addition, today, there is a high number of skilled independent directors available to serve PE as well as VC investment vehicles.

## 2. PE and VC in Luxembourg

Luxembourg offers a platform of services and structuring opportunities to the PE as well as the VC industry. Products include competitive regulatory wrappers for setting up PE and VC funds, such as the RAIF, the SICAR, the SIF or the Part II UCI funds. Besides vehicles qualifying under these regimes, the PE and VC industry frequently opts for unregulated alternative investment funds (AIFs) without a product law cover and using an authorised or registered AIFM.

The RAIF structure allows PE and VC fund initiators to set up funds in Luxembourg that are not subject to regulatory approval from the *Commission de Surveillance du Secteur Financier* (CSSF), the Luxembourg supervisory authority of the financial sector). This option allows for a significantly enhanced time to market for new fund launches compared to fully regulated and supervised AIFs, while maintaining a wide range of attractive operative structuring features. However, a RAIF must be managed by a fully authorised AIFM.

Beyond the RAIF, SIF and SICAR, Luxembourg has built up its market share in PE and VC funds thanks to its non-regulated limited partnerships (SCSs or SCSps) or other special purpose companies (SPVs). These are not subject to a specific legal or tax regime, and may also be used for PE/VC acquisitions and financings. Additionally, they can be used for the holding of carried interest rights in AIFs.

The Part II UCI funds have proven to be the preferred vehicle for sponsors looking to establish funds focused on PE and VC, and intended to be distributed to retail investors. This is because this type of vehicle is open to all types of investors. The absence of investor qualification requirements in the Part II UCI funds became their main attraction within the fund democratisation/retailisation trend, as opposed to structures such as RAIFs, SIFs and SICARs, where investors have to qualify as well-informed investors (for the conditions see table [1] under section 3.3 below).

The European venture capital funds Regulation (EU) 345/2013 or “EuVECA Regulation” provides harmonised requirements for qualified VC funds that intend to invest at least 70% of their aggregate capital contributions and uncalled committed capital in assets that are “qualifying investments” (“EuVECA Funds”). EuVECA Funds can be internally or externally managed, and managers that are marketing funds to professional or other “well-informed” investors (as defined by the EuVECA Regulation) benefit from an EU-wide distribution passport.

The European long-term investment funds or “ELTIF” Regulation (EU) 2015/760 (“ELTIF Regulation”) has established a legislative framework for long-term investment funds (each qualifying as an AIF and required to appoint an AIFM) that only invest in assets where the funds are committed for long periods of time. It is aimed at increasing the non-bank financing available for companies that are investing in the real economy.

A recent overhaul of the ELTIF Regulation was well received as it removed many of the obstacles that had made the first version unattractive. Among the various changes, amendments extended the scope of eligible investment assets and reduced the diversification threshold in eligible investment assets. In late 2024, regulatory technical standards (RTS) were published to complement the ELTIF Regulation. They refine, among others, the requirements for open-ended ELTIF, particularly rules on minimum holding periods, redemptions, a mechanism for matching transfers of investor holdings, and the applicability of liquidity management tools and cost disclosures.

ELTIF are not a standalone fund product but merely a regulatory regime that requires the choice of a Luxembourg fund or product regime “to house” the ELTIF (typically a Part II UCI or RAIF) as well as the choice of legal form (typically an FCP or SA, see table [1] under section 3.3 below for their characteristics).

## 2. PE and VC in Luxembourg

The Luxembourg industry played a major role in the rise of ELTIFs and the wider market trend called the “democratisation” of alternative investment strategies, enabling the typical closed-ended private funds to be turned into semi-liquid evergreen offerings targeting private wealth clients and retail investors. Luxembourg offers a flexible toolbox for retail strategies, providing a number of vehicles suitable for this type of investment public. Retail investors who qualify as well-informed investors (see table [1] under section 3.3 below) can invest in SIFs, SICARs or RAIFs.

On the other hand, Part II UCI funds and ELTIF have no investor eligibility requirements. This means that any retail investor may invest in them, irrespective of the amount. However, unless Part II UCI funds have an ELTIF qualification, they do not benefit from a European marketing passport. In such cases, the sponsor needs to comply with the local EEA country-specific rules to be able to sell the fund to retail investors there. For further information on ELTIFs, please refer to the [ALFI ELTIF 2.0 brochure](#).

Dedicated sections within this brochure, and specifically sections 2.4, 3.6.2 and 3.7 (Table 2), provide further details on the features, eligibility criteria and comparative advantages of each investment vehicle available to retail investors.

## 2. PE and VC in Luxembourg

### 2.1. Substance and supporting industry

The growing presence of PE and VC in Luxembourg has prompted both GPs and the services industry to develop middle office activities locally. Whereas the substantial involvement of specialist third-party providers continues to be the most frequently used operating model, a significant number of PE and VC houses have created a considerable proprietary infrastructure in Luxembourg.

Middle office services typically focus on compliance, risk management and corporate governance, and deal with complex investment structures set up, among others, as conduits for PE or VC vehicles.

The AIFM Law, together with implementing legislation, and the CSSF administrative practice, imposes requirements on managers of (or self-managed, where applicable) vehicles. These requirements consist of, inter alia, employing eligible conducting officers, enhancing the central administration and substance of the PE or VC structure, and introducing rules or policies on risk management, compliance, internal audit, transparency, remuneration and conflict of interest situations.

The AIFM Law, implementing legislation and the CSSF administrative practice specify the level of functions that may be outsourced – and if so, under which conditions and to what degree. Comparable organisational requirements are also set out in detail under the EuVECA as well as the ELTIF Regulation.

## 2. PE and VC in Luxembourg

### 2.2. Service providers

While some of the below-mentioned services and functions are intrinsic to operating a Luxembourg AIF, others, notably the AIFM and Depositary functions, depend on the legal and regulatory framework chosen for the AIF as further detailed in Section 3

#### 2.2.1. AIFM

CSSF Circular 18/698 on the authorisation and organisation of Luxembourg investment fund managers (IFMs) outlines the supervisor's requirements in terms of own funds and substance applicable to IFMs. Moreover, it provides details on the concept of central administration in Luxembourg and the internal governance framework applicable. Further details on the organisation of IFMs, including the functions to be performed and the potential delegation thereof can be found in the Circular. It is worth noting that registered AIFMs are not in scope of the circular.

Each Luxembourg AIF shall have a single AIFM responsible for ensuring compliance with the provisions of the AIFM Law.

An AIFM is defined in Article 1(46) of the AIFM Law as any legal person whose regular business is managing one or more AIFs. It shall at least provide the following functions to one or more AIFs:

- Portfolio management services; and
- Risk management services.

AIFs can choose to be managed by an external AIFM or internally, where permitted by their legal form and regime. In the latter case, the AIF itself is authorised as an AIFM according to Chapter 2 of the AIFM Law. Notably, an external AIFM can be established in Luxembourg, in another EU Member State or in a third country.

#### Sub-threshold/Registered AIFMs

The AIFM Law sets out the conditions under which AIFMs managing smaller portfolios may be registered with the CSSF rather than opting for a full authorisation. Eligible for the registration-only regime are AIFMs managing AIFs that do not exceed the following thresholds in terms of assets under management (AuM) ("registered AIFM"):

- AIFs whose AuM, including any assets acquired through the use of leverage, do not exceed EUR 100 million; and
- AIFs that are not leveraged and without redemption rights for a period of five years, and with aggregate AuM below EUR 500 million.

It should be noted that for AIFMs linked by common direct or indirect control, the above thresholds are to be considered on a consolidated basis.

Registered AIFMs must be registered with the CSSF and regularly provide it with information on their activities.

If they cease to meet the threshold conditions, the registered AIFM must inform the CSSF and apply for full authorisation within 30 calendar days, in line with the AIFM Law.

#### Delegation

To conduct its activities more effectively, an AIFM may delegate (and sub-delegate) one or more functions to third parties. These functions may include collective portfolio management, risk management, central administration and valuation. In this respect, the AIFM Law and the related "Level 2" measures provide for specific requirements and compliance standards.

However, delegation may not reach a level where the AIFM can no longer be considered as the AIFM in substance, thereby becoming a "letterbox entity". Moreover, the portfolio and risk management functions may not be both delegated.

In Luxembourg, delegation of the portfolio management function will be frequently considered for PE or VC vehicles. However, such delegation is, among other conditions, only possible if the delegate portfolio manager is registered or authorised for collective portfolio management in its home jurisdiction. Where delegation is not possible or desirable, AIFMs may retain portfolio management responsibilities while relying on investment advisory services, notably for tasks such as deal sourcing and analysis.

In case of delegation, the AIFM must maintain an effective oversight programme over delegate portfolio managers.

## 2. PE and VC in Luxembourg

### 2.2.2. Depository services

Depository services<sup>1</sup> within the scope of the AIFM Law for PE and VC (or more broadly any AIF managed by an AIFM) comprise the following two main components: the safekeeping of non-financial assets and the monitoring of the relevant AIF assets.

#### 2.2.2.1. Safekeeping of assets

First, it is important to note that the term “safekeeping” does not only refer custody of materialised securities or the traditional banking notion of assets custody. For many PE and VC fund investments that are established by contract or through book entries in portfolio company registers, “safekeeping” refers to ownership verification, meaning the collection of sufficient documentary evidence of the AIF’s rights to such assets.

Luxembourg-based depositaries have long experience and a deep understanding of legal and regulatory requirements and are thus very well positioned to perform safekeeping of assets and ownership verification duties. They are widely recognised for their know-how in providing a full range of customised services for PE and VC investment vehicles.

The depository’s control processes cover the whole of the investment and divestment processes, such as:

- Follow-up of board/AIFM approval process as well as collection of underlying agreements and documentation related to the transactions;
- Supervision and monitoring of investments and divestments;
- Asset registration in the name of the vehicle under the supervision of the depository; and
- Compliance checks with the investment policy as described in the information memorandum, offering memorandum, issuing document or other applicable documentation.

#### 2.2.2.2. Monitoring function

Under AIFMD rules, the depository has additional oversight duties, including:

- Monitoring of cash and securities flows linked to transactions;
- Control the timely settlement of transactions;
- Monitoring subscriptions and redemptions;
- Overseeing valuation processes;
- Implementing an internal verification checklist and escalation procedure.

### 2.2.2.3. Other operational facilities

In addition, where the depository also provides typical banking facilities for cash and securities or paying agency services, it may perform the following additional services on an integrated basis alongside its depository duties:

- Processing payments linked to the underlying investments;
- Collecting interest income and dividends from underlying investments;
- Processing corporate events on underlying investments;
- Liaising with local correspondents, lawyers, notaries and other service providers;
- Recording documentation and data back-up;
- Providing collateral management services;
- Managing tax reclaims (withholding tax treaty);
- Collecting subscription proceeds;
- Paying redemption amounts; and
- Executing dividend payments to investors.

It is worth noting that EuVECAs do not require the appointment of a depository. However, similar to the safekeeping and monitoring duties of a depository under the AIFM Law, EuVECAs do require their auditors to control, at the time of their annual audit, that all money and assets are held for their benefit.

*1 – In the case that a manager decides to set up a PE or VC fund subject to part II of the UCI Luxembourg law of 17 December 2010, the depository regime depends on whether the prospectus allows or prohibits marketing to retail investors, and on whether the fund is managed by an authorised or registered AIFM.*

## 2. PE and VC in Luxembourg

Should an ELTIF be marketed to retail investors, its depositary must meet the requirements set out in the UCITS Directive.

The depositary services for the aforementioned vehicles may in principle only be performed by credit institutions. The AIFM Law allows certain closed-ended AIFs to appoint as depositary non-banking institutions or investment firms, as long as the relevant AIF and assimilated structures generally do not invest in assets that must be held in custody (that is, financial instruments). This depositary function is only open to qualifying investment firms under Luxembourg law serving as professional depositaries of assets other than financial instruments. However, in such cases, banking facilities for cash holding and cash transaction processing need to be organised separately.

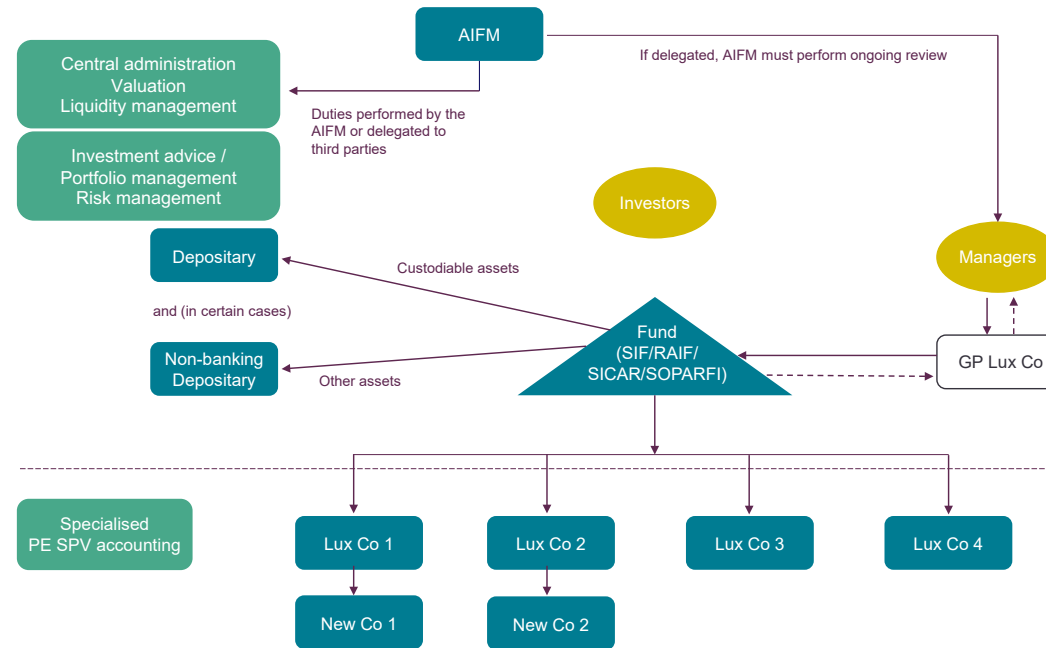
CSSF Circular 18/697 provides further details and sets out organisational requirements applicable to depositaries of funds other than UCITS. It complements the AIFM Law and the Commission Delegated Regulation (EU) no. 231/2013 of 19 December 2012.

### 2.2.2.4. Administration

The Luxembourg PE and VC fund administration sector basically falls into two categories: large international administrators, as well as independent local and international specialist administrators. Today, the vast majority of PE and VC administrators offer the full range of central administration services, such as AML/KYC checks of investors on the AIF's behalf, bookkeeping, accounting, tax filing, FATCA/CRS/CbC reporting and company secretarial services, including AIFs domiciliation and related SPVs, such as SPVs for holding investments, carry and co-investment vehicles.

CSSF Circular 22/811 further specifies the authorisation and organisational requirements applicable to entities acting as administrator for undertakings for collective investment.

## 2. PE and VC in Luxembourg



**Example of a typical PE or VC structure**

### 2.2.3. Additional Banking services

Luxembourg banks offer cash management services, treasury, foreign exchange management, bridge financing and management of escrow accounts to their PE and VC clients.

### 2.2.4. Legal, tax and audit services

Luxembourg avails itself of significant expertise in legal and tax matters through numerous local and international law firms, tax advisors and audit firms experienced in structuring and servicing PE and VC investment vehicles.

## 2. PE and VC in Luxembourg

### 2.3. AML/KYC/TF points to be observed

The fight against money laundering (ML) and terrorist financing (TF) has prompted the Luxembourg legislator to introduce related requirements applicable to AIFMs, GPs and Funds.

#### UBO Register

For each Luxembourg legal entity (fund, GP, SPV, etc.) that is not listed on a recognised stock exchange, information on individuals who have effective control over such entities (the so-called Ultimate Beneficial Owners—UBOs), needs to be recorded in the UBO Register maintained by the Luxembourg company and trade register. Such effective control can either derive from the direct or indirect holding of a significant percentage of ownership and/or voting rights or by other means.

The information in the UBO Register is not per se publicly available, but Luxembourg authorities and other parties that can demonstrate legitimate interest have full access to the information. Non-compliance with the requirements of publishing the relevant UBO in the register can result in administrative fines.

#### Persons responsible for AML/CFT

For any AIFs and authorised AIFMs, there is a requirement to appoint two different persons in charge of AML/CFT as per Article 4(1) of the AML Law: (i) a *responsable du respect des obligations* (RR) as the person or body responsible for compliance with the

professional AML/CFT obligations, therefore responsible for the implementation of the AML/CFT programme; and (ii) the *responsable du contrôle du respect des obligations* (RC), responsible for monitoring compliance with the AML/CFT professional obligations.

For AIFs under CSSF supervision and AIFMs, the competent supervisory authority in charge of ensuring compliance with the AML/CTF obligations is the CSSF. For all other AIFs, it is the indirect tax authority (the “*Administration de l’Enregistrement des Domaines et de la TVA*”—AED). Both the CSSF and the AED have issued detailed rules and guidance for implementing compliance monitoring and reporting by or on behalf of obliged entities.

Each AIFM and AIF must establish a comprehensive AML/CTF framework, comprised of an AML/CTF risk appetite, an AML/CTF risk assessment and mitigation measures, as well as a stand-alone AML/CTF Policy. For AIFs, this framework is typically implemented in collaboration with the AIFM or other third-party providers. The AML/CTF framework must be subject to regular review and update depending on the development of the AIF’s activities.

Furthermore, each obliged entity must have processes in place to report suspicious activities via the GoAML online platform operated by the Financial Intelligence Unit (FIU) of the Luxembourg public prosecutor’s office. This GoAML online platform must be used to make the relevant reports to the FIU.

ALFI has issued specific guidance on practices and recommendations aimed at reducing the risk of money laundering and terrorist financing in the Luxembourg fund industry in May 2021. The publication is available on the ALFI website.

The EU Anti-Money Laundering Authority (AMLA) aims at creating a single European authority for AML/CFT matters. AMLA will have its own normative and supervisory authority extending throughout the European Union on entities presenting the highest AML/CFT risks based on harmonised criteria. AMLA will, furthermore, support national supervisors in their roles by enhancing effectiveness and establishing a single rulebook on AML/CFT in the EU. AMLA’s role will also extend to a certain degree of supervision of actors in the non-financial sector and it will facilitate the cooperation and exchange of information between the national FIUs in the various members states.

This initiative will create over time a unified approach between Member States on questions of AML/CFT, enhancing the efficiency of the overall efforts to fight ML and FT and reducing divergences between national AML/CFT regimes that impact the efficiency of cross-border operations. Although AMLA exists since 26 June 2024, it is expected to start direct supervision and be fully operational only in early 2028.

## 2. PE and VC in Luxembourg

### 2.4. Marketing passport

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution.

Luxembourg AIFMs benefit from a marketing passport across the EU/ European Economic Area. The marketing passport allows the fund's shares, units or partnership interests to be marketed to professional investors across the EU through a regulator-to-regulator notification regime.

For this purpose, the AIFM intending to market to professional investors in other Member States the units or shares of an EU AIF managed by that AIFM must submit a notification file to the CSSF.

It is, however, to be noted that a new package of measures amending the existing regimes governing the cross-border distribution of funds has become law on 2 August 2021: (i) a directive, directive 2019/1160/EU (the CBD Directive) has amended the existing regimes for cross-border marketing of funds, and (ii) a regulation, regulation (EU) 2019/1156 (the CBD Regulation), has introduced new standardised requirements for cross-border fund distribution in the EU.

The new regime provides for inter alia, the following implications for AIFs:

#### Pre-marketing by AIFMs

##### What is considered “pre-marketing”?

The AIFMD marketing passport only applies to activities that fall within the directive's definition of marketing. The complementary Cross Border Distribution (CBD) Directive sets, inter alia, common rules for pre-marketing, which is defined as the direct or indirect provision of information or communication on investment strategies or investment ideas by an EU AIFM, or on its behalf, to potential professional investors domiciled or with a registered office in the EU/ EEA, with the aim to test their interest:

- (i) in a fund or a compartment that is not yet established; or
- (ii) that is established, but not yet notified for marketing.

#### The conditions for pre-marketing

Pre-marketing activities must serve the above purposes only, but not amount to a full offer or placement to the potential investor to invest in the units or shares of that fund or compartment. In that sense, materials provided in the context of pre-marketing must not by themselves be sufficient to allow investors to commit to acquiring units or shares of a particular AIF.

In practice, this means that:

- subscription forms or similar documents cannot be made available in a draft or a final form; or
- constitutional documents, a prospectus or offering documents of a not-yet-established AIF cannot be made available in a final draft form.

If a draft prospectus or offering documents are provided, they must not contain enough information for investors to make an investment decision and must clearly state that (i) they do not represent an offer or an invitation to subscribe to units or shares of an AIF; and (ii) the information provided should not be relied upon as it is incomplete and may be subject to change.

## 2. PE and VC in Luxembourg

### Pre-marketing notifications

Luxembourg authorised AIFMs engaging in pre-marketing—in Luxembourg or in another Member State—must submit a duly completed and signed pre-marketing notification letter (available on the CSSF website) to the CSSF within two weeks of starting the pre-marketing.

In case of cross-border pre-marketing in another Member State, the CSSF will notify the competent host state authorities.

### Pre-marketing by intermediaries

Intermediaries, such as placement agents, may also engage in pre-marketing activities on behalf of the AIFM, provided that they are authorised in the EU under one of several regulatory frameworks, that is, as a credit institution, an investment firm under MiFID, a management company under the UCITS Directive, an AIFM, or as a MiFID tied agent.

### Restricted reliance on reverse solicitation

Any subscription by investors in units or shares of an AIF that takes place within 18 months of the pre-marketing will be considered the result of marketing, and the applicable marketing notification procedures under AIFMD will be triggered, encompassing subscriptions initiated by professional investors themselves, as well as those who were not approached during the pre-marketing phase. This closes off any possibility of arguing that subsequent investments can be considered the result of reverse solicitation.

### Specific provisions for marketing to retail investors

#### Facilities

As noted throughout this brochure, there is a growing trend and opportunity to offer AIFs to retail investors, either through specific vehicles such as the ELTIF or Part II UCI fund, or to well-informed investors who qualify as retail. When any AIFM markets units or shares in an AIF to retail investors, the AIFM is required to put in place facilities in the relevant Member State to perform certain defined tasks (for instance, process investors' subscription, payment, repurchase, and redemption orders relating to the units or shares of the AIF in accordance with the conditions set out in the AIF documents; providing investors with information on how subscription, payment, repurchase, and redemption orders can be made and how repurchase and redemption proceeds are paid; among others). This requirement may be met electronically and possibly by the AIFM itself, including via a website. However, the facilities or the website must be accessible in an official language of the relevant Member State or in a language approved by the competent authorities of that Member State. In Luxembourg, the facilities must be provided in either Luxembourgish, French, German, or English.

### Prior notification to regulators

Where an AIFM proposes to market to retail investors in a particular EU Member State, the regulator in that jurisdiction may require prior notification of the marketing communications that the AIFM intends to use. The relevant national regulator may request the AIFM to amend the marketing communication at any time within 10 working days of being notified.

Currently, the CSSF does not require foreign AIFMs marketing their units in Luxembourg to submit their marketing communications addressed to investors in Luxembourg. However, the CSSF reserves the right to request and review these communications on a case-by-case basis.

### De-notification of marketing

The provisions of the CBD Directive and the AIFM Law clarify that an AIFM may discontinue the marketing of units or shares of an EU AIF in a jurisdiction in which it has exercised the marketing passport under certain conditions.

### 3. PE and VC – legal framework

#### 3.1. Typical Luxembourg PE and VC structures

The main difference between an SCS and an SCSp is that the latter has no legal personality. However, both entities offer a flexible and relatively confidential structure, being typically formed under a private seal. The SCS and SCSp can also be set up under a specific regulatory wrapper regime such as the SIF, RAIF, SICAR, Part II UCI, EuVECA or ELTIF regimes.

SIFs, RAIFs, SICARs, Part II UCIs, EuVECAs, ELTIFs and SPVs can take a large variety of legal forms available under Luxembourg law and thus can accommodate a variety of tax and governance requirements—both from the investors’ as well as the initiators’ perspective—that typically arise in the context of setting up PE or VC investment vehicles. The same applies to special situations (for instance, master-feeder structures, acquisition structures, among others.)

The table below compares the six most commonly used structures available in Luxembourg, on the basis of key criteria considered when choosing the right form for a PE or VC investment vehicle.

Reference is made to Appendix I for a presentation and summary of the key features of the most popular corporate forms available in Luxembourg.

### 3. PE and VC – legal framework

#### Flexibility

SIFs, RAIFs and Part II UCIs are eligible for all asset classes. SICARs and RAIFs taking the features of a SICAR are exclusively eligible for risk capital investments.

EuVEECAs require an investment of the majority of their assets in VC investments.

ELTIFs are authorised to invest in categories of eligible investment assets as referred to in Article 9 of the ELTIF Regulation. ELTIFs are not authorised to undertake certain activities such as short-selling of assets.

SCSs, SCSps and SPVs benefit from flexible provisions of Luxembourg corporate law and offer flexibility in structuring debt and equity.

#### Diversification/investment limits

SIFs, RAIFs and Part II UCIs as well as EuVEECAs and ELTIFs must invest in a diversified asset portfolio and/or are subject to certain investment limits.

SICARs and RAIFs taking the features of a SICAR are not subject to diversification requirements.

Both SCSs, SCSps (when not subject to a product law), and SPVs have no constraints in terms of investment policy.

#### Structuring

SIFs, RAIFs, SICARs, Part II UCIs, EuVEECAs, ELTIFs and SPVs may be organised using different legal forms available under Luxembourg corporate law (private limited liability company—Sàrl, public limited liability company—SA, corporate partnership limited by shares—SCA, common limited partnership—SCS, special limited partnership—SCSp, among others).

SIFs, RAIFs, SICARs, EuVEECAs and ELTIFs may in principle be organised in a fiscally neutral manner.

SIFs, RAIFs, SICARs, Part II UCIs, EuVEECAs and ELTIFs may benefit from certain double tax treaties concluded by Luxembourg (to the extent they are not fiscally transparent due to their legal form).

SPVs are in principle subject to corporate taxation in Luxembourg on their worldwide income and may benefit from EU Directives and Luxembourg's double tax treaty network.

SCSs and SCSps are considered as fiscally transparent and, in principle, do not benefit from Luxembourg's extensive double tax treaty network.

#### Regulation

SIFs, SICARs, Part II UCIs, EuVEECAs and ELTIFs are subject to prior authorisation from the CSSF before taking up their activity and are subject to ongoing supervision.

RAIFs are not subject to any prior authorisation but remain subject to indirect supervision via their authorised AIFM, the appointment of which is mandatory.

SIFs, RAIFs, SICARs, Part II UCIs, EuVEECAs, and ELTIFs are subject to certain minimum disclosure obligations.

SPVs and SCSps/SCSs are not subject to regulation (though they may qualify as an AIF and thus may be subject to indirect supervision and certain minimum disclosure obligations via their AIFM as well).

## 3. PE and VC – legal framework

### 3.2. AIFs as Partnerships and their General Partners

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To set up a Luxembourg partnership, either in the form of an SCA, SCS or SCSp, at least one general partner (GP) and at least one limited partner (LP), distinct from one another, are required. The management of such partnerships is generally entrusted to one or more GPs, each managed by a single manager or a board of managers. Managers may be physical persons or legal entities.

LPs are generally prohibited from carrying out any act of management of the partnership vis-à-vis third parties. An LP that violates this prohibition may be held jointly and severally liable towards third parties for the obligations of the partnership. However, the 1915 Law provides a list of activities that do not constitute acts of management.

On the other hand, the GP will always be jointly and severally liable for the partnership's debts and obligations that cannot be satisfied out of the partnership's assets. To limit this liability, the GP is typically organised as a private limited liability company (Sàrl) or a public limited liability company (SA).

The GP may delegate some of its powers to agents that it may, in principle, freely determine. For example, the GP may nominate an AIFM, an investment advisor, a portfolio manager, as well as all service providers in Luxembourg (for example, central administration and depositary).

The GP may also organise various forums or committees to assist it in various functions.

### 3.3. AIFs as corporate entities

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Part II UCI funds, RAIFs, SICARs, SIFs, EuVECAs and ELTIFs may be set up as corporate entities in the form of a SA or Sàrl, either with (i) a one-tier management structure, consisting of a board of directors or (ii) a two-tier management structure comprised of a management board and a supervisory board.

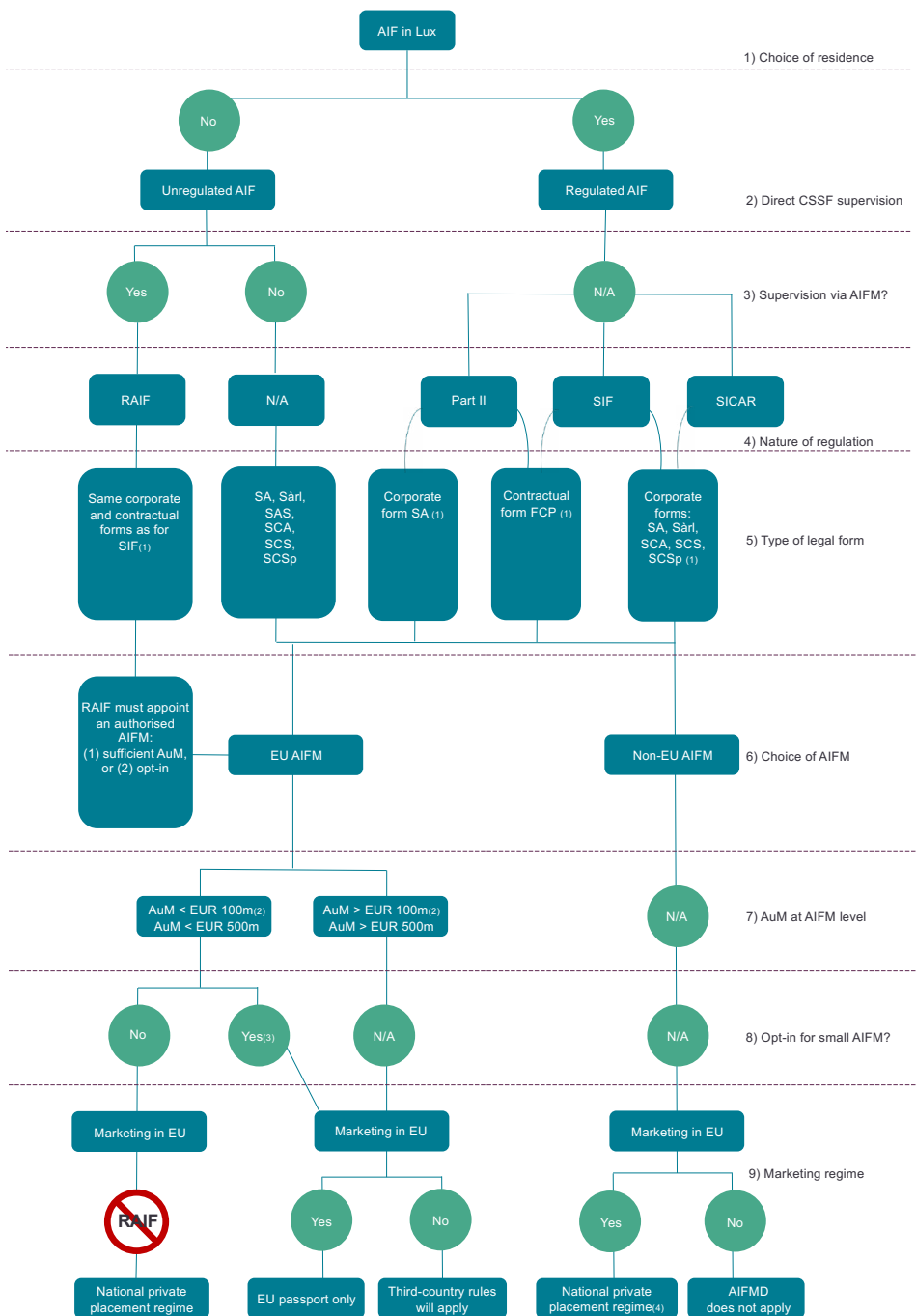
### 3.4. AIFs as common funds or funds of the contractual type

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RAIFs, SIFs, and Part II UCI funds may, in addition, be constituted as common funds (*Fonds commun de placement*—FCPs). The FCP itself is not a legal entity (that is, it has no legal personality), but rather represents a common pool of assets managed by a Luxembourg management company, established under and governed by either Chapter 15 or Chapter 16 of the UCI Law, in its own name but for the account of the FCP. Consequently, the management company takes all decisions relating to the management and administration of the FCP on its behalf.

### 3. PE and VC – legal framework

#### 3.5. Decision tree for implementation of PE/VC structures



(1) Other legal forms may be envisaged (for available legal forms, please refer to Appendix I).

(2) Article 3 (2) of the AIFM Law.

(3) Article 3 (4) of the AIFM Law.

(4) 2015-2018: dual marketing regime

NPPR + AIFMD on transparency, reporting and controlling entities and partial third-country requirements.

EU passport: accessible upon fulfilment of all AIFMD conditions.

### 3. PE and VC – legal framework

#### 3.6. Luxembourg PE and VC unregulated and regulated structures

PE and VC vehicles in Luxembourg may be either (i) any normal commercial companies (as further detailed under 3.2.1. below), that is, structures that are not supervised at all or indirectly supervised by an appointed authorised AIFM, or (ii) investment structures that are (potentially in addition to the appointed authorised AIFM) supervised by the CSSF and, therefore, regulated structures (as further detailed under 3.2.2.).

The specific (legal) features of all of these structures are further explained in 3.3. below.

All of the aforementioned structures may—depending on their characteristics—qualify as an AIF under the AIFM Law.

They would then potentially need to appoint an AIFM for the performance of the portfolio and risk management services for the respective AIF within the meaning of the AIFM Law.

##### 3.6.1. Standard commercial companies

Any standard commercial company under the 1915 Law can be used as a PE or VC investment vehicle in Luxembourg.

These vehicles may:

- Be intermediate holding vehicles (such as an SCS, SCSp, or a Sàrl serving as SPVs) for an entity located abroad (typically a non-European PE or VC fund); or
- Be themselves the investment vehicle for the end investors/beneficial owners of the structure (that is, an SCS, SCSp or any other commercial company qualifying as an AIF and/or RAIF).

##### SPV

SPVs are legal entities created for a specific purpose (such as, in the PE and VC environment, holding assets or companies), and are typically used to isolate financial risks and protect the assets of the parent company. They are governed by the 1915 Law.

As an ordinary company, the SPV is not subject to any risk-spreading requirements and may in principle invest in any asset class. SPVs are used to invest and manage financial participations in Luxembourg or foreign companies.

SPVs can also undertake commercial activities that are directly or indirectly connected to the management of their holdings, including the debt servicing of their acquisitions.

An SPV (as any other commercial company) may, depending on the circumstances, itself qualify as an AIF.

##### SCS and SCSp

The AIFM Law updated the legal framework for common limited partnerships under the 1915 Law, that is, the SCS. In addition, it introduced another form of limited partnership, namely the SCSp, which, unlike the SCS, does not have legal personality.

Both vehicles have increasingly been used for structuring PE or VC investments. Records of the Luxembourg trade register show that by August 2025 there 12,470 active SCSps. While the principal reasons for choosing the legal form of a Luxembourg PE or VC investment vehicle are often driven by considerations of applicable foreign (tax) law, the increased structuring flexibility of the SCS or the SCSp is another decisive factor. The SCS and the SCSp are governed by a limited partnership agreement (*contrat social*) that must comply with only a very small number of mandatory provisions under the 1915 Law. This gives them significant flexibility to define their governing rules and framework. This, and its tax-transparent status (under Luxembourg tax law and, where applicable, subject to appropriate structuring under applicable foreign tax law), has led to their increased popularity.

### 3. PE and VC – legal framework

#### 3.6.2. Directly regulated or indirectly supervised structures

The CSSF authorises and supervises (i) SICARs, (ii) SIFs, (iii) Part II UCIs, (iv) EuVECAs and (v) ELTIFs. SIFs are regulated under the provisions of the SIF Law while SICARs are regulated under the provisions of the SICAR Law. Part II UCI funds are regulated by the Part II of the UCI Law. The SICARs, SIFs and Part II UCIs are registered on official lists maintained by and accessible on the CSSF website. SIFs and SICARs generally qualify as AIFs under the AIFM Law, whereas Part II UCIs necessarily qualify as such.

Amidst an international regulatory environment seeking to increase transparency and oversight, the SICAR and the SIF are tried-and-tested regulated PE and VC structures. The legal framework for SICARs and SIFs combines flexibility and accessibility with strong investor protection. Subscriptions are limited to Well-Informed Investors.

For the past few years, Part II UCI funds regained strong interest in the Luxembourg market, also for strategies such as PE and VC, making private markets more accessible as they allow subscriptions by any type of investors (including retail).

#### SICAR

SICARs are investment vehicles designed specifically for investment in risk capital as defined by CSSF Circular 06/241. They allow direct or indirect contributions of assets to be made to entities with a view to their launch, development, or listing on a stock exchange.

#### SIF

The SIF regime was created in 2007 to clearly establish Luxembourg as an AIF domicile, accommodating all alternative asset classes, and in particular hedge funds, real estate funds, and PE funds. SIFs are not subject to any eligibility requirements regarding their investments. They are, however, required to diversify their investments as set out in CSSF Circular 07/309, which generally limits a SIF to investing no more than 30% of its assets in a single investment.

#### Part II UCI<sup>2</sup>

The Part II UCI funds are directly supervised funds governed by the Part II of the UCI Law and the AIFM Law. The framework governing Part II UCI funds allows flexibility in the types of assets in which the fund may invest. CSSF circulars also provide for the principle of risk-spreading (which generally requires the Part II UCI to not invest more than 20% of its net assets in a single company) and additional diversification requirements depending on the investment strategy. The CSSF usually grants a ramp-up period allowing fund managers to not comply with the risk diversification requirements during a certain period of time to build the fund's portfolio.

It is of particular interest to note that in the case where the Part II UCI fund opts for the ELTIF regime, it benefits from the AIFMD marketing passport and can be marketed in the EEA to both professional and retail investors. Marketing to retail investors, however, entails additional requirements, such as the publication of a Key Information Document (KID) pursuant to the PRIIPs KID Regulation.

#### RAIF

The RAIF Law introduced a new type of Luxembourg investment vehicle that is reserved to Luxembourg AIFs managed by an authorised external AIFM within the meaning of the AIFM Law.

To a large extent, the RAIF vehicle offers similar structuring flexibilities as Luxembourg SIFs, for instance, the launch of sub-funds when set up as an umbrella fund. However, in contrast to SIFs, RAIFs are not subject to the CSSF's supervision.

Moreover, RAIFs must always qualify as AIFs and are therefore required, among other things, to comply with the specific AIFM Law requirements, such as: (i) the appointment of a depositary, (ii) the appointment of an approved statutory auditor, (iii) minimum content requirements for annual report, (iv) valuation of the RAIF's assets, and (v) investment and leverage rules regarding certain type of assets, in addition to appointing an external authorised AIFM. However, in exchange for complying with all the conditions laid down in the AIFM Law, RAIFs benefit from the AIFMD passport to be marketed to professional investors (and to some retail investors who also qualify as well-informed investors within the meaning of the RAIF Law, if permitted by the relevant Member States under strict local conditions) in the EEA.

*2 – Please refer to Table 2 under Section 3.3 Luxembourg PE and VC unregulated and regulated structures that shows the difference between a Part II Fund and an ELTIF-qualified Part II fund dedicated to retail investors.*

### 3. PE and VC – legal framework

#### **EuVECA**

The EuVECA Regulation (EU) no. 345/2013 has been applicable since 22 July 2013 and revised by Regulation (EU) no. 2017/1991 of 25 October 2017. It provides a (voluntary) common framework and label for VC funds at EU level, referred to as the EuVECA label. To benefit from the label, EuVECA Funds are subject to specific requirements regarding their investment policy. They are only allowed to invest in certain types of assets. Accordingly, under the revised EuVECA Regulation, only investments in equity instruments issued by, or loans granted to, qualifying portfolio undertakings are allowed. Qualifying portfolio undertakings are defined as undertakings that, at the time of the fund's first investment, are not admitted to trading on a regulated market or multilateral trading facility, and that employ no more than 499 persons, or SMEs listed on SME growth markets. EuVECA funds are also subject to specific rules regarding fund portfolio composition, investment techniques and own funds. In particular, these funds must intend to invest at least 70% of their aggregate capital contributions and uncalled committed capital in qualifying investments and, as a consequence, do not use more than 30% for the acquisition of assets other than qualifying investments. One of the defining features of the EuVECA regime is that it does not require the appointment of a depositary.

The EuVECA Regulation applies to EU managers that are subject to registration with the competent authorities of their home Member State in accordance with the AIFMD and manage qualifying VC funds with total AuM of less than EUR 500 million. Following the aforementioned revision, the use of the EuVECA label is also open to above-threshold AIFMs, which continue to be subject to the requirements of the AIFMD while complying with certain provisions of the EuVECA Regulation (those on eligible investments, targeted investors and information requirements).

EuVECA managers can also manage and market AIFs that are not EuVECA Funds. However, the EuVECA passport does not apply to these funds.

#### **ELTIF<sup>3</sup>**

The ELTIF Regulation (EU) no. 2015/760 entered into force on 8 June 2015, became applicable on 9 December 2015, and was recently amended by Regulation (EU) 2023/606 (the so-called "ELTIF II Regulation"), which came into application on 10 January 2024. The ELTIF Regulation establishes a (voluntary) legislative framework for long-term EU funds that only invest in businesses requiring committed capital for long periods of time. Furthermore, it also aims at increasing the non-bank financing available for companies that are investing in the real economy within the EU. By definition, ELTIFs are EU AIFs that are managed by authorised EU AIFMs in accordance with the AIFMD, meaning that they need to comply with both the AIFMD and the ELTIF Regulation.

As a result, both ELTIFs and their managers will be subject to the rules of the AIFMD. An ELTIF is authorised to invest only in defined categories of eligible investment assets as referred to in Article 9 of the ELTIF Regulation. However, the available asset classes are broad and allow for the implementation of many alternative investment strategies through an ELTIF.

ELTIFs are designed to provide patient capital and, accordingly, an ELTIF is not authorised to undertake certain more speculative activities, such as the short-selling of assets. An ELTIF may borrow cash, but such borrowing is subject to certain conditions, including the requirement to appropriately disclose the borrowing in its prospectus. Under ELTIF II, the borrowing rules have been lightened and adjusted to market needs, for example by allowing bridge financing and deleting overly strict constraints on currency matching and other previously existing conditions.

An ELTIF is required to invest at least 55% of its capital in ELTIF eligible investment assets, and the remaining 30% can be invested in more liquid, UCITS-eligible assets. These rules apply by a date no later than five years from launch or half the life of the ELTIF. In addition to this 45/55 ratio, diversification requirements and concentration limits apply if ELTIFs are sold to retail investors.

*3 – Please refer to Table 2 under Section 3.3 Luxembourg PE and VC unregulated and regulated structures which shows the difference between a Part II Fund and an ELTIF-qualified Part II fund dedicated to retail investors.*

### 3. PE and VC – legal framework

Eligible investors targeted by ELTIFs can include both professional and retail investors within the meaning of the MiFID. Marketing of units or shares to retail investors is subject to specific disclosure requirements to ensure investors are aware of the specific nature of ELTIFs. In ELTIF II, the distribution requirements have been largely aligned with MiFID requirements, which should make the marketing of ELTIFs easier.

Due to the illiquid nature of ELTIF assets, ELTIFs are designed as closed-ended funds. Redemptions by investors will only be possible where appropriate liquidity management and redemption tools are in place. Details of these redemption tools and the applicable liquidity mechanisms for open-ended ELTIFs are set out in the Regulatory and Technical Standards, which entered into force on 26 October 2024.

To ensure investor protection, and given the long-term nature of ELTIFs, every ELTIF is subject to regulatory approval as well as a number of safeguards and protection mechanisms, which will be verified by the CSSF if the ELTIF is located in Luxembourg.

One of these investor protection measures is the mandatory publication of a prospectus, with the constitutive documents attached as an integral part thereof. In addition, where an ELTIF is marketed to retail investors, a Key Information Document (KID) pursuant to the PRIIPs KID Regulation must be published before the ELTIF can be marketed.

#### AIFMD II

On 15 April 2024, the EU Directive 2024/927 (AIFMD II) entered into force. Following transposition into national law, it will take effect from 16 April 2026. It revises the original AIFMD framework to a limited extent, aiming at more consistency and alignment across Member States. Notable amendments are:

##### **Introduction of a loan origination framework:**

Under AIFMD II, it is now expressly confirmed that origination of loans falls within the scope of AIFM functions. It makes a distinction between (i) AIFs that generally originate loans and (ii) AIFs that engage in loan origination on a significant scale (Loan Originating AIFs).

All AIFs that originate loans are now subject to, inter alia, the following requirements:

- Implementation of effective policies, procedures and processes;
- A maximum of 20% of AIFs capital may be lent to other financial undertakings, including funds (UCITS and AIF);
- Restrictions on lending to the AIF's depositary, AIFM, their delegates and staff;
- Prohibition of originate-to-distribute strategies and the related 5% risk retention requirement.

In addition to the above, Loan Originating AIFs are subject to:

- Requirement to be closed-ended, unless the AIF can demonstrate that its liquidity management system is compatible with its investment strategy and redemption policy.
- Leverage caps set at 175% for open-ended and 300% for closed-ended funds, calculated using the AIFM commitment method.

To ease the shift under the new regime, a grandfathering period was introduced.

**Liquidity management tools:** AIFMD II introduced a list of liquidity management tools, of which at least two appropriate mechanisms must be chosen by the AIFM managing an open-ended AIF. The activation and deactivation of the selected tools must be covered by appropriate policies and procedures. In addition, AIFMs are expected to keep National Competent Authorities (NCAs)—that is, the CSSF in Luxembourg—informed of any activities involving these tools, subject to the further conditions provided in the AIFMD II. The European Securities and Markets Authority (ESMA) has been assigned to prepare both RTS and guidelines concerning the LMTs, and is progressing well in this work.

### 3. PE and VC – legal framework

#### **Authorisation and substance requirements:**

Upon implementation of the AIFMD II into national law, when seeking authorisation, AIFMs will be required to disclose comprehensive details, especially relating to their operational presence and demonstrate sufficient substance. Furthermore, the eligibility criteria for conducting officers will be more rigorous, including requirements regarding their domicile (within the European Union) and their full-time dedication to their responsibilities. The incorporation of ESG factors into the AIFM's governance and risk management frameworks is now also anticipated.

**Extension of delegation framework and reporting:** The delegation concept, and its efficiency for the *“management of investment portfolios and for sourcing the necessary expertise in a particular geographic market or asset class,”* is explicitly recognised in the wording of AIFMD. The delegation framework has been extended to cover all functions outlined in Annex I AIFMD, including ancillary functions and the additional “top-up” services for which EU AIFMs may be authorised. To build a thorough understanding of delegation practices within the EU, AIFMs are now obliged to submit detailed data about their delegation and sub-delegation structures to their national supervisory authority.

**Enhanced investor disclosures:** The AIFMD II sets out certain improvements to increase transparency towards investors. These include, among others, periodic disclosures such as the composition of the AIF's loan origination portfolio as well as the fees and expenses charged.

**Provision of depositary services:** Whilst the AIFMD II does not introduce an EU-wide depositary passport, it nonetheless allows the appointment of a depositary in another Member State, in case the AIF's home Member State cannot effectively meet the AIF's needs due to the scarcity of depositary providers. Such appointment remains subject to stringent regulatory approval by and cooperation with the competent authorities.

**Marketing of AIFs in the EU by non-EU AIFMs:** In line with the growing regulatory focus on marketing by Non-EU AIFMs in the EU, AIFMD II requires that such AIFMs are not located in high-risk countries or in non-cooperative jurisdictions for tax purposes, and that effective exchange of information in tax matters is ensured.

Overall, AIFMD II has been designed to provide stronger investor protection while also supporting market stability, enhancing harmonisation across Member States. With its implementation set for April 2026, AIFMs and other stakeholders should consider reviewing their internal policies and frameworks in light of these changes, as necessary.

#### **3.6.3. Disclosure requirements**

##### **3.6.3.1. PRIIPs KID**

Since 1 January 2018, managers of alternative investment funds intending to distribute their funds to retail investors (including well-informed investors of a SIF, RAIF or SICAR) have had to prepare a KID as defined by the EU Regulation on Packaged Retail and Insurance-based Investment Products (the “PRIIPs Regulation”). They must provide retail investors with key information that is easy to read, understand and compare.

The person advising on or selling the fund has to provide retail investors with the KID in good time before those investors are bound by any contract or offer relating to the fund.

The KID content includes general information such as the name of the fund or, if applicable, an alert stating that the product is complex and may be difficult to understand. The fund's legal form, its investment objectives and how they will be achieved have to be described.

A specific section is dedicated to the PRIIP's risks and returns, which are outlined by means of a risk indicator and by several performance scenarios. The PRIIPs KID should also include a link to a website, or a reference to a document, where information about a relevant fund's past performance can be found. Fund managers also have to explain what happens if they are unable to pay out. Information on costs is presented in two tables: the **cost over time** table, and the **composition of costs** table. Investors should

### 3. PE and VC – legal framework

also be informed about the recommended investment horizon and whether they can take money out early. The KID must conclude with information on how investors can complain and other relevant information.

It is worth noting that PRIIPs KIDs need to be reviewed at least annually.

A broader review of the PRIIPs level 1 Regulation, with particular focus on digital disclosures, is expected to take place in the context of the upcoming EU Retail Investment Strategy.

#### 3.6.3.2. Sustainable Finance Disclosures – SFDR

##### SFDR

The European regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, as amended (the “Sustainable Finance Disclosure Regulation” or “SFDR”), applied with effect as of 10 March 2021. Under the SFDR, any AIFM, any investment firm authorised under MiFID II providing portfolio management or investment advice, as well as EuVECA managers, among others (collectively referred to as “Financial Market Participants” or “FMPs” under the SFDR), fall within its scope. These FMPs need to comply with certain harmonised ESG disclosures in relation to the (PE or VC) AIFs (defined under SFDR as financial products) they manage.

The harmonised ESG disclosures for financial products aim to prevent greenwashing when selling these products. SFDR requires, more specifically, for any

financial product in scope in line with Article 6, an FMP (or the manufacturer of a given financial product) is required to:

- Publish information on how they integrate sustainability risks in their investment process;
- Provide a justification if sustainability risks are not integrated.

In addition, and depending on the FMP’s size, the relevant FMP is required, or may voluntarily decide, to publish statements on their due diligence process with respect to any (principal) adverse impacts that investment decisions may have on sustainability factors (or depending on the size of the relevant financial market participant, this may also include the publication of the due diligence policy itself). This disclosure can be made:

- At the level of its relevant FMP and its activities generally; or
- Voluntarily at the level of the relevant (PE or VC) AIF they manage.

Furthermore, disclosures need to confirm that any remuneration policy that exists at the level of a given FMP, as well as its risk management system, adequately takes sustainability risks into account.

To the extent that a FMP for a given financial product seeks to (i) promote environmental and/or social (E/S) characteristics (as set out in Article 8 SFDR), and/or (ii) have “sustainable investment” as its investment objective (as set out in Article 9 SFDR), the relevant

FMP has to disclose this information in a prescribed manner, following the mandatory set of templates or annexes set out in the Regulatory Technical Standards (RTS) or the Regulation (EU) 2022/1288, as amended (the Sustainable Finance Delegated Regulation).

Among other requirements, part of this disclosure requires the relevant FMP to provide transparency, via dedicated templates, on how the financial product promotes environmental and social characteristics, as well as on its sustainable investment objective(s). Firms in scope should be mindful of how they implement the new disclosure requirements and should consider how these are appropriately reflected in their pre-contractual disclosures in the offering documents for all new financial products or AIFs going forward.

Disclosures under SFDR for financial products disclosing under Article 6, 8 and 9 generally focus on three key areas (the three “P’s”): (i) public level, meaning disclosures are made available on websites, but the disclosures themselves can only be provided to the type of investors to whom the relevant AIF is being sold to, typically professional investors); (ii) contractual pre-disclosure documents (offering memoranda and/or Article 23 disclosure documents), and (iii) periodic disclosures (through the relevant AIF’s annual report), especially for financial products disclosing under Article 8 and 9 SFDR in the specific format described in the Sustainable Finance Delegated Regulation or RTS.

### 3. PE and VC – legal framework

#### Reform of SFDR

During the course of 2023, the European Commission became aware that SFDR was increasingly being used—contrary to its initial intention to serve as a mere “comply or explain” disclosure regime—as a labelling regime, with FMPs seeking to market their funds as either “light green” (Article 8) or “dark green” (Article 9).

Against that background, the European Commission consulted on how to change SFDR generally and in particular if a new categorisation system should be created, moving away from the Article 8 versus Article 9 categories. The consultation closed in December 2023. Its outcome, together with further input received since then, will be reviewed as part of the planned revision of SFDR in the Commission’s work program for the fourth quarter of 2025.

#### ESMA Guidelines on fund names using ESG or sustainability-related terms

On 14 May 2024, ESMA published its long-awaited guidelines on funds’ names using ESG or sustainability-related terms, such as “sustainable”, “impact”, “ESG,” among others (the “Guidelines”). The Guidelines apply as from 21 November 2024 to any (PE or VC) AIF that any FMP manages and that uses the aforementioned sustainability-related

terms. Managers of funds existing before the Guidelines’ date of application should apply them as from 21 May 2025. The Guidelines establish that to be able to use ESG or sustainability-related terms in fund names, a minimum threshold of 80% of investments should be used to meet environmental and social characteristics or sustainable investment objectives. They also apply exclusion criteria for different terms used in fund names:

- “Transition, “Social” and “Governance”-related terms: exclusions according to the rules applicable to Climate Transition Benchmarks (CTB); and
- “Environmental”, “Impact” and “sustainability”-related terms: exclusions according to the rules applicable to Paris-aligned Benchmarks (PAB).

In addition, funds using “sustainability”-related terms in their names must commit to invest meaningfully in sustainable investments (as defined under Article 2(17) SFDR).

#### Reduction in subscription tax (*taxe d'abonnement*) payments

Please note that Luxembourg has introduced reductions of the subscription tax (*taxe d'abonnement*) it typically levies on certain financial products or AIFs (that is, any AIF that follows a Luxembourg product regulation, such as Part II Funds, SIFs and RAIFs).

These AIFs may benefit from a reduction in the subscription tax they may need to pay—from 0.05% to 0.01% for retail investor classes of UCITS or AIFs that can be offered to retail investors—where the relevant fund or sub-fund in question invests in assets corresponding to activities that qualify as environmentally sustainable economic activities (within the meaning of that term under Article 3 of the Taxonomy Regulation). This rule was introduced in 2020 and continues to apply to UCITS and AIFs (that can be offered to retail investors) in Luxembourg.

#### Fines

In June 2022, Luxembourg introduced a law that, among other things, allows the CSSF to take a series of dedicated sanctioning powers against financial market participants and financial advisers (as defined under SFDR), active in Luxembourg, for any violations of the rules set out in the SFDR or the Taxonomy Regulation. Administrative fines may amount to up to EUR 250,000.

Further information on SFDR disclosure requirements can be found in the ALFI-commissioned [European Sustainable Investment Funds Study 2024](#), which is in the process of being updated.

### 3. PE and VC – legal framework

#### 3.7. Luxembourg PE and VC unregulated and regulated structures

Please note that the following table 1 does not address any specific Part II Fund or ELTIF features. Please refer to table 2 for the differences between a Part II Fund and an ELTIF-qualified Part II Fund dedicated to retail investors.

Table 1

SIF (CSSF-regulated)	RAIF (Indirectly super-vised via its AIFM)	SICAR (CSSF-regulated)	EuVECA (CSSF-regulated)	SCS/SCSp (Unregulated/ corporate vehicle)
<ul style="list-style-type: none"> <li>■ May qualify as an AIF under the AIFM Law.</li> <li>■ Internal management under the AIFM Law possible; however, then the vehicle would have to seek authorisation of itself as AIFM by the CSSF, unless                             <ul style="list-style-type: none"> <li>– the assets under its management are below EUR 100 million/under EUR 500 million (if the AIF is unleveraged and does not grant</li> <li>– any redemption rights for five years after the initial investment).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Mandatory AIF qualification under the AIFM Law.</li> <li>■ Not admitted for de minimis AIFMs.</li> <li>■ Not admitted for internal management under the AIFM Law.</li> </ul>	<ul style="list-style-type: none"> <li>■ May qualify as an AIF under the AIFM Law.</li> <li>■ Internal management under the AIFM Law possible; however, then the vehicle would have to seek authorisation of itself as AIFM by the CSSF, unless the assets under its management are below EUR 100 million/under EUR 500 million (if the AIF is unleveraged and does not grant any redemption rights for 5 years after the initial investment).</li> </ul>	<ul style="list-style-type: none"> <li>■ Eligible for any AIF that is a qualifying VC fund, meaning a collective investment undertaking that intends to invest at least 70% of its aggregate capital contributions and uncalled committed capital in assets that are qualified investments under Regulation no. (EU) 345/2013 and                             <ul style="list-style-type: none"> <li>■ which is managed by a de minimis AIFM.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ May qualify as an AIF under the AIFM Law.</li> <li>■ Internal management under the AIFM Law possible; however, then the vehicle would have to seek authorisation of itself as AIFM by the CSSF, unless the assets under its management are below EUR 100 million/under EUR 500 million (if the AIF is unleveraged and does not grant any redemption rights for 5 years after the initial investment).</li> </ul>

### 3. PE and VC – legal framework

SIF (CSSF-regulated)	RAIF (Indirectly super-vised via its AIFM)	SICAR (CSSF-regulated)	EuVECA (CSSF-regulated)	SCS/SCSp (Unregulated/ corporate vehicle)
<p><b>Choice of legal form:</b></p> <p><b>corporate vehicles and common funds.</b></p> <p><b>Corporate vehicles:</b></p> <ul style="list-style-type: none"> <li>■ Public limited liability company (SA);</li> <li>■ Private limited liability company (Sàrl);</li> <li>■ Corporate partnership limited by shares (SCA);</li> <li>■ Common limited partnership (SCS);</li> <li>■ Special limited partnership (SCSp).</li> </ul> <p>The aforementioned corporate vehicles may all qualify as a <i>société d'investissement à capital variable</i> in the form of a SIF (SICAV-SIF), that is, their capital will be allowed to increase or decrease freely without the need to convene a shareholder meeting and/ or to be recorded in a notarial deed to that effect.</p> <p><b>Contractual form or common fund:</b></p> <p><i>Fonds commun de placement</i> (FCP) in the form of a SIF, RAIF or Part II UCI Fund.</p>		<p><b>Choice of legal form:</b></p> <p><b>corporate vehicles only.</b></p> <ul style="list-style-type: none"> <li>■ Public limited liability company (SA);</li> <li>■ Private limited liability company (Sàrl);</li> <li>■ Corporate partnership limited by shares (SCA);</li> <li>■ Common limited partnership (SCS);</li> <li>■ Special limited partnership (SCSp).</li> </ul>		
<p><b>Tax transparent:</b></p> <ul style="list-style-type: none"> <li>■ Common fund (FCP Part II)</li> <li>■ Common limited partnership (SCS)</li> <li>■ Special limited partnership (SCSp)</li> </ul> <p><b>Not tax transparent:</b></p> <ul style="list-style-type: none"> <li>■ SA (public limited liability company)</li> <li>■ Sàrl (private limited liability company)</li> <li>■ SCA (corporate partnership limited by shares)</li> </ul>				

### 3. PE and VC – legal framework

SIF (CSSF-regulated)	RAIF (Indirectly super-vised via its AIFM)	SICAR (CSSF-regulated)	EuVECA (CSSF-regulated)	SCS/SCSp (Unregulated/ corporate vehicle)
<ul style="list-style-type: none"> <li>Annual subscription tax (<i>taxe d'abonnement</i>) at a rate of 0.01%. (exemptions from subscription tax are available);</li> <li>No corporate income tax<sup>4</sup> and municipal business tax.</li> <li>No withholding tax.</li> <li>No net wealth tax.</li> <li>Non-tax transparent vehicles may in principle benefit from certain double tax treaties.</li> </ul> <p>Tax-transparent entities may, however, enable investors to claim benefits of the tax treaties concluded between their country of residence and the country of the investment.</p>	<p><b>SIF regime for RAIF respecting the principle of risk spreading</b> (CSSF Circular 07/309 <i>mutatis mutandis</i>):</p> <ul style="list-style-type: none"> <li>See tax regime applicable to SIF.</li> </ul> <p><b>SICAR regime for RAIF investing in risk capital</b> (CSSF Circular 06/241 <i>mutatis mutandis</i>):</p> <ul style="list-style-type: none"> <li>See tax regime applicable to SICAR.</li> </ul>	<p><b>Not transparent:</b></p> <ul style="list-style-type: none"> <li>Subject to income tax in Luxembourg, but any income arising from securities qualifying as risk capital assets does not constitute taxable income.</li> <li>Generally eligible to double tax treaties.</li> <li>Dividend and interest payments made are exempt from withholding tax.</li> </ul> <p><b>Transparent:</b></p> <ul style="list-style-type: none"> <li>No corporate income tax<sup>5</sup> and no municipal business tax.</li> <li>No net wealth tax<sup>6</sup>.</li> <li>No withholding tax.</li> <li>Not eligible to tax treaty benefits. May, however, enable investors to claim benefits of the tax treaties concluded between their country of residence and the country of the investment.</li> </ul>	<p>Tax regime depends on the product law applicable to the EuVECA.</p>	<ul style="list-style-type: none"> <li>No corporate income tax (tax transparent)<sup>7</sup>.</li> <li>No municipal business tax as long as the unlimited partner, which is a corporate company, holds directly or indirectly less than 5% interest in the limited partnership and the partnership is either an AIF or has no commercial activity.</li> </ul>
<p><b>Duration</b></p> <p>Unlimited or limited period of time</p>				

4 – For SIF established as a tax transparent entity, anti-hybrid mismatch rules need, however, to be monitored (see section “2015 OECD BEPS Action Plan” below).

5 – Anti-hybrid mismatch rules need, however, to be monitored (see section “2015 OECD BEPS Action Plan” below).

6 – Subject, however, to a minimum annual net worth tax (see section 4.1 below).

7 – Anti-hybrid mismatch rules need however to be monitored (see section “2015 OECD BEPS Action Plan” below).

### 3. PE and VC – legal framework

SIF (CSSF-regulated)	RAIF (Indirectly super-vised via its AIFM)	SICAR (CSSF-regulated)	EuVECA (CSSF-regulated)	SCS/SCSp (Unregulated/ corporate vehicle)
<b>Form of participation</b>				
<ul style="list-style-type: none"> <li>■ (Registered) shares or units (FCP-SIF or FCP-RAIF): ordinary, preference, beneficiary (the latter not for SIFs)*; partnership interests or capital accounts (for SCS and SCSp).</li> <li>■ Redeemable.</li> <li>■ Voting and non-voting (only voting for SIF) bonds and/or notes.</li> </ul> <p>* issuance of registered shares of any vehicle recommended to ensure proper monitoring of eligible investors (that is, professional investors to the extent that the vehicle qualifies as an AIF).</p>				
<b>Listing</b>				
Possible in principle.				
<b>Redemption</b>				
Possible in principle.				
<b>Capital calls/distributions</b>				
<ul style="list-style-type: none"> <li>■ Capital calls and distributions to investors are subject to the rules provided in the constitutive documents.</li> <li>■ Flexibility on issue price.</li> <li>■ Preferential rights may be limited or cancelled.</li> </ul>				
<b>Permissible asset classes</b>	<b>Permissible asset classes</b>	<b>Restricted asset classes</b>	<b>Restricted asset classes</b>	<b>Permissible asset classes</b>
Any kind of asset class.	Any kind of asset class.	Investment in risk capital (according to the definition of “risk capital” in CSSF Circular 06/241).	Investment in at least 70% of its monies in qualifying investments, according to rules set out in Regulation (EU) no. 345/2013, as Amended,	Any kind of asset class.
<b>Risk spreading</b>	<b>Risk spreading</b>	No risk diversification requirement.	No risk diversification requirement, but minimum of 70% investment in qualifying investments and up to 30% in other assets, according to rules set out in Regulation (EU) 345/2013, as amended.	No risk diversification requirement.
Risk diversification requirement (as contained in CSSF Circular 07/309).	Risk diversification requirement (CSSF Circular 07/309 <i>mutatis mutandis</i> ).  For SICARs, there is no need for risk diversification under their investment policy.			
<b>Compartments/sub-funds</b>	<b>Compartments/sub-funds</b>			
Possible.	Not possible.			

### 3. PE and VC – legal framework

SIF (CSSF-regulated)	RAIF (Indirectly super-vised via its AIFM)	SICAR (CSSF-regulated)	EuVECA (CSSF-regulated)	SCS/SCSp (Unregulated/ corporate vehicle)
<p><b>Capital</b></p> <ul style="list-style-type: none"> <li>■ Fixed or variable EUR or foreign currency equivalent.</li> <li>■ Minimum of EUR 1,250,000 (including share premium) to be reached within 12 months of authorisation provided at incorporation.</li> <li>■ Minimum of EUR 12,000 for Sàrl and EUR 30,000 for SA/SCA.</li> <li>■ Partly paid shares must be paid up to at least 5%.</li> <li>■ No such restriction for SCS/SCSp.</li> <li>■ Contribution in kind and/or in cash permissible.</li> <li>■ Commitment or subscription-based model.</li> </ul>		<p><b>Capital</b></p> <ul style="list-style-type: none"> <li>■ Fixed or variable EUR or foreign currency equivalent.</li> <li>■ Minimum of EUR 1,000,000 (including share premium) to be reached within 12 months of authorisation, provided at incorporation.</li> <li>■ Minimum of EUR 12,000 for Sàrl and EUR 30,000 for SA/SCA.</li> <li>■ Shares must be paid up to at least 5%.</li> <li>■ No such restriction for SCS or SCSp.</li> <li>■ Contribution in kind and/or in cash permissible.</li> </ul>		<p><b>Capital</b></p> <ul style="list-style-type: none"> <li>■ Fixed or variable EUR or foreign currency equivalent.</li> <li>■ Minimum of EUR 12,000 for Sàrl and EUR 30,000 for SA/SCA at incorporation only.</li> <li>■ Shares must be paid up to 25% for SA/SCA and 100% for a Sàrl.</li> <li>■ No such restriction for SCS or SCSp.</li> <li>■ Contribution in kind and/or in cash permissible.</li> <li>■ Commitment or subscription-based model.</li> </ul>
<p><b>Management bodies</b></p> <ul style="list-style-type: none"> <li>■ Board of directors, manager(s) or managing general partner—depending on corporate form or Management Company, in case of FCP.</li> <li>■ Approval of board members by the CSSF.</li> </ul>	<p><b>Management bodies</b></p> <ul style="list-style-type: none"> <li>■ Board of directors, manager(s) or managing general partner—depending on corporate form or Management Company, in case of FCP.</li> <li>■ No approval requirements for board members by the CSSF.</li> </ul>	<p><b>Management bodies</b></p> <ul style="list-style-type: none"> <li>■ Board of directors, manager(s) or managing general partner—depending on corporate form.</li> <li>■ Approval of board members by the CSSF.</li> </ul>		<p><b>Management bodies</b></p> <ul style="list-style-type: none"> <li>■ Board of directors, manager(s) or managing general partner—depending on corporate form.</li> <li>■ No approval requirements for board members by the CSSF.</li> </ul>

### 3. PE and VC – legal framework

SIF (CSSF-regulated)	RAIF (Indirectly super-vised via its AIFM)	SICAR (CSSF-regulated)	EuVECA (CSSF-regulated)	SCS/SCSp (Unregulated/ corporate vehicle)
<b>Supervisory reporting</b> <ul style="list-style-type: none"> <li>Monthly reporting.</li> <li>Annual audited report due six months after year end.</li> </ul>	<b>Supervisory reporting</b> <ul style="list-style-type: none"> <li>Annual audited report due 6 months after year end.</li> <li>AIFM supervised by responsible authority to report on RAIFs it externally manages.</li> </ul>	<b>Supervisory reporting</b> <ul style="list-style-type: none"> <li>Semi-annual reporting.</li> <li>Annual audited report due 6 months after year end.</li> </ul>	<b>Supervisory reporting</b> <p>In principle, annual audited report due 6 months after year end (for CSSF) and for investors upon request, unless required already by the corporate vehicle itself.</p>	<b>Supervisory reporting</b> <ul style="list-style-type: none"> <li>Not applicable (as long as there is no AIF or AIFM nomination).</li> <li>Otherwise reporting rules of AIFM Law apply.</li> </ul>
<b>Filing requirements with trade register</b> <p>Audited annual accounts and appendix within 7 months after year end.</p>	<b>Filing requirements with trade register</b> <p>Annual accounts within 7 months after year end.</p> <p><b>RAIF list</b></p> <p>RAIF will have to be registered on RAIF list kept by RCS.</p>	<b>Filing requirements with trade register</b> <p>Audited annual accounts within seven months after year end (except for SCSp).</p>		
<b>Depositary</b> <p>Luxembourg depositary required (regardless of AIF qualification).</p>	<b>Depositary</b> <p>Luxembourg depositary required for RAIF.</p>	<b>Depositary</b> <p>Luxembourg depositary required (regardless of AIF qualification).</p>	<b>Depositary</b> <p>Not required, but auditor is required to check if assets of EuVECA are properly recorded as its assets.</p>	<b>Depositary</b> <p>Not required, unless the relevant entity qualifies as an AIF, which is not a de minimis AIF.</p>
<b>Auditor</b> <p>Independent approved Luxembourg auditor required.</p>				<b>Auditor</b> <p>Independent Luxembourg auditor in certain circumstances only (see section 5.1 of this brochure for further details).</p>

### 3. PE and VC – legal framework

The following table 2 shows the difference between a Part II Fund and an ELTIF-qualified Part II Fund dedicated to retail investors.

Table 2

Part II Fund (CSSF-regulated)	ELTIF Part II Fund (CSSF-regulated)
Qualifies per se as an AIF as defined under the AIFM Law pursuant to article 88-1 of the 2010 Law.	ELTIF Regulation is an overlay regulation that can only apply to EU AIFs as defined in the AIFM Law (Article 3(2) of the ELTIF Regulation).
Internal management under the AIFM Law possible; however, then the vehicle would have to seek authorisation of itself as AIFM by the CSSF, unless the assets under its management are below EUR 100 million/ under EUR 500 million (if AIF is unleveraged and does not grant any redemption rights for 5 five years after the initial investment).	An ELTIF may either (i) be managed by an authorised AIFM or (ii) be an internally managed AIF. In the latter case, the AIF has to be authorised under the AIFM Directive as an AIFM.
<b>Choice of legal form</b>	
<p><b>Corporate vehicles and common funds</b></p> <p><b>Corporate vehicles:</b></p> <ul style="list-style-type: none"> <li>■ Public limited liability company (SA);</li> <li>■ Private limited liability company (Sàrl);</li> <li>■ Corporate partnership limited by shares (SCA);</li> <li>■ Common limited partnership (SCS);</li> <li>■ Special limited partnership (SCSp).</li> </ul> <p>The aforementioned corporate vehicles may all qualify as a <i>société d'investissement à capital variable</i> in the form of a Part II (Part II–SICAV), that is, their capital will be allowed to increase or decrease freely without the need to convene a shareholder meeting and/or to be recorded in a notarial deed to that effect.</p> <p><b>Contractual form or common fund:</b></p> <p><i>Fonds commun de placement</i> (FCP).</p>	<p><b>Corporate vehicles and common funds</b></p> <p><b>Corporate vehicles:</b></p> <ul style="list-style-type: none"> <li>■ Public limited liability company (SA);</li> <li>■ Private limited liability company (Sàrl);</li> <li>■ Corporate partnership limited by shares (SCA);</li> <li>■ Common limited partnership (SCS);</li> <li>■ Special limited partnership (SCSp).</li> </ul> <p>The aforementioned corporate vehicles may all qualify as <i>société d'investissement à capital variable</i> in the form of a Part II (Part II–SICAV), that is, their capital will be allowed to increase or decrease freely without the need to convene a shareholder meeting and/or to be recorded in a notarial deed to that effect.</p> <p><b>Contractual form or common fund:</b></p> <p><i>Fonds commun de placement</i> (FCP).</p>

### 3. PE and VC – legal framework

Part II Fund (CSSF-regulated)	ELTIF Part II Fund (CSSF-regulated)
<b>Tax treatment</b>	
<p><b>Transparent:</b></p> <ul style="list-style-type: none"> <li>■ Common fund (FCP Part II);</li> <li>■ Common limited partnership (SCS);</li> <li>■ Special limited partnership (SCSp).</li> </ul> <p><b>Not transparent:</b> (all vehicles taxable in principle in Luxembourg)</p> <p>All corporate forms (see above)</p> <ul style="list-style-type: none"> <li>&gt; No tax, except for annual subscription tax of 0.05 % on the NAV unless an exemption applies.</li> <li>&gt; No withholding tax on dividends paid.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Exemption from subscription tax.</li> <li>&gt; No withholding tax on dividends paid.</li> </ul>
<ul style="list-style-type: none"> <li>■ Annual subscription tax (<i>taxe d'abonnement</i>) at a rate of 0.05% (reduction and exemptions from subscription tax are available).</li> <li>■ No corporate income tax and municipal business tax.</li> <li>■ No withholding tax.</li> <li>■ No net wealth tax.</li> <li>■ In principle, not eligible to double tax treaties benefits.</li> </ul> <p>Tax transparent entities (common funds, that is, FCPs, SCSs, SCSps) may, however, enable investors to claim benefits of the tax treaties concluded between their country of residence and the country of the investment.</p>	<ul style="list-style-type: none"> <li>■ Exemption from subscription tax.</li> <li>■ No corporate income tax and municipal business tax.</li> <li>■ No withholding tax.</li> <li>■ No net wealth tax.</li> <li>■ In principle, not eligible to double tax treaties benefits.</li> </ul> <p>Tax transparent entities (common funds, that is, FCPs, SCSs, SCSps) may, however, enable investors to claim benefits of the tax treaties concluded between their country of residence and the country of the investment.</p>
<b>Duration</b>	
<p>Limited or unlimited duration of time.</p>	<p>Limited duration (the maturity date of the ELTIF—that is, the date marking the end of the fund’s life and its possible extension must be indicated in the ELTIF documentation). However, such duration can be long (for instance, 50 years), making it in principle similar to vehicles with an unlimited duration.</p>

### 3. PE and VC – legal framework

Part II Fund (CSSF-regulated)	ELTIF Part II Fund (CSSF-regulated)
<b>Form of participation</b>	
<ul style="list-style-type: none"> <li>■ Registered shares (for corporate vehicles) or units (for FCP or special limited partnership), ordinary, preference, beneficiary (subject to fair treatment between investors).</li> <li>■ Redeemable.</li> <li>■ Voting and non-voting bonds and/or notes.</li> </ul>	<ul style="list-style-type: none"> <li>■ Registered shares (for corporate vehicles) or units (for FCP or special limited partnership), ordinary, preference, beneficiary (subject to fair treatment between investors).</li> <li>■ Redeemable, subject to certain conditions.</li> <li>■ Voting and non-voting bonds and/or notes subject to leverage limits provided for under the ELTIF Regulation.</li> </ul>
<b>Listing</b>	
Possible in principle.	Possible in principle.
<b>Redemption</b>	
Possible.	Possible before the ELTIF's end of the life, provided certain rules are fulfilled (to be detailed in the ELTIF RTS).
<b>Issuance of shares/distribution</b>	
<p>Rules or instruments of incorporation should specify the conditions for issuing new units and shares, as well as the distribution policy.</p> <p>No restriction on the distribution of dividends, provided the minimum capitalisation is complied with.</p>	<p>Rules or instruments of incorporation should specify the conditions for issuing new units and shares, as well as the distribution policy.</p> <p>Possibility to regularly distribute to investors the proceeds generated by (i) the assets contained in its portfolio, or (ii) followed the capital appreciation realised after the disposal of an asset.</p>
<b>Permissible asset classes</b>	
Any kind of asset class (investment objective and strategy subject to CSSF approval).	ELTIF restrictions apply to different assets specifically listed in the ELTIF Regulation.
<b>Risk spreading</b>	
Risk diversification requirement as contained in IML Circular 91/75 or CSSF Circular 02/80 to be determined based on the investment strategy.	<p>ELTIF diversification rules apply.</p> <p>An ELTIF must invest at least 55% of its capital in eligible investment assets and up to 45% of its capital in UCITS eligible assets.</p>
<b>Compartments/sub-funds</b>	
Possible.	<p>Possible.</p> <p>An ELTIF can also be a compartment of an umbrella AIF that is not an ELTIF. The rules of the ELTIF Regulation will therefore only apply to the ELTIF compartment.</p>

### 3. PE and VC – legal framework

Part II Fund (CSSF-regulated)	ELTIF Part II Fund (CSSF-regulated)
<b>Capital</b>	
<ul style="list-style-type: none"> <li>■ Fixed or variable EUR or foreign currency equivalent.</li> <li>■ Minimum of EUR 1,250,000 (including share premium) to be reached within 12 months of authorisation provided at incorporation.</li> <li>■ Minimum of EUR 12,000 for a private limited liability company (Sàrl) and EUR 30,000 for a public limited company (SA) or a/corporate partnership limited by shares (SCA).</li> <li>■ Commitment or subscription-based model.</li> </ul>	<ul style="list-style-type: none"> <li>■ Fixed or variable EUR or foreign currency equivalent.</li> <li>■ Minimum of EUR 1,250,000 (including share premium) to be reached within 12 months of authorisation provided at incorporation.</li> <li>■ Minimum of EUR 12,000 for a private limited liability company (Sàrl) and EUR 30,000 for a public limited company (SA) or a corporate partnership limited by shares (SCA).</li> </ul>
<b>Management bodies</b>	<b>Management bodies</b>
<ul style="list-style-type: none"> <li>■ Board of directors, manager(s) or managing general partner—depending on corporate form.</li> <li>■ Approval of board members by the CSSF.</li> </ul>	<ul style="list-style-type: none"> <li>■ Board of directors, manager(s) or managing general partner—depending on corporate form.</li> <li>■ Approval of board members by the CSSF.</li> </ul>
<b>Supervisory reporting</b>	
<ul style="list-style-type: none"> <li>■ Semi-annual reporting.</li> <li>■ Annual audited report due six months after year end.</li> </ul>	<ul style="list-style-type: none"> <li>■ Semi-annual reporting.</li> <li>■ Annual audited report due 6 months after year end.</li> </ul>
<b>Supervisory reporting</b>	
<b>Filing requirements with trade register</b>	<b>Filing requirements with trade register</b>
Audited annual accounts and appendix within 7 months after year end,	Audited annual accounts and appendix within 7 months after year end,
<b>Depositary</b>	
Luxembourg depositary required. When the UCI fund Part II is offered to retail investors, the liability of the depositary in the event of a loss of financial instrument held in custody shall not be affected by any delegation and shall not be excluded or limited by agreement. Any agreement that contravenes this strict regime of liability shall be void.	Luxembourg depositary required. When the ELTIF is offered to retail investors, the liability of the depositary in the event of a loss of financial instrument held in custody shall not be affected by any delegation and shall not be excluded or limited by agreement. Any agreement that contravenes this strict regime of liability shall be void.
<b>Auditor</b>	
Independent approved Luxembourg auditor required.	Independent approved Luxembourg auditor required.

### 3. PE and VC – legal framework

#### 3.8. Structuring by means of Luxembourg vehicles

The following examples illustrate how PE or VC investments may be structured using a variety of Luxembourg vehicles, including options to locate PE or VC funds in Luxembourg.

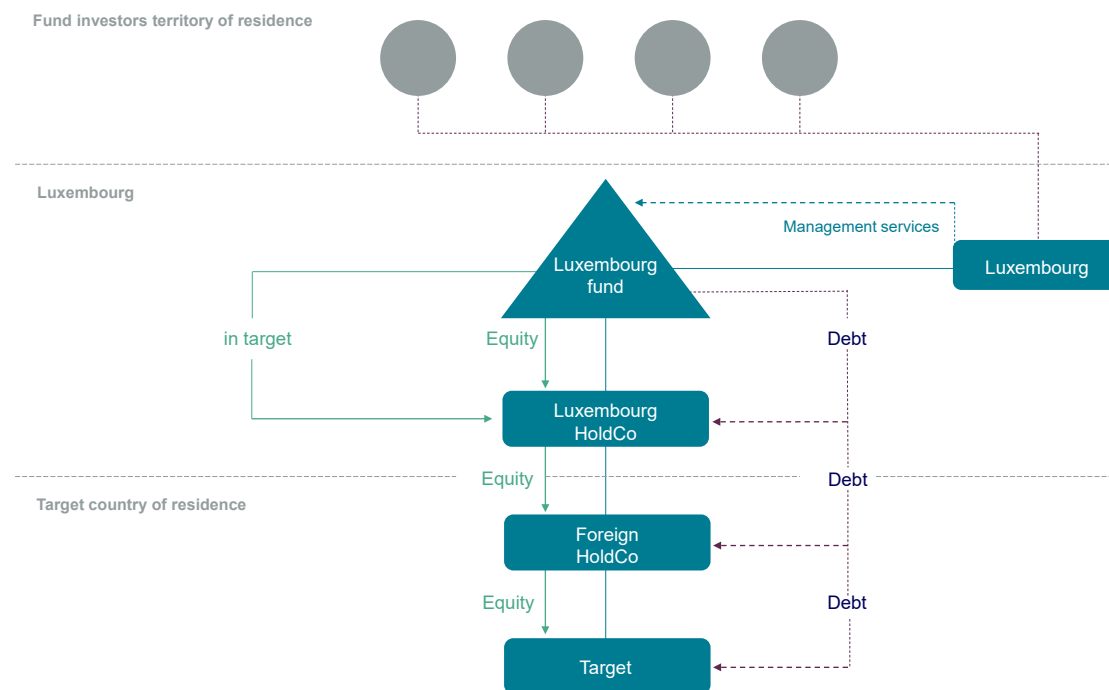
Luxembourg PE or VC investment structures downstream of a PE or VC fund (residing in Luxembourg or not) typically consist of either an SPV, an unregulated SCS/SCSp, a SICAR, RAIF or SIF, or of a combination of the latter two with one or more holding companies.

In the case of an FCP-SIF or FCP-RAIF, SCS and SCSp qualifying as a tax transparent structure, the use of intermediate companies may—depending on the applicable tax regime to the investors and/or the investments of the relevant vehicle—prove useful to enhance the overall tax situation of the structure bottom to top. In this context, particular attention must be given to the anti-abuse provisions under the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS as promoted

by the OECD BEPS Action 15, commonly referred to as the Multilateral Instrument (MLI) and under ATAD 1 and ATAD 2.

Investors can also invest either directly into the Luxembourg investment vehicle or fund or indirectly via Luxembourg-based or non-Luxembourg-based feeder (fund) vehicles.

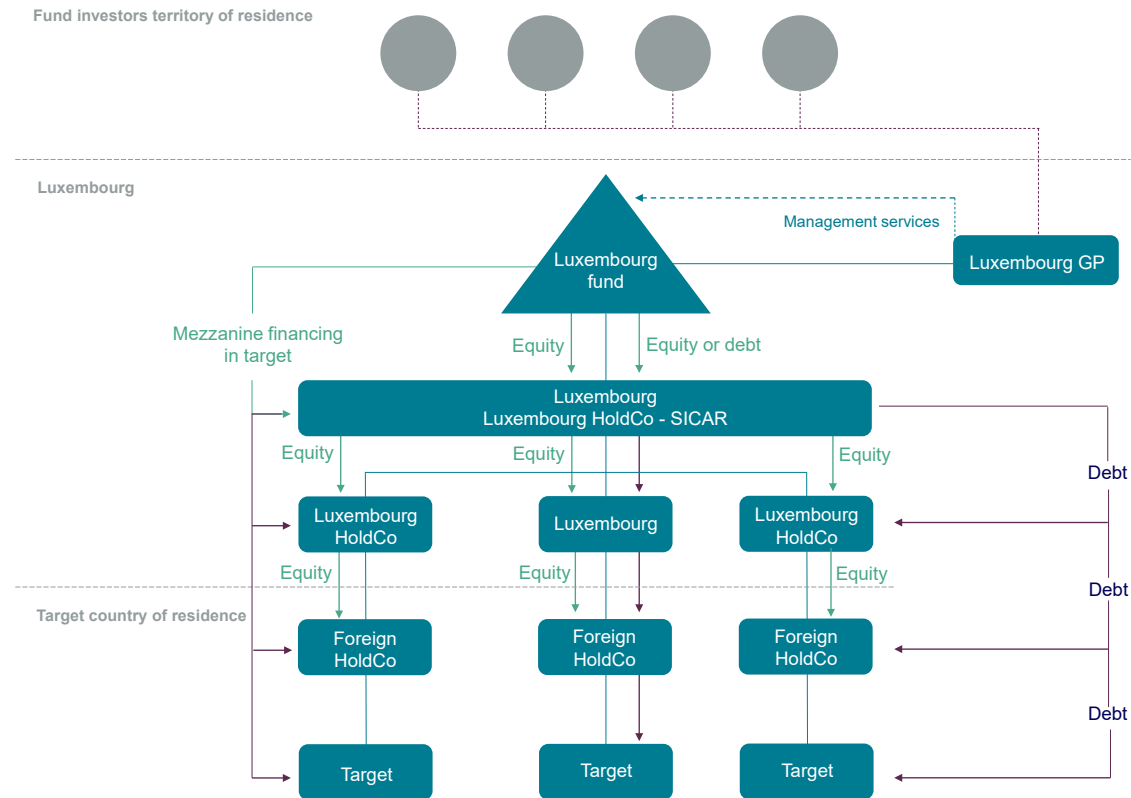
The following charts are examples of typical Luxembourg PE or VC investment structures.



#### Example 1:

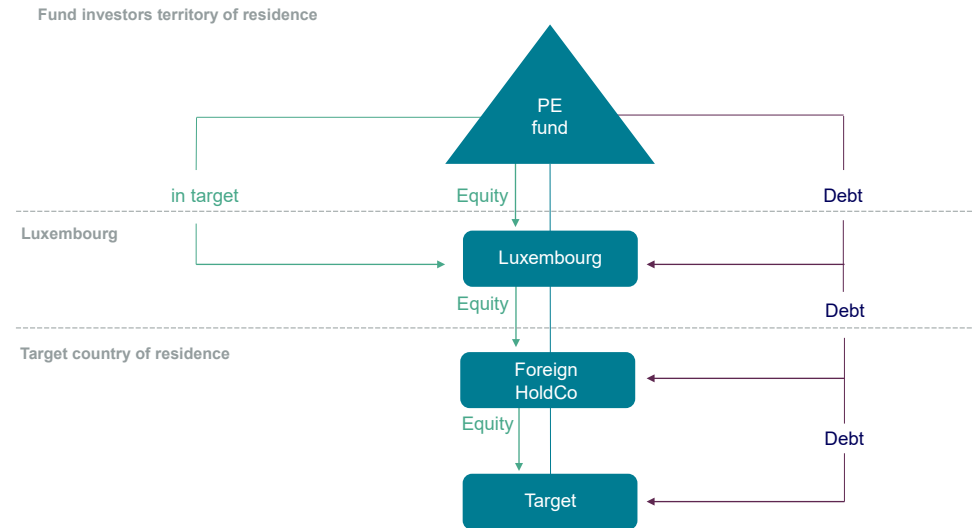
#### Investment via a Luxembourg SCSp and a holding company

### 3. PE and VC – legal framework



**Example 2:**  
**Investment via foreign feeder entities into Luxembourg SCSp and several Luxembourg holding companies**

### 3. PE and VC – legal framework



**Example 3:**  
**Traditional investment via a Luxembourg holding company**

## 4. Luxembourg tax environment

One of the key factors supporting PE or VC operations in Luxembourg is its favourable tax environment. A stable tax framework, a highly competitive social security system (for companies, employers and employees), and the lowest VAT rate in the EU all greatly contribute to making Luxembourg one of Europe's most attractive jurisdictions for PE or VC operations and investments.

Of key importance, however, is the double tax treaty network that Luxembourg has built up over many years.

### Taxation of Luxembourg PE vehicles

The Luxembourg tax environment is extremely beneficial for PE or VC investment vehicles, both regulated and unregulated.

#### The SPV

The SPV, as a fully taxable ordinary commercial company, benefits from Luxembourg's extensive network of double tax treaties and from the EU Parent-Subsidiary Directive. Despite being fully taxable, the SPV may, under certain conditions, benefit from a full exemption from income tax (on dividends and capital gains upon exit), net wealth tax, as well as withholding tax on dividends paid to shareholders.

#### The SICAR

SICARs can be created using different corporate forms.

The SICAR organised in the form of an SCS or SCSp is tax transparent and thus not subject to Luxembourg taxation<sup>8</sup>.

Distributions may, furthermore, be paid to investors without any Luxembourg withholding tax.

SICARs in corporate form, organised as a SA or an SCA, are fully taxable companies. However, income from securities qualifying as risk capital assets as well as any capital gains on the disposal of such securities are exempt. A SICAR in corporate form is also not subject to net wealth tax (except for the minimum net wealth tax).

#### The SIF

SIFs, irrespective of the legal form they take, are not subject to any Luxembourg taxes on income<sup>9</sup> gains or wealth. The sole tax due is a subscription tax of 0.01% based on the quarterly Net Asset Value (NAV). Certain exemptions are available.

SIFs in corporate form, organised as a SA or SCA, can moreover claim access to certain double tax treaties.

#### The RAIF

RAIFs are subject to the same tax regime as SIFs (see above). However, RAIFs investing into risk capital assets can opt for the SICAR regime (see above). It is not possible to mix the different legal and tax regimes for one RAIF.

#### The Luxembourg double tax treaty network

Luxembourg has bilateral tax treaties in force with all EU Member States and with a large number of other countries (including almost all OECD Member States).

This network of tax treaties is constantly being expanded. SICARs investing in risk capital and SPVs, as Luxembourg fully taxable companies, are, from a Luxembourg perspective, entitled to treaty benefits and, therefore, benefit from double tax treaties concluded between Luxembourg and third countries. The application of tax treaties to SIFs and RAIFs in corporate form is to be assessed on a case-by-case basis, depending on the wording of the treaty provisions and their interpretation by the relevant foreign authorities. Fiscally transparent SIFs and RAIFs generally may not themselves benefit from treaty provisions due to their tax transparency (although investors may potentially do so at their own level).

#### Highlights of Luxembourg tax framework for PE and VC

- Effective carried interest structuring;
- Extensive double tax treaty network;
- Lowest VAT rate in the EU (17% currently), VAT exemption on management services rendered to RAIFs, SIFs and SICARs, and free trade zone for valuable goods;
- Competitive effective tax rates and low social security charges for individuals.

*8 – Anti-hybrid mismatch rules need, however, to be monitored (see section "2015 OECD BEPS Action Plan" below),*

*9 – Anti-hybrid mismatch rules need, however, to be monitored for SIFs established as FCPs, SCSs or SCSps (see section "2015 OECD BEPS Action Plan" below).*

## 4. Luxembourg tax environment

### 4.1. Direct taxation of corporations

Luxembourg companies are subject to the following taxes:

- Income taxes at a combined rate of 23.87% in Luxembourg City, including municipal business tax and the contribution to the unemployment funds;
- Annual net worth tax levied at a rate of 0.5% on the company's worldwide net worth on 1 January up to a value of EUR 500 million, and 0.05% on any amount in excess, subject to certain adjustments (for example, qualifying shareholdings that are exempt from net worth tax). A progressive minimum net worth tax ranging from EUR 535 (for a total balance sheet up to EUR 350,000) to EUR 4,815 (for a total balance sheet exceeding EUR 2 million) applies to all corporate entities (including holding, and financing companies), which have a low or negative net worth.

#### Corporation taxes

As for the taxation of Luxembourg entities, corporation taxes apply to all tax-resident corporations and to Luxembourg permanent establishments of foreign corporations.

Partnerships are, in principle, transparent for Luxembourg tax purposes and are therefore not subject to corporate income tax and net worth tax at their own level. Income distributed by such entities will be considered, from a Luxembourg tax point of view, as flowing through the entity and is thus allocated directly to investors.

Resident taxpayers are liable to tax on their worldwide income, unless income is exempt under the provisions of applicable tax treaties or specific domestic tax law. There is a possibility of obtaining tax credits for foreign taxes paid.

Non-resident taxpayers are liable to tax only on their Luxembourg-sourced income, for example, income realised by and allocable to a Luxembourg permanent establishment. However, in very limited cases, they may be taxed on gains from the disposal of shares in Luxembourg companies (see section below **“Capital gains taxation for non-residents”**).

#### Thin capitalisation rules

There are no specific thin capitalisation rules in Luxembourg other than transfer pricing rules.

Historically, although not legally binding, a debt-to-equity ratio of 85:15 was used in Luxembourg, particularly in the context of financing participations. However, with the evolution of transfer pricing standards, this administrative practice evolved as well, in light of Luxembourg's alignment with the arm's length principle. The transfer pricing rules require a case-by-case analysis of the debt capacity of the borrower. The appropriate capital structure must be supported by a robust transfer pricing analysis and documentation, considering the OECD Transfer Pricing Guidelines, demonstrating that the level of debt and associated interest is in line with what

independent third parties would have agreed under comparable circumstances. As a result, the previously applied 85:15 ratio is no longer a reliable safe harbour.

#### Luxembourg group financing companies

The Luxembourg direct tax authorities have provided guidance through a circular on the tax treatment applicable to entities carrying out intra-group financing transactions.

Besides appropriate operational infrastructure, the relevant guidance provides that the equity of the financing company should be sufficient for the functions it performs, the assets used, and the risks it assumes.

#### Anti-tax avoidance Directives

Since the recent introduction of European directives seeking to counteract tax avoidances (the so-called ATAD 1 and ATAD 2), a certain number of anti-abuse measures—for instance, controlled foreign company (CFC) rules, interest deduction limitation, and hybrid entity or hybrid instrument mismatch rules—generally applicable to corporate taxpayers, have been introduced into Luxembourg domestic tax legislation and must be monitored carefully.

## 4. Luxembourg tax environment

### Capital gains taxation for non-residents

If a non-resident shareholder is resident (for tax purposes) in a country that has a double tax treaty with Luxembourg, the treaty will generally allocate the right to tax to the country of residence of the relevant shareholder. If no such double tax treaty exists or can be applied, capital gains on the sale of shares in a Luxembourg company (that is not subject to the UCI, SIF, RAIF and SICAR laws) may be subject to tax in Luxembourg. This is the case if the non-resident shareholder has held a substantial interest in the Luxembourg company and the transfer occurs within 6 months of the acquisition. It also applies if the transfer occurs after 6 months, the non-resident individual shareholder has been a Luxembourg resident taxpayer for more than 15 years and has become a non-Luxembourg taxpayer less than 5 years before the disposal takes place.

For this purpose, a substantial interest is assumed if, notably, a shareholder, either alone or together with certain close relatives, has held directly or indirectly a shareholding of more than 10% in a Luxembourg company at any time during the five-year period preceding the transfer.

### Municipal business tax

Municipal business tax varies from 6.75% to 10.5% (levied on income of businesses operating in Luxembourg), depending on the municipality where companies have their registered office. For companies operating in Luxembourg City, the rate is 6.75%.

A deduction of EUR 17,500 applies to the municipal business tax base for entities liable to corporate income tax (EUR 40,000 for other businesses). Municipal business tax is cumulative with corporate tax and is non-deductible.

The tax transparency of partnerships does not apply for the purposes of the municipal business tax. However, partnerships will not be subject to municipal business tax on their profits as long as the unlimited partner incorporated in the form of a corporation holds directly or indirectly less than 5% interest (*parts d'intérêt*) in the partnership and the partnership has no commercial activity or is an AIF<sup>10</sup>. A SIF, RAIF or SICAR will never be subject to the municipal business tax whatever their legal form.

### Net wealth tax

Net wealth tax is levied at a rate of 0.5% (or 0.05% when the net worth exceeds EUR 500 million) on the company's worldwide net worth on 1 January of each year. Qualifying shareholdings under the participation exemption regime, net of allocable debt (with any allocable debt exceeding the value of the shareholding deductible against other assets), are excluded from the taxable base. Luxembourg corporate income tax is creditable to the net worth tax, provided certain conditions are met.

### Withholding taxes

A withholding tax of 15% is levied on dividend payments (17.65% if the dividend tax is not charged to the shareholder), unless an applicable tax treaty provides for a lower rate, or the Luxembourg participation exemption regime reduces withholding tax to 0%. Liquidation or partial liquidation (such as a result of a class of shares redemption proceeds) are not subject to withholding tax, provided certain conditions are met. Arm's length fixed or floating-rate interest payments are generally not subject to withholding tax. Royalty payments are likewise not subject to withholding tax, provided they are not connected with the performances of non-resident artists or the activities of sportsmen in Luxembourg.

<sup>10</sup> – According to Circular L.I.R. No. 14/4 dated 9 January 2015, an AIF is deemed by the Luxembourg tax authorities never to carry out such commercial activity.

## 4. Luxembourg tax environment

### Automatic exchange of information

On 28 March 2014, Luxembourg entered into an intergovernmental agreement (Luxembourg IGA) with the United States of America with respect to the US Foreign Account Tax Compliance Act (FATCA). The agreement was implemented into Luxembourg law by the law of 24 July 2015 (FATCA Law). Under the Luxembourg IGA and FATCA Law, Luxembourg financial institutions (including, in certain cases, SICARs, SIFs, RAIFs, EuVECAs or SPVs acting as holding and financing companies) are required to provide certain information about their direct and indirect US account holders to the Luxembourg tax authorities. The latter then share this information with the Internal Revenue Service (IRS) on an annual basis. Luxembourg financial institutions that do not comply with their FATCA obligations could be subject to a 30% US withholding tax on their US source income, in addition to local penalties.

Largely inspired by FATCA, the OECD has developed a global standard for the automatic exchange of financial account information, the Common Reporting Standard (CRS). On 29 October 2014, Luxembourg signed the OECD's multilateral competent authority agreement to automatically exchange information under the CRS. The CRS has been implemented at EU level through the Directive on Administrative

Cooperation (Directive 2014/107/UE), transposed into Luxembourg law by the law of 18 December 2015 (CRS Law). Under the CRS Law, Luxembourg financial institutions (including, in certain cases, SICARs, SIFs, RAIFs, EuVECAs or SPVs acting as holding and financing companies) are required to collect certain information about their account holders who are fiscally resident in an EU Member State or in a country with which Luxembourg has a tax information-sharing agreement, and to report this information to the Luxembourg tax authorities. The Luxembourg tax authorities will thereafter automatically exchange the information with foreign tax authorities on an annual basis. Luxembourg financial institutions that do not comply with their CRS obligations may be subject to local penalties (no withholding tax penalty system applies).

### Value Added Tax (VAT)

The Luxembourg VAT standard rate of 17% is the lowest in the EU, compared with an average of 21% in other EU Member States. Furthermore, the Luxembourg VAT regime exempts from VAT the management services provided to investment funds and AIFs. This exemption is applicable to portfolio management, risk management, advisory services and, certain administrative services.

This exemption is not available to SPVs unless they qualify as AIFs. If their activity is limited to the ownership of shares, SPVs are not obliged to register for VAT, except in the unlikely case that they acquire goods from abroad, in which situation they cannot recover the VAT incurred on their costs.

Luxembourg has no 'use and enjoyment' rule that obliges, as in some Member States, holding companies that are not VAT taxable persons to self-assess local VAT on services received from non-EU service providers without being allowed to deduct this VAT.

A Freeport in the vicinity of Luxembourg airport, operational since September 2014, benefits from the VAT-free zone regime on transactions in valuable goods, including their storage. Certain types of investment funds (for instance, passion funds investing into art and other collectibles) may take advantage of the Freeport.

### Registration duty and transfer taxes

A fixed registration duty of EUR 75 is due upon the incorporation or amendment of a Luxembourg company's articles of incorporation, or upon the transfer of its statutory seat or place of central administration to Luxembourg.

Transfer taxes on the sale of local real estate amount to 7% or 10%.

## 4. Luxembourg tax environment

### Tax treatment of carried interest

The share of profits derived from an AIF and paid to AIFM employees is taxable as miscellaneous income (up to 45.78% for 2024).

However, capital gains realised on investments in an AIF, including in carried interest rights, may, under certain conditions, fall under the general capital gains regime, which is usually very favourable for Luxembourg-resident individuals. In fact, capital gains on investments are generally exempt from income tax, provided that:

- The investment is not considered as a “significant” shareholding (that is, it does not exceed 10% of the share capital of the issuer); and
- The investment is not considered as “speculative” (that is, it is not disposed of within six months of its acquisition).

The tax regime on carried interest is undergoing reform to enhance the competitiveness and attractivity of the Luxembourg financial sector. To this end, the government submitted a bill to the Luxembourg Parliament on 24 July 2025.

Currently, carried interest received by Luxembourg tax-resident employees of AIFMs or of management companies of AIFs is generally taxed as speculative gains at a progressive income tax rate of up to 45.78% (including the solidarity surcharge).

However, capital gains derived from the sale of units, shares or securities that carry an entitlement to carried interest,

issued by an AIF and realised six months or more after acquisition, could be either taxed at a reduced rate of up to 22.89% or fully exempt if the holding represents less than 10% of the AIF’s share capital.

In a nutshell, under the proposed new regime:

- Carried interest linked to an AIF participation would remain exempt if realised after six months and if it represents less than 10% of the AIF’s the share capital;
- Contractual carried interest (that is, carried interest unrelated to an AIF participation and granting a return to the manager without requiring an investment in the AIF) would benefit from a reduced personal income tax rate equal to one quarter of the standard rate, that is, a maximum of 11.45%.

Importantly, the tax transparency of AIFs structured as partnerships or FCPs would not be taken into account when applying the carried interest rules. Thus, the nature of the underlying income of the partnership or FCP would not affect the classification of carried interest as speculative income in the hands of the individual beneficiary.

In addition, the scope of eligible beneficiaries would no longer be restricted to employees of an AIFM or a management company, but would be extended to any individual serving a manager or management company of an AIF (including, for instance, board members, shareholders of the AIF, or employees of an investment adviser).

Another noteworthy change would be the removal of the condition that investors must first be repaid their invested amounts, thereby making a deal-by-deal application of the regime possible.

If enacted, the new carried interest regime would apply as from 1 January 2026.

### Implications of OECD BEPS projects

#### 2013 BEPS Action Plan

In February 2013, the Organisation for Economic Co-operation and Development (OECD) issued a report addressing Base Erosion and Profit Shifting (BEPS), followed by an action plan with 15 actions (Action Plan). The BEPS project is supported by the G20 and is not limited to OECD member countries; it also includes a number of developing countries. The Action Plan is intended to prevent taxpayers operating internationally from shifting profits to low- or no-tax jurisdictions and thereby reducing their tax base. While BEPS primarily targeted multinationals seeking to minimise their tax burden rather than through-bound investment and financing structures typically used by PE, many of its actions and recommendations could still have an impact on PE and VC funds and/or their portfolio companies such as those dealing with hybrid mismatch in tax outcomes (see section below). It will therefore be important to regularly review existing structures to ensure they are not adversely affected by tax law changes implemented as a result of the BEPS project.

## 4. Luxembourg tax environment

In terms of the implementation of some of the OECD BEPS Actions, two sets of rules are worth mentioning:

- In 2017, Luxembourg was one of the jurisdictions that signed the OECD Multilateral Instrument (MLI). The changes introduced by the MLI started taking effect in Luxembourg as from 1 January 2020.
- Two EU Directives introducing anti-tax avoidance measures have been transposed into Luxembourg tax law:
  - The Council Directive (EU) 2016/1164 of 12 July 2016, laying down rules against tax avoidance practices that directly affect the functioning of the internal market, has introduced new rules or modified existing ones on the limitation of deduction of interest expenses, exit taxation, general anti-avoidance, controlled foreign companies, and hybrid instruments in the tax legislation of the EU Member States.
  - Council Directive (EU) 2017/952 of 29 May 2017, amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries, was transposed into Luxembourg tax legislation on 1 January 2020 (the

so-called ATAD 2). ATAD2 introduced anti-hybrid mismatch rules to tackle arrangements that exploit differences in the tax treatment of an instrument or entity. One of those rules applies to reverse hybrid entities, that is, entities considered tax transparent in Luxembourg but treated as tax opaque in the jurisdiction of their investors. In certain circumstances, the reverse hybrid entity can be deemed a Luxembourg resident and becomes subject to Luxembourg corporate income tax on all or part of its income.

It is therefore important to consider these anti-abuse rules and anticipate their impact, especially concerning the potential application of hybrid entity or hybrid instrument mismatch rules to investment funds and master-feeder structures with a Luxembourg nexus.

### Pillar One and Pillar Two

On 8 October 2021, the OECD/G20 Inclusive Framework on BEPS reached an agreement to update key elements of the international tax system. The objective was to address the tax challenges arising from the digitalisation of the economy based on a two-pillar solution (that is, **Pillar One** and **Pillar Two**).

Pillar One is designed to reallocate taxing rights to market jurisdictions over a portion of the residual profits of the largest and most profitable multinational enterprises (MNEs), thereby aligning taxing rights closely with where their consumers are located. It also provides for a simplified and streamlined approach to applying the arm's length principle to in-country baseline marketing and distribution activities. The work on Pillar One has not yet been finalised.

Pillar Two is designed to ensure that large MNEs that have a revenue in excess of EUR 750 million pay a minimum effective tax rate of 15% in every jurisdiction where they operate. On 15 December 2022, Pillar Two was implemented in the EU with the adoption of a Council Directive 2022/2523 (the "**Pillar Two Directive**"). The **Pillar Two Directive extended the** scope of the rules **to large domestic groups**. Luxembourg was among the first Member States to implement the Pillar Two Directive into its legislation with a law dated 20 December 2023. Given the wide scope of the rules, Pillar Two can affect any kind of entity or structure including investment fund structures.

## 4. Luxembourg tax environment

### 4.2. Miscellaneous charges and fees

#### Chamber of Commerce fee

All Luxembourg commercial companies are subject to an annual contribution (*cotisation*) ranging from 0.02% to 0.025%. It's based on the relevant taxpayer's profit generated in the penultimate fiscal year before the contribution-generating year. This contribution is capped at EUR 3,000 for SPVs. However, the company in question must be coded with the correct NACE code to benefit from this cap.

#### CSSF fees

Prudential oversight comes at a cost to the entities supervised.

There is an authorisation fee of EUR 4,650 for single-compartment structures and EUR 9,250 for multi-compartment structures.

The annual fee for single-compartment structures is EUR 4,650.

For multi-compartment structures, the charge varies according to the number of compartments:

- 1-5 compartments: EUR 9,250;
- 6-20 compartments: EUR 17,500;
- 21-50 compartments: EUR 27,750;
- More than 50 compartments: EUR 40,500.

Different fees apply if the structures are internally managed.

A RAIF or an SPV is not subject to any supervision by the CSSF and no CSSF fees apply.

## 4. Luxembourg tax environment

### 4.3. Personal taxation

Luxembourg is one of the EU Member States with the most stable and rewarding tax framework and lowest security charges for individuals.

#### Social security

For employees, social security contributions are computed on the gross remuneration monthly, capped at EUR 13,188.96. Self-employed persons are subject to social security contributions ranging from 24.41% to 26.98 %, depending on the level of mutual insurance contribution, if any.

In addition, employees and self-employed persons are subject to a 1.4% care insurance contribution (*assurance dépendance*), assessed on their annual gross professional income (uncapped). This dependency contribution applies to all income (and not only to employment or self-employed income) in the hands of taxpayers who are subject to the Luxembourg mandatory state social security regime.

#### Income tax

Resident taxpayers are subject to income tax on their worldwide income. Non-resident taxpayers are only subject to income tax on Luxembourg-sourced income. Taxable income is assessed on the basis of total income minus exemptions, deductible expenses and allowances. The law provides for many exemptions and deductions, especially for families with children. Income tax is progressive with rates between 0% and a maximum 42%, and is assessed on the basis of the taxpayers' family status. This tax

rate is increased by an employment fund contribution of 7% or 9% (depending on the family status and level of income), resulting in a top maximum marginal rate of 45.78%, in addition to a 1.4% care insurance contribution.

In principle, personal tax is assessed on the basis of an annual tax return that must be lodged by taxpayers. A withholding tax is levied on employment income (progressive withholding tax scale) and director's fees (20% flat withholding). Withholding taxes on employment income and director's fees are creditable against the taxpayer's final income tax liability.

A special regime applies to highly skilled workers (HSWs) who are either seconded to a Luxembourg undertaking belonging to an international group or recruited from abroad by a Luxembourg undertaking. This regime, which is granted for a maximum of 8 years, consists—subject to certain conditions—of an exemption from Luxembourg personal income tax on certain expenses and allowances paid to or on behalf of HSWs due to their expatriation. However, these expenses and allowances remain tax deductible costs for the Luxembourg undertaking.

#### Net wealth tax

There is no net wealth tax for individuals.

#### Inheritance/gift tax

Inheritance tax is due on the value of all property inherited from a Luxembourg resident whereas transfer tax is due on the value of real property located in Luxembourg that is inherited from a non-resident.

Where the heir is a direct descendant or a spouse with children, there is in principle no inheritance tax liability.

Gift tax rates vary according to the degree of kinship between the donor and the donee, ranging from 1.8% to 14.4%.

#### Summary of tax-related features

- Attractive effective tax rates;
- Lowest VAT rates of the EU;
- Broad participation exemption regime;
- Significant exemptions from withholding tax on dividends;
- No withholding tax on interest, royalties and liquidation proceeds;
- No capital/stamp duties on the sale of shares in a Luxembourg company;
- Use of international exchange of information standards;
- Extensive double tax treaty network;
- Transfer pricing and thin capitalisation adhering to international standards;
- Advance tax clearance;
- Specific tax regimes for investment funds, securitisation activities, risk capital, and reinsurance;
- Competitive personal income tax regime and low social security contributions for employer.

## 5. Accounting framework for Luxembourg PE and VC vehicles

### 5.1. Accounting standards and audit requirements

In general, Luxembourg vehicles must adopt Luxembourg Generally Accepted Accounting Principles (LuxGAAP) or International Financial Reporting Standards (IFRS) as adopted by the EU when preparing their annual accounts.

Moreover, the Luxembourg Bill No 7737 explicitly permits AIFs under the form of SCSps to prepare their accounting information using either LuxGAAP, IFRS, or other accounting standards considered as equivalent to IFRS by the European Commission in its Decision of 12 December 2008 (as amended) on the use by third-country issuers of securities prepared under certain national accounting standards. These equivalent standards include USGAAP.

Other unregulated vehicles, such as Sàrl, SA, and SCA, are subject to the 1915 Law requirements and therefore must prepare their annual accounts in compliance with LuxGAAP or IFRS.

In practice, the standalone annual accounts of Luxembourg PE and VC vehicles are very frequently prepared in accordance with LuxGAAP, whereas consolidated annual accounts (whether legally—see below—or contractually required, for example, as a consequence of raising external financing) are frequently prepared under IFRS as adopted by the EU.

Through its international exposure, Luxembourg service providers have significant experience in the application of IFRS and USGAAP.

Note that while most companies are required to prepare annual accounts, there are specific size thresholds that will determine if an audit by an approved statutory auditor (*réviseur d'entreprises agréé*) under International Standards on Auditing (ISA) is required by law.

The audit of the annual accounts is required for regulated vehicles, for RAIFs and in general if the company exceeds, for two years in a row at balance sheet date, the limits of two of the following three criteria:

- Balance sheet total: EUR 4.4 million;
- Net turnover: EUR 8.8 million;
- Average number of full-time staff employed during the financial year: 50.

Since interest, dividend income, and capital gain do not qualify as net turnover, in many cases no legal audit would be required for unregulated investment vehicles, though an audit might be required by the limited partnership agreement (LPA).

A RAIF incorporated under Article 48 of the RAIF Law (the so-called RAIF-SICAR), and therefore bound to carry out only investments in risk capital (as defined by the 2004 SICAR Law and clarified by CSSF Circular 06/241), is subject to an additional report from the auditor to certify the compliance with this requirement. This report is based on an analysis provided by the RAIF's board (which constitutes an attachment to the report issued by the auditor). These two executed documents have to be transmitted to the Luxembourg tax authorities by the board.

## 5. Accounting framework for Luxembourg PE and VC vehicles

### 5.2. Valuation rules

Historically, Luxembourg accounting rules have primarily been a cost prudence-focused framework, allowing the booking of investments at cost less durable impairment, with only unrealised losses, but not unrealised gains, recognised in a company’s profit and loss accounts. With the introduction of regulated vehicles (SIFs and SICARs), the new limited partnership regime, and

the harmonisation derived from recent EU accounting directives, Luxembourg companies gained the possibility (or, in some cases, the requirement) to apply fair value accounting in their financial statements.

For unregulated partnerships (SCS and SCSp), the valuation policy has to be defined within the accounting policies determined in the LPA.

Companies adopting IFRS as their accounting framework have to apply valuation policies appropriate to the type of instruments being valued.

The LuxGAAP accounting framework allows a greater level of flexibility and choice, as outlined in the table below.

Type of vehicle/regulatory framework	Valuation under LuxGAAP
SIF (CSSF-regulated)	SIFs are required to account for investments at fair value unless their constitutional documents specify otherwise. It is good practice for a fund prospectus to include detailed explanations of the valuation methodologies adopted.
SICAR (CSSF-regulated)	SICARs are obliged to account for their investments at fair value.
RAIF (indirectly supervised via its AIFM)	RAIFs are required to account for investments at fair value unless their constitutional documents specify otherwise. It is good practice for a fund prospectus to include detailed explanations of the valuation methodologies adopted.
Limited partnerships (SCS and SCSp)	The valuation rules to follow can be freely set out in the LPA. In practice, these rules will follow internationally recognised principles for determining fair value and methodologies.
Other unregulated vehicles (Sàrl, SA, SCA)	Valuation rules are governed by the Law of 19 December 2002, as amended. There are two valuation options: a) Acquisition cost decreased by any durable impairment; b) Fair value (the so-called “fair value option”) The choice of valuation method rests with the company’s management.

The most widely accepted valuation methods are those set forth by the International Accounting Standard Board (IFRS13), Invest Europe, and the International Private Equity and Venture Capital board (IPEV).

## 5. Accounting framework for Luxembourg PE and VC vehicles

### 5.3. Consolidation

#### 5.3.1. Regulated and indirectly supervised vehicles

SICARs, SIFs and RAIFFs are specifically exempted by law from the consolidation requirement.

#### 5.3.2. Unregulated vehicles

Luxembourg law requires limited liability companies, as well as SCSs whose unlimited liability partners are set up as limited liability companies, to prepare and publish consolidated financial statements when they control another company. However, SCSps are not subject to this requirement.

In general, consolidation is required for parent companies of groups that exceed, on a consolidated basis, the limits of two of the three following criteria:

- Balance sheet total: EUR 20 million;
- Net turnover: EUR 40 million;
- Average number of full-time staff employed during the financial year: 250.

In some cases, consolidation exemptions are foreseen. The 1915 law provides for a specific exemption related to vehicles included in a PE or VC structure. IFRS also contemplate the possibility of an exemption for investment entities.

#### The PE and VC consolidation exemption (Art. 1711-8 of the 1915 Law)

In December 2009, the Luxembourg Ministry of Justice, through the Accounting Standards Board, issued a recommendation on the “subsequent resale” exclusion. This exclusion allows PE companies that hold all their subsidiaries for subsequent resale not present consolidated financial statements, if six conditions are met:

- The company is subject to the 1915 Law and is held by one or more well-informed investor(s);
- The company’s exclusive corporate object is to invest in risk capital, which is defined as direct or indirect contribution of funds to one or several entities in view of their launch, development, or listing on a stock exchange. These investments are held with the intention to sell them at a profit;
- An ex-ante exit strategy has been formally defined and documented in writing, communicated to investors, and it is part of the investment policy, implying the intention to divest on a mid-term basis (generally 3 to 8 years);
- The company aims to deliver to its investors the results of managing its investments, reflecting the risks borne by those investors;
- If the investments are not carried at fair value directly on the balance sheet, their fair value is disclosed in the notes to the financial statements;

- Any event, guarantee, or uncertainty that could significantly impact the entity’s ability to continue as a going concern, its cash-flow situation, its available liquidities, or its solvency has to be adequately disclosed in the notes to the annual accounts.

#### IFRS exemption from consolidation

Under IFRS 10, an entity is exempted from consolidating its subsidiaries if it qualifies as an ‘investment entity’.

An investment entity is defined as an entity that:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its sole business purpose is to invest funds for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all investments on a fair value basis.

An investment entity is required to account for its investments at fair value through profit or loss.

The IFRS 10 exemption is an obligation for entities qualifying as investment entities, while the PE and VC consolidation exemption (Article 1711-8 of the 1915 Law) is an option.

## 5. Accounting framework for Luxembourg PE and VC vehicles

### 5.4. Distributions

Profit repatriation is a key element to be considered when implementing a PE structure. The final structure will depend on the choice of the adequate type of structure (regulated/non-regulated) and the suitable types of financial instruments, both at the investment and investor level.

SIF (CSSF-regulated)	SICAR (CSSF-regulated)	RAIF (indirectly supervised via its AIFM)	Holding company (unregulated)	
			Limited partnerships (SCS, SCSp)	Other unregulated vehicles (Sàrl, SA, SCA)
<b>Distributions to investors</b> (*) are not subject to specific restrictions, except for the compliance with minimum capital requirements and limitations provided for in the constitutional documents.	<b>Distributions to investors</b> are not subject to specific restrictions, except for the compliance with minimum capital requirements and limitations provided for in the constitutional documents.	<b>Distribution to investors</b> are not subject to specific restrictions, except for the compliance with minimum capital requirements and limitations provided for in the constitutional documents.	<b>Distributions to investors</b> as well as the conditions under which the SCS and the SCSp may request their restitution, are subject to the LPA. Unless the LPA provides otherwise, each of the members' shares in the partnership's gains and losses is proportional to its interests.	<b>Distribution of dividends</b> are subject to the requirements of the 1915 Law.
Distributions, whether paid to resident or non-resident investors, are not subject to withholding tax in Luxembourg.	Distributions, whether paid to resident or non-resident investors, are not subject to withholding tax in Luxembourg.	Distributions, whether paid to resident or non-resident investors, are not subject to withholding tax in Luxembourg.	The applicable regime provides for full tax neutrality and tax transparency, subject to certain conditions: <ul style="list-style-type: none"> <li>■ The unlimited partners of the SCS/SCSp taking the form of a Luxembourg limited company should hold less than 5% of interest in the SCS/SCSp.</li> <li>■ Moreover, the activity of the SCS and SCSp should be limited to private wealth management (an SCS/SCSp AIF is deemed to fulfil this condition).</li> <li>■ Reverse hybrid entities rule needs to be monitored (see section "2015 OECD BEPS Action Plan" below).</li> </ul>	Except for specific situations, no withholding tax should apply to liquidation proceeds or interest payments. Dividend payments are subject to 15% withholding tax (exemptions are available under certain conditions).

(\*) For vehicles with variable capital, the Luxembourg manager should pay attention to the qualification of distributions between return of capital and income. This analysis should take into account the investors' specific tax situation in the various countries in which they are tax residents.

## Appendix I – Comparative table of legal structures

The following tables provide a comparison of the main features of the most popular corporate forms.

	<b>SCS/SCSp</b> (common/special limited partnership)	<b>SCA</b> (corporate partnership limited by shares)	<b>Sàrl</b> (private limited company)	<b>SA</b> (public limited company)
<b>Incorporation</b>	Notarial deed not required	Notarial deed required	Notarial deed required	Notarial deed required
<b>Minimum capitalisation</b> (at incorporation/launch) (EUR or currency equivalent)	No capital required	EUR 30,000	EUR 12,000	EUR 30,000
<b>Shares/interests/beneficiary units/capital accounts</b>	Registered partnership interests only, or capital accounts.	Dematerialised or registered, voting or non-voting shares, beneficiary units (with or without voting rights).	Registered shares only, beneficiary units (with or without voting rights).	Dematerialised or registered, voting or non-voting shares, beneficiary units (with or without voting rights).
<b>“Tracking shares”</b>	Yes	Yes	Yes	Yes
<b>Share classes</b>	Yes	Yes	Yes	Yes
<b>Shareholders</b>	Limited partners: ≥ 1  Unlimited partners: ≥ 1	Limited partners: ≥ 1  Unlimited partners: ≥ 1	1 to 100	≥ 1
<b>Transfer of shares/interests</b>	Freely determined by the partnership agreement.	Free, subject to restrictions set out in articles of incorporation.	Subject to certain conditions, such as shareholders’ prior consent.	Free, subject to restrictions set out in articles of incorporation.
<b>Liability</b>	Limited partners’ liability: limited to the amount of their participation.  Managing general partner(s)’ liability: Unlimited.	Limited partners’ liability: limited to the amount of their participation.  Managing general partner(s)’ liability: Unlimited.	Shareholders’ liability is limited to the amount of their participation.	Shareholders’ liability is limited to the amount of their participation.

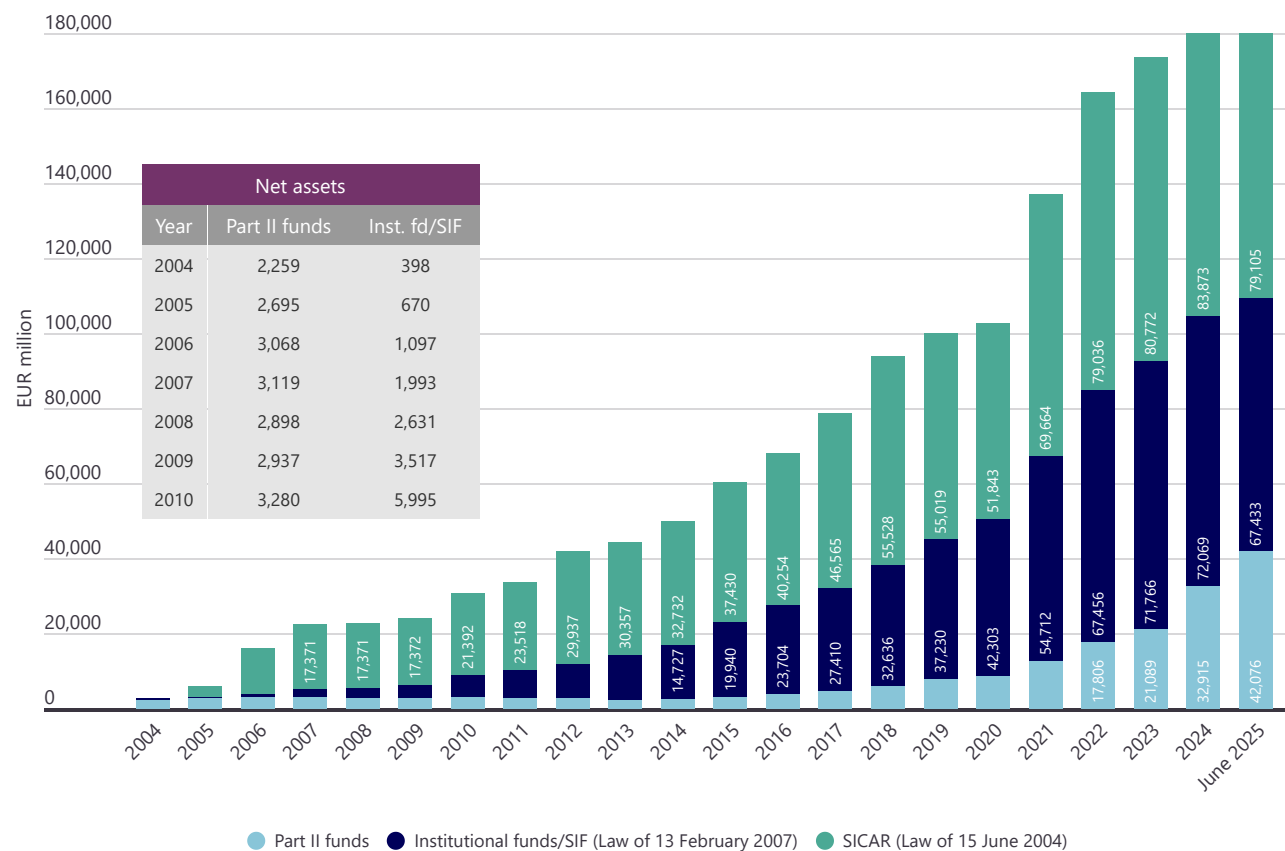
Note: In practice, issuing bearer shares is uncommon because bearer shareholders will need to be registered with a professional depositary (in addition to the depositary of the relevant AIF) that holds the shares on behalf of the shareholder and keeps a register of the bearer shareholders.

## Appendix I – Comparative table of legal structures

	<b>SCS/SCSp</b> (common/special limited partnership)	<b>SCA</b> (corporate partnership limited by shares)	<b>Sàrl</b> (private limited company)	<b>SA</b> (public limited company)
<b>Listing of shares</b>	No	Yes	No	Yes
<b>General meeting</b>	Modalities freely set in the partnership agreement.	One annual general meeting required.	One annual general meeting required if the number of members/partners is $\geq 60$ .	One annual general meeting required.
<b>Management</b>	$\geq 1$ manager (typically a Sàrl) and $\geq 1$ unlimited partner (the latter does not necessarily have to be manager itself)	$\geq 1$ manager (typically a Sàrl) and $\geq 1$ unlimited partner (the latter does not necessarily have to be manager itself)	$\geq 1$ manager If there are several managers, it may be structured as a board Possibility to put in place a daily manager, an ad hoc committee, and categories of managers	One-tier management structure with a board of $\geq 3$ directors (if there is more than one shareholder) or two-tier management structure with a management board and a supervisory board Possibility to put in place an executive committee or a chief executive, a daily manager, and an ad hoc committee
<b>Amendments to constitutive documents</b>	By all the partners, unless otherwise provided in the partnership agreement.	Same as the SA, but the unlimited partner has a veto right (unless there is a contrary provision in the articles of incorporation).	By a majority of the shareholders representing at least three quarters of the share capital (unless there is a contrary provision in the articles of incorporation).	By a quorum representing at least half of the share capital at first call, and a two-thirds majority of shareholders.
<b>Accounts</b>	Annual (only as AIF)	Annual	Annual	Annual
<b>Statutory auditor</b>	Required as AIF(**) and for large companies (see section 5.1).	Required as AIF and for large companies (see section 5.1).	Required as AIF and if the number of partners is $\geq 60$ .	Required.
<b>Independent auditor's report</b>	Required as AIF(**) and if certain thresholds are exceeded.	Required as AIF and if certain thresholds are exceeded.	Required as AIF and if certain thresholds are exceeded.	Required as AIF if certain thresholds are exceeded.

(\*\*) if appointment of authorised AIFM; recommended for registered AIFM

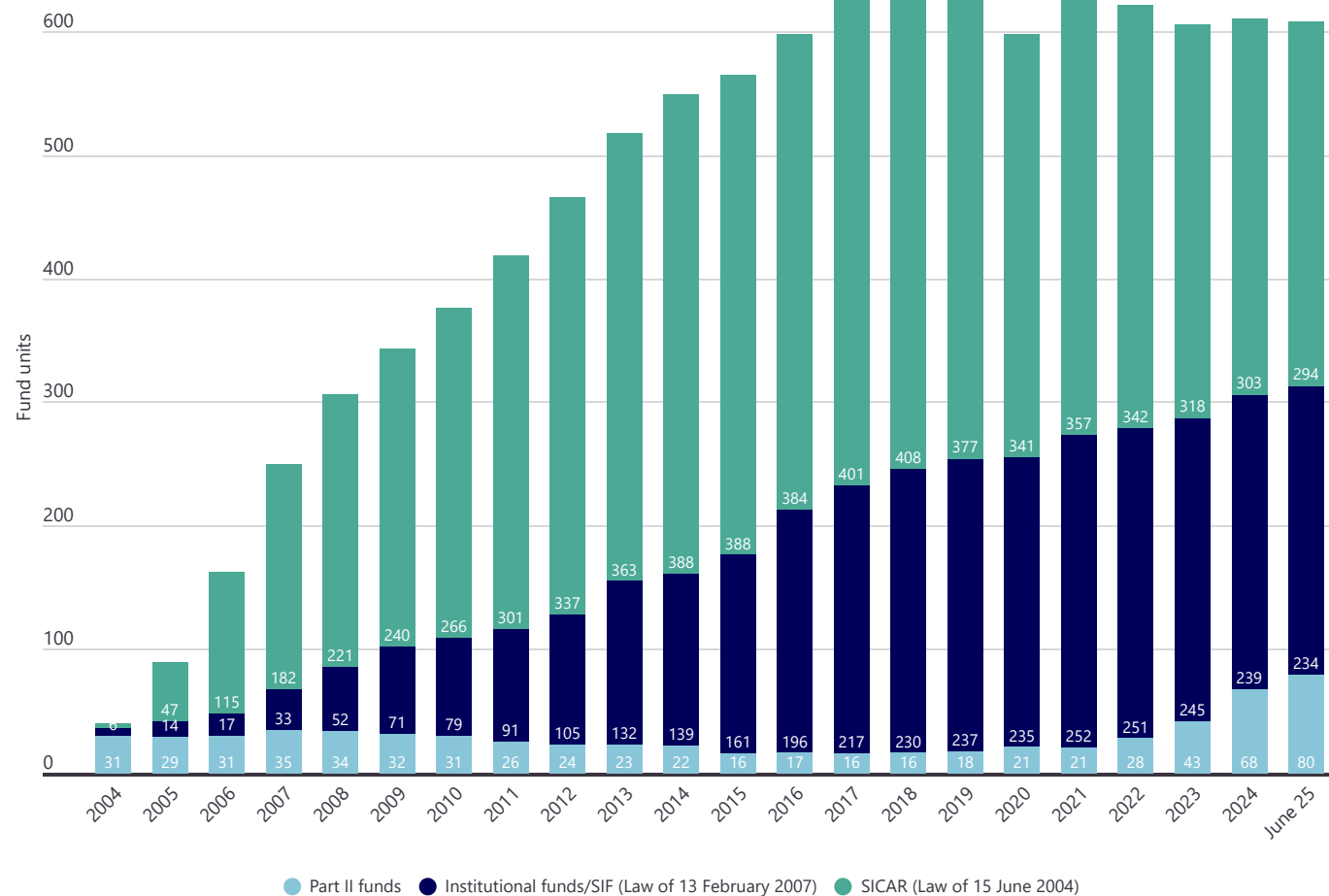
## Appendix II – Statistics



Source: ALFI/CSSF

## Appendix II – Statistics

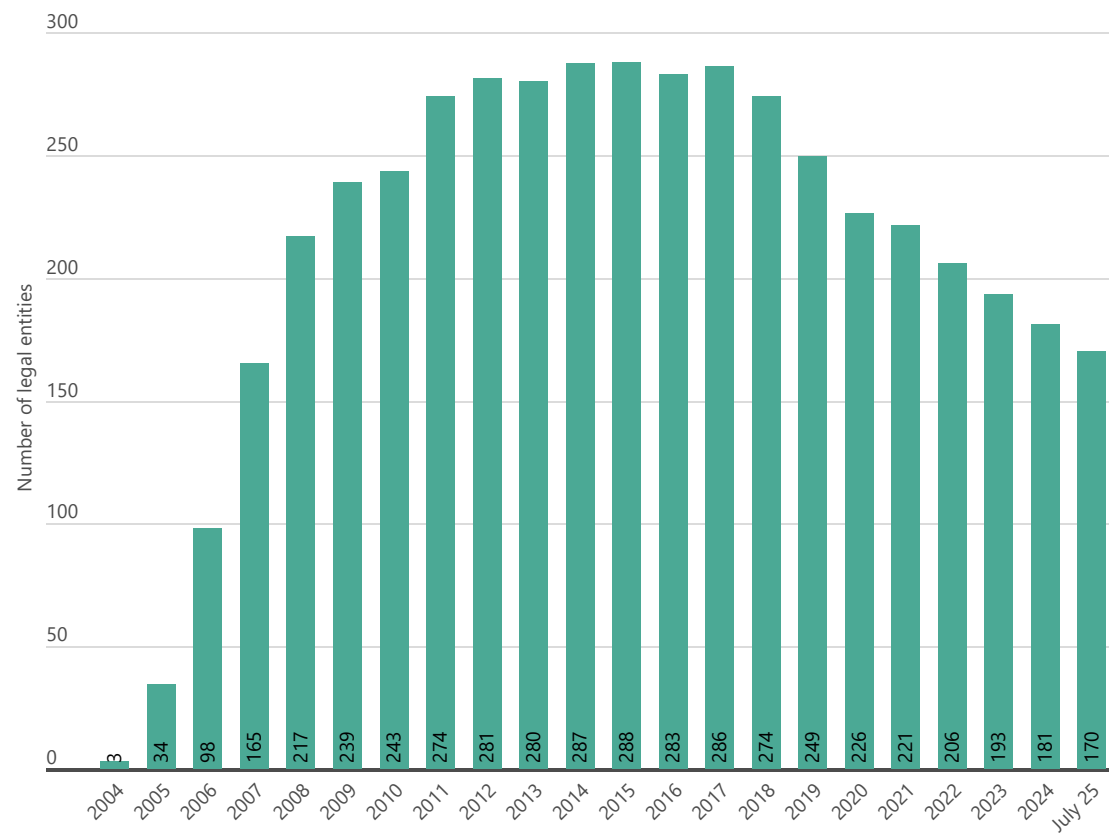
**Number of Luxembourg PE and VC units (SICARs included)**



Source: ALFI/CSSF

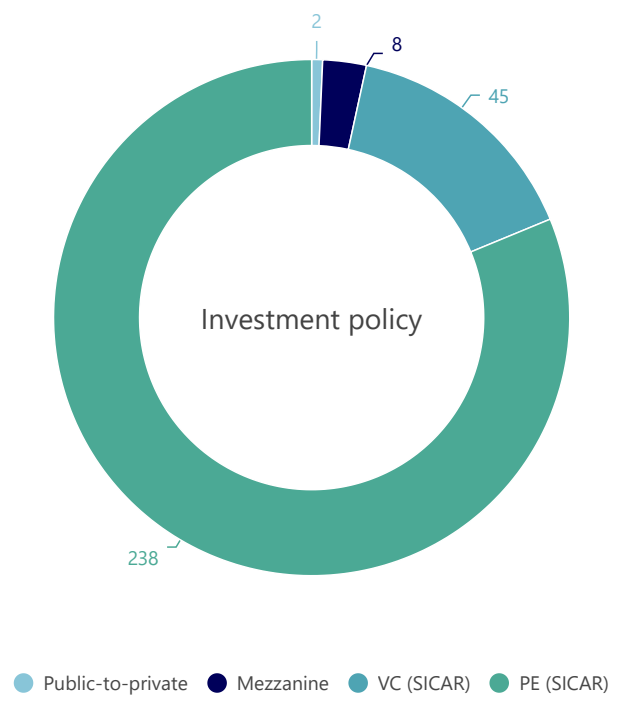
## Appendix II – Statistics

**Number of Luxembourg PE and VC units (only SICARs)**



Source: ALFI/CSSF

## Appendix II – Statistics

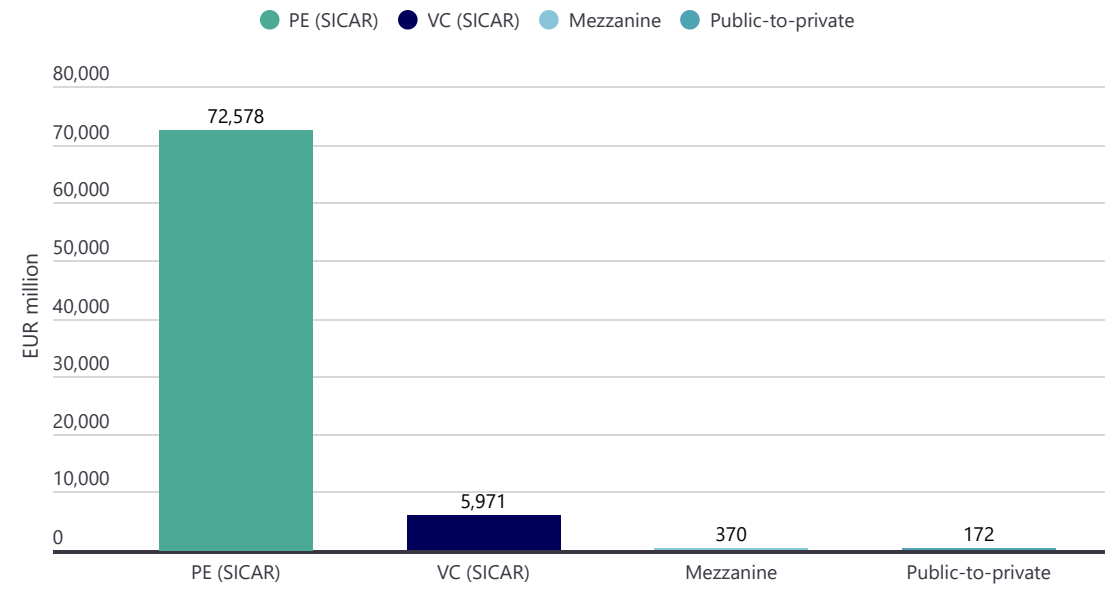


**Investment policy of Luxembourg SICAR units in 2020 (by number)**

Source: ALFI/CSSF

## Appendix II – Statistics

**Breakdown of SICARs net assets by investment policy**



Source: ALFI/CSSF



## Appendix II – Statistics

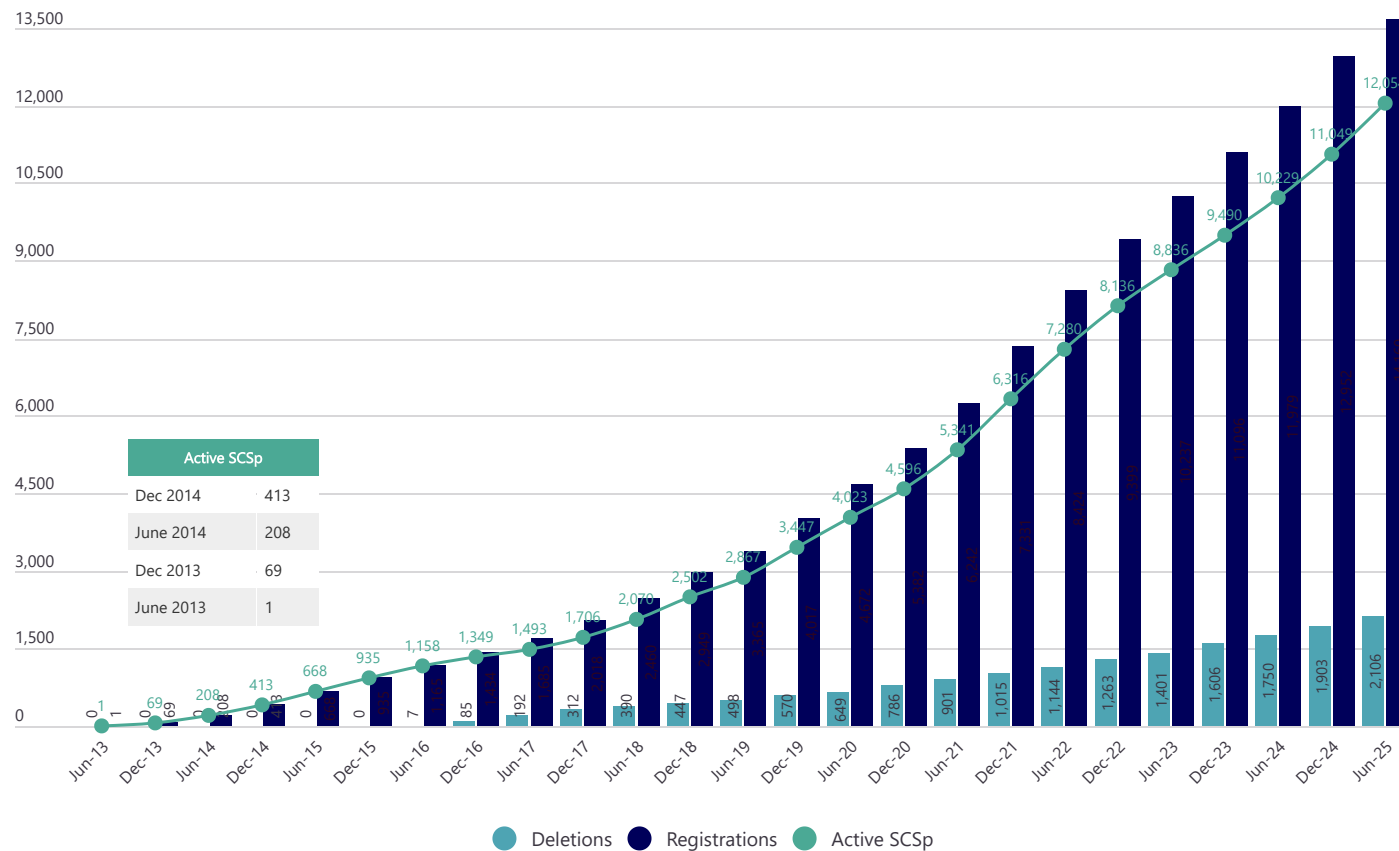
### Geographical origin of SICAR initiators

Country	Net assets in EUR million	in %	Number of funds	in %	Number of fund units	in %
US	1,149,013	19.5%	162	5.2%	1,159	8.7%
GB	991,618	16.8%	240	7.7%	1,562	11.7%
DE	869,036	14.7%	978	31.7%	2,075	15.5%
FR	730,509	12.4%	229	7.4%	1,503	11.2%
CH	702,615	11.9%	475	15.3%	2,376	17.8%
IT	354,541	6.0%	97	3.2%	1,138	8.5%
BE	284,213	4.8%	108	3.5%	625	4.7%
<b>LU</b>	<b>262,445</b>	<b>4.4%</b>	<b>293</b>	<b>9.4%</b>	<b>863</b>	<b>6.5%</b>
DK	116,761	2.0%	18	0.6%	202	1.5%
NL	112,650	1.9%	30	1.0%	228	1.7%
Others	332,746	5.6%	466	15.0%	1,627	12.2%
<b>TOTAL</b>	<b>5,906,147</b>	<b>100.0%</b>	<b>3,096</b>	<b>100.0%</b>	<b>13,358</b>	<b>100.0%</b>

Source: ALFI/CSSF

## Appendix II – Statistics

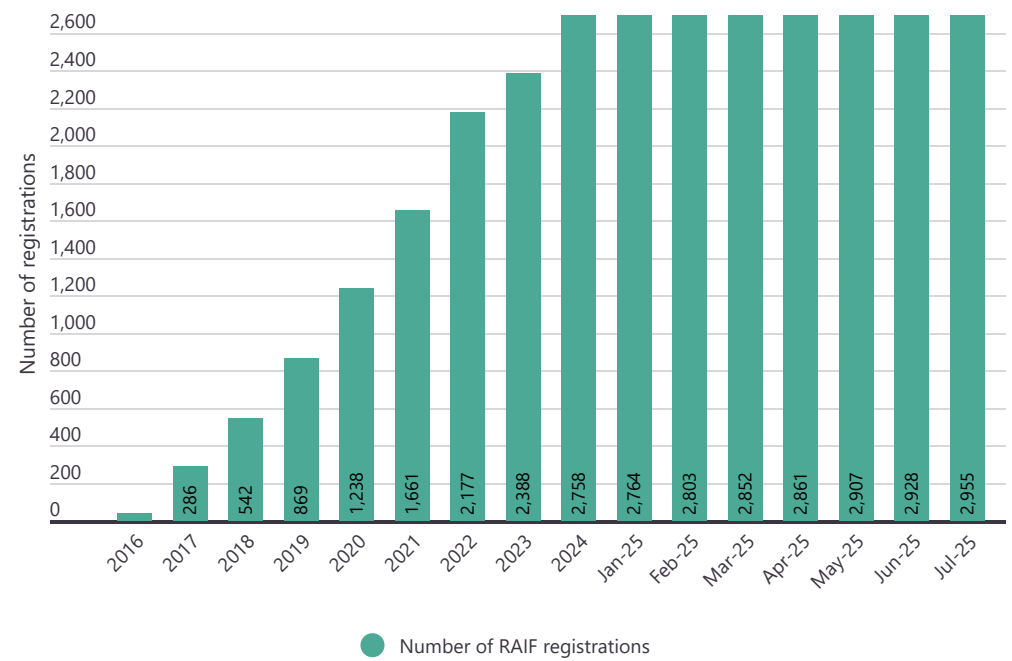
SCSp evolution in Luxembourg



Source: LBR/PwC analysis

## Appendix II – Statistics

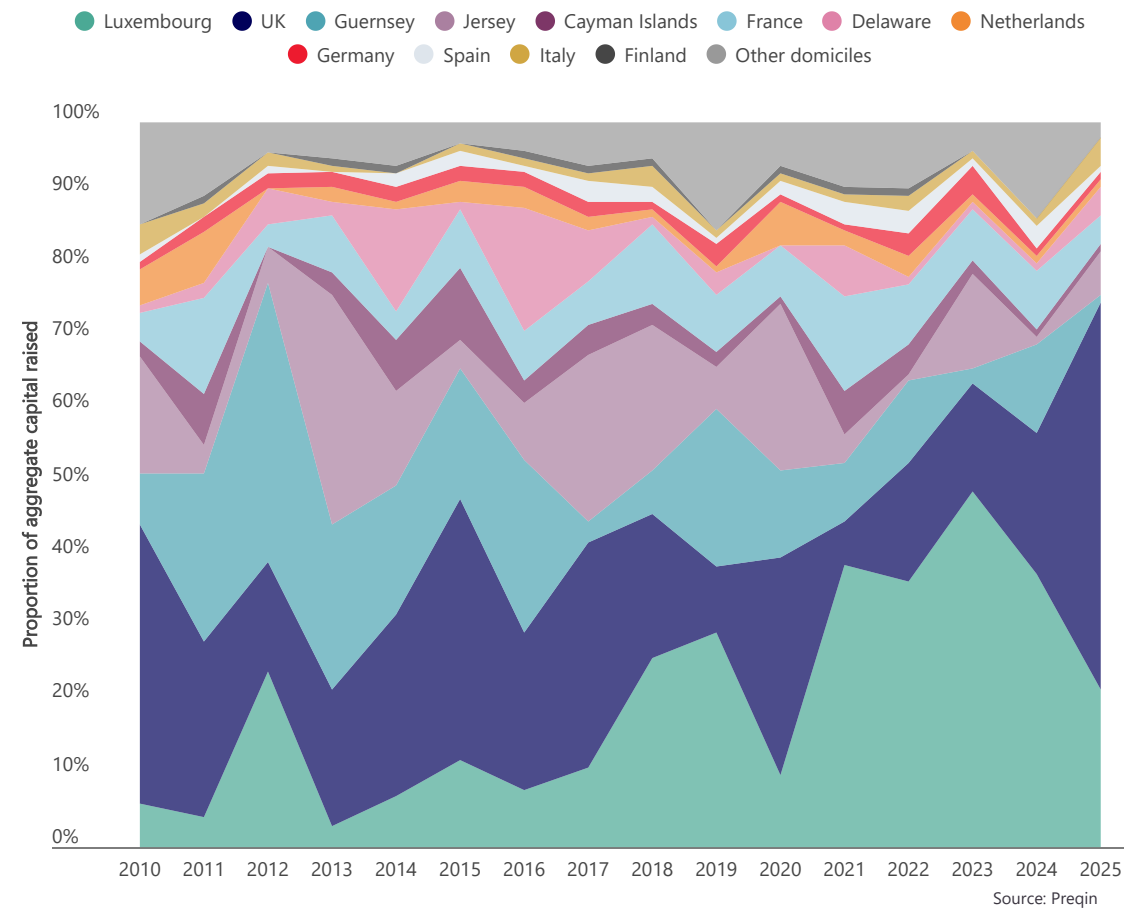
### RAIFs evolution in Luxembourg



Source: LBR/PwC analysis

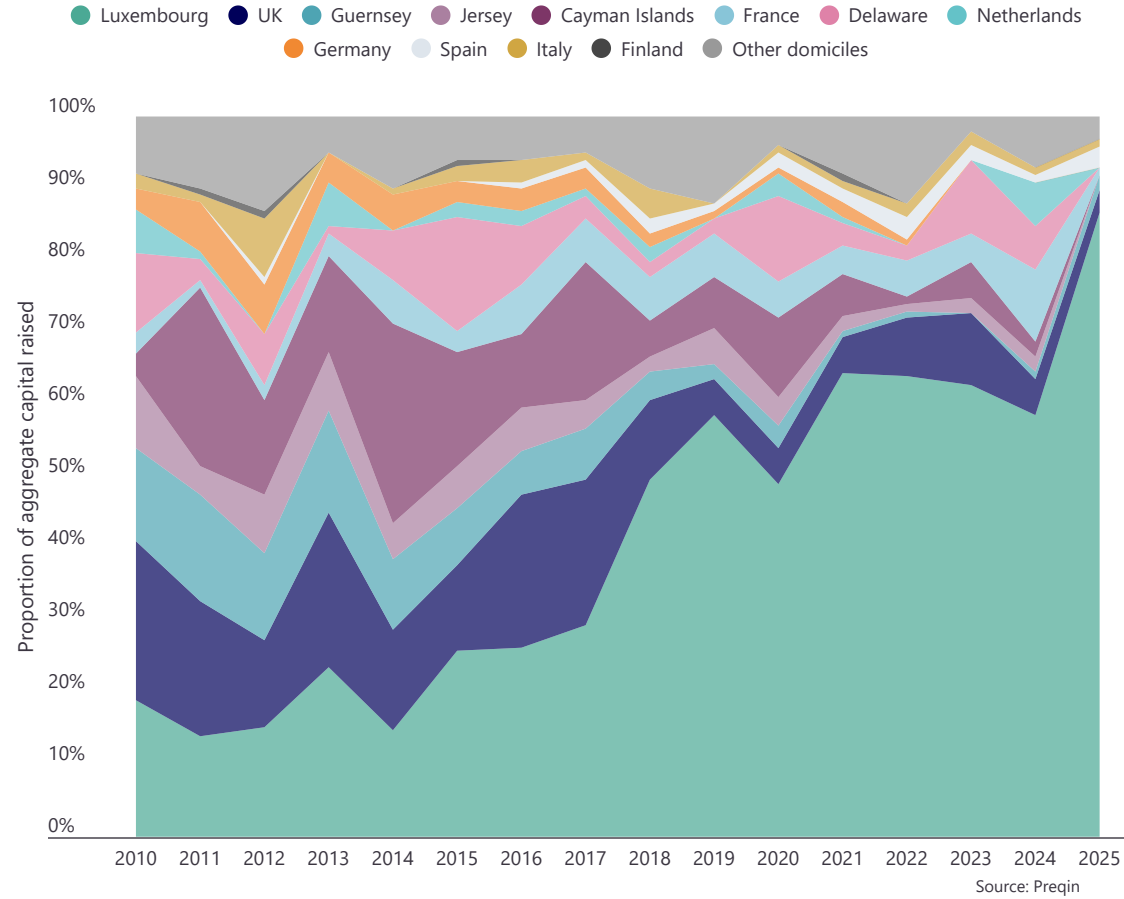
## Appendix II – Statistics

### Fund domicile of Europe-focused private equity aggregate capital raised



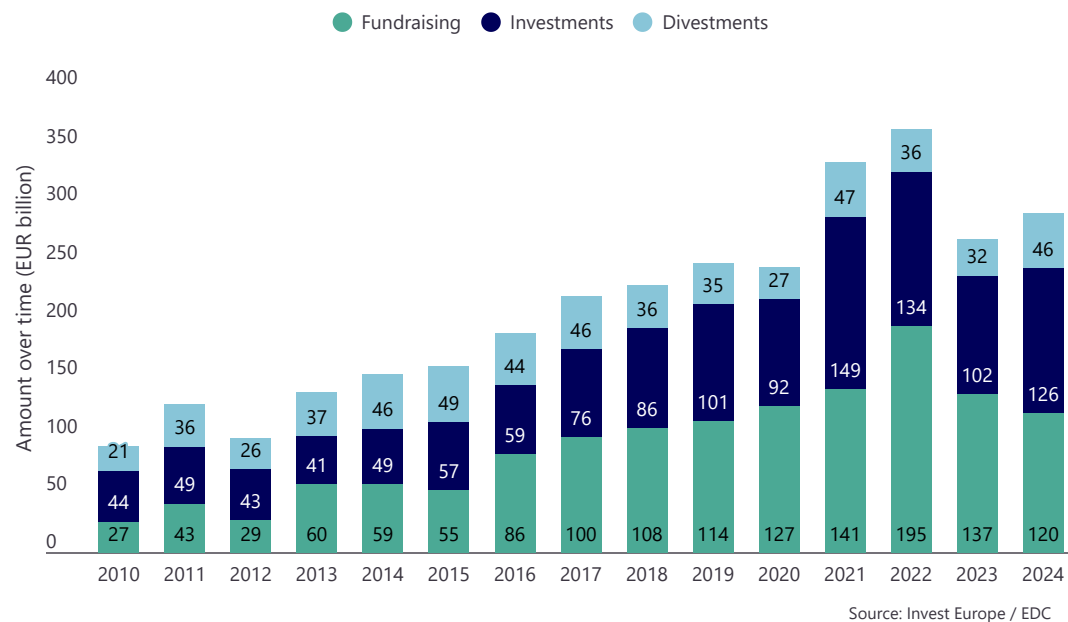
## Appendix II – Statistics

### Fund domicile of Europe-focused aggregate capital raised by alternative funds



## Appendix II – Statistics

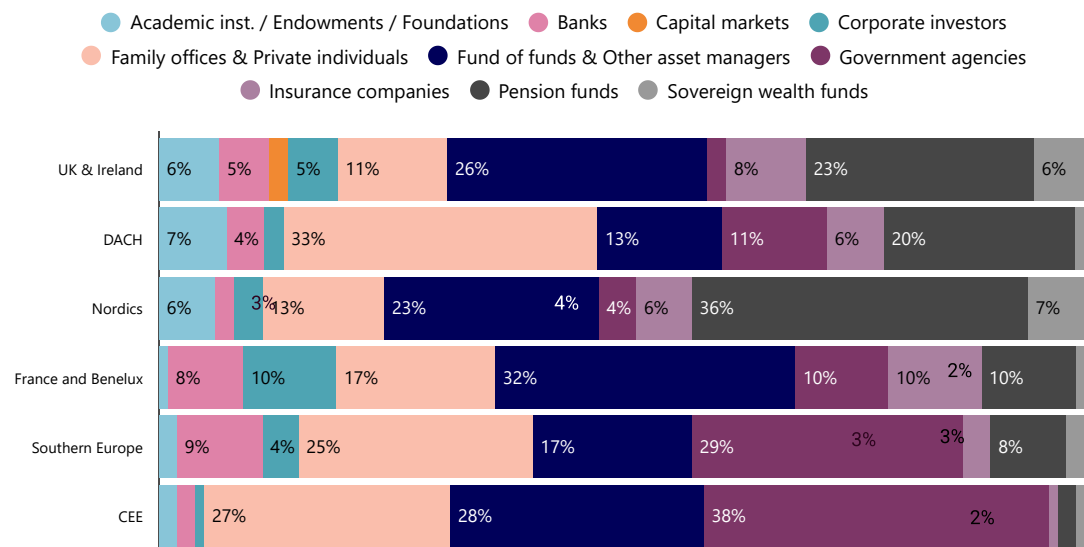
### Overview – All Private Equity – Fundraising, Investments & Divestments



## Appendix II – Statistics

### All Private Equity – Funds raised by region of management and investor type

2024 - Incremental amount raised during the year - % of total amount

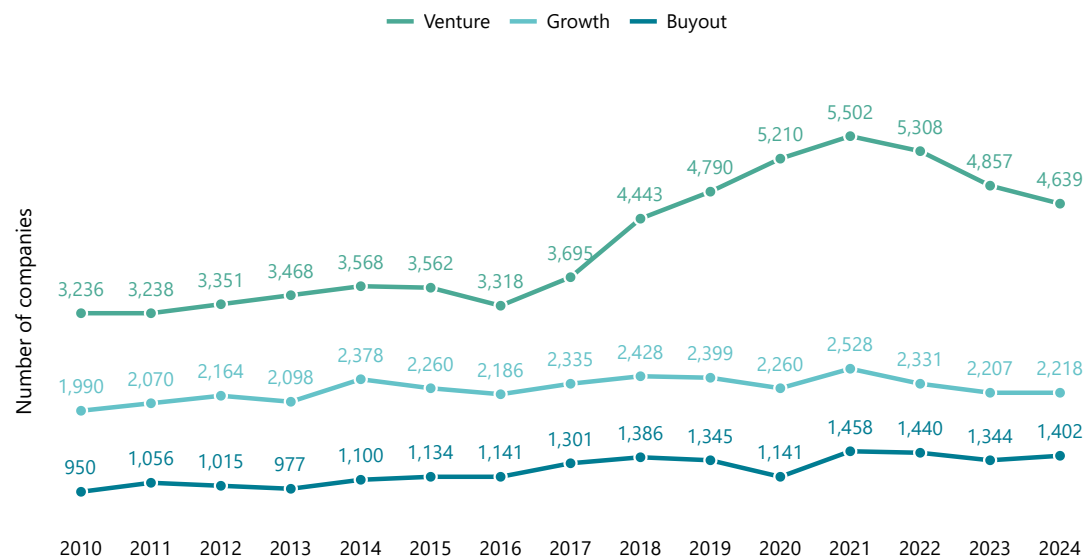


Source: Invest Europe / EDC

DACH: Austria, Germany, Switzerland / Southern Europe: Greece, Italy, Portugal, Spain / Nordics: Denmark, Finland, Norway, Sweden / CEE: Central Eastern Europe

## Appendix II – Statistics

Europe - Market statistics - Number of companies

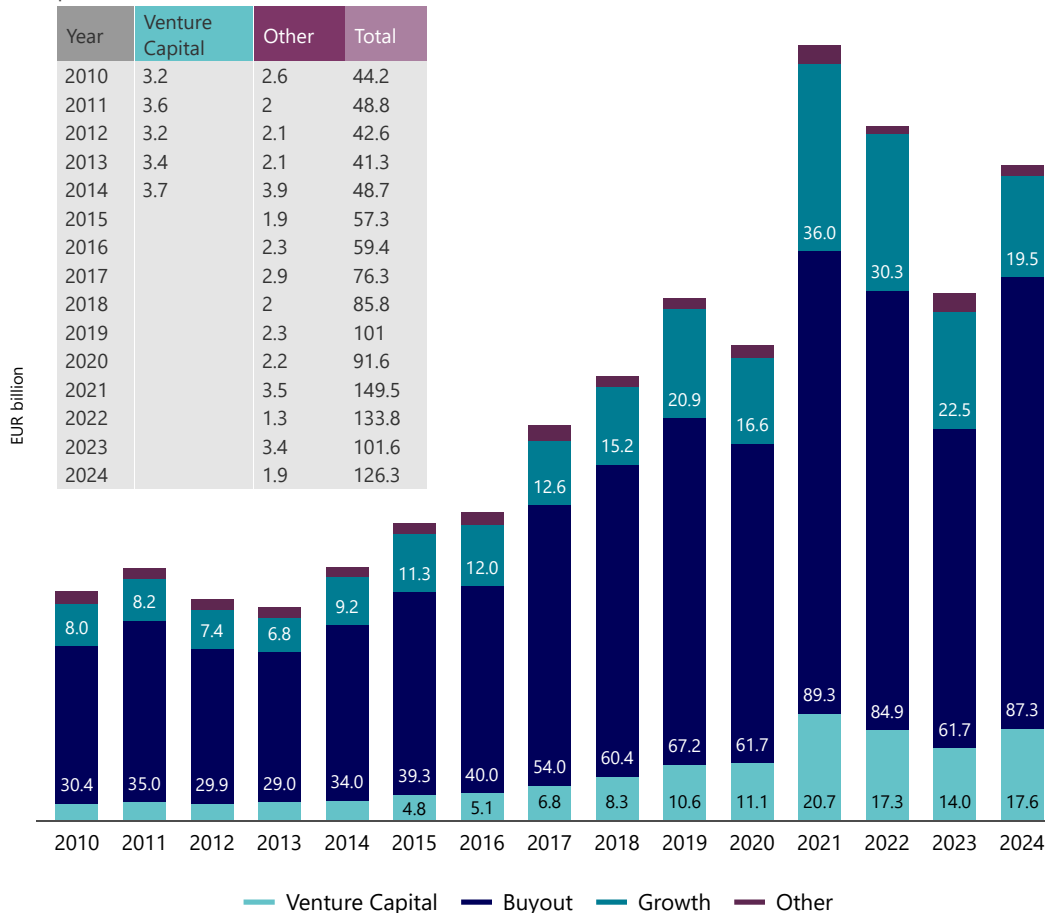


Source: Invest Europe / EDC

### Investments at a glance – Number of companies

## Appendix II – Statistics

Europe - Market statistics - Amount



### Investments at a glance – Amount

Source: Invest Europe / EDC

Note: Other includes Turnaround/Rescue and Replacement capital

## Appendix III – Glossary

<b>1915 Law</b>	Law of 10 August 1915 on commercial companies, as amended	<b>Carried interest</b>	Carried interest or carry is a share of the profits of the fund vehicle that is paid to the general partner and/or the investment manager/ advisor in excess of the amount that the general partner/manager/advisor contributes to the fund vehicle. In order to receive carried interest, the fund vehicle must first return all capital contributed by the investors, and, in certain cases, the fund must also return a previously agreed-upon rate of return (the “hurdle rate” or “preferred return”) to investors
<b>AIF</b>	Alternative Investment Fund as defined in the AIFMD Law		
<b>AIFM</b>	Any legal person whose regular business is managing one or more AIFs and which is authorised by the CSSF to perform such services pursuant to Chapter 2 of the AIFM Law (“authorised AIFM”)  If the assets of the AIF(s) managed by the AIFM are below EUR 100 million /under EUR 500 million (if AIF is unleveraged and does not grant any redemption rights during five years after the initial investment), the AIFM will only need to be registered with the CSSF (“registered AIFM”).	<b>CSSF</b>	<i>Commission de Surveillance du Secteur Financier</i> , the Luxembourg supervisory authority of the financial sector
<b>AIFMD</b>	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/ EC and Regulations (EC) 1060/2009 and (EU) 1095/2010	<b>ELTIF</b>	European long-term investment fund, governed by Regulation (EU) 2015/760 on European long-term investment funds
<b>AIFM Law</b>	Law of 12 July 2013 implementing Directive 2011/61/EU into Luxembourg law, as amended	<b>EuVECA</b>	European venture capital fund or manager, governed by Regulation (EU) 345/2013 on European venture capital funds
<b>AML Law</b>	Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended	<b>FCP</b>	<i>Fonds commun de placement</i> , an undivided co-ownership of assets or proprietorship managed by a management company (common fund)
<b>Capital call</b>	Written notice to limited partners requesting them to make a capital contribution to the fund vehicle (within the limits of their subscription commitment) in order to permit the fund vehicle to pay for its investments or to pay expenses	<b>GP</b>	General partner of either an SCA (corporate partnership limited by shares), an SCS (common limited partnership) or an SCSp (special limited partnership)  The managing general partner is normally jointly and severally liable with the partnership for any liabilities which may not be satisfied out of partnership assets.
		<b>HoldCo</b>	Holding company

## Appendix III – Glossary

<b>IFM</b>	Investment Fund Manager is the common term used in CSSF Circular 18/698 for UCITS management companies and authorised AIFMs  In this publication, unless otherwise indicated, IFM refers to authorised AIFMs only.	<b>PRIIPs</b>	Packaged Retail and Insurance-based Investment Products governed by Regulation (EU) no. 1268/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for PRIIPs
<b>IFRS</b>	International Financial Reporting Standards	<b>Professional investor</b>	Investor meeting the criteria laid down in Annex II of Directive of 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
<b>Internally-managed</b>	AIFs should be deemed internally-managed when the management functions are performed by the governing body or any other internal resource of the AIF. Where the legal form of the AIF permits internal management and where the AIF's governing body chooses not to appoint an external AIFM, the AIF is also AIFM and should therefore comply with all requirements for AIFMs under the AIFMD and be authorised as such. For further details on AIFs structured as limited partnerships, please refer to the CSSF's FAQs concerning the Luxembourg AIFM Law.	<b>PSF</b>	<i>Professionnel du secteur financier</i> , a professional of the financial services sector  Each PSF is subject to the prior authorisation and ongoing prudential supervision by the CSSF.
<b>LP</b>	Limited partner, typically an investor or limited shareholder in a fund vehicle  Limited partners enjoy limited liability (i.e. up to the amount invested or committed for investment).	<b>RAIF</b>	Reserved Alternative Investment Fund, a collective investment scheme governed by the law of 23 July 2016 on reserved alternative investment funds, as amended
<b>LPEA</b>	Luxembourg Private Equity & Venture Capital Association	<b>RCS</b>	<i>Registre de Commerce et des Sociétés</i> , the Luxembourg register of commerce and companies
<b>LPA</b>	Limited partnership agreement	<b>Retail investor</b>	Investor who is not a professional investor as defined in Annex II of Directive of 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
<b>LuxGAAP</b>	Luxembourg Generally Accepted Accounting Principles, most frequently used accounting framework in Luxembourg for PE vehicles	<b>SA</b>	<i>Société anonyme</i> , public limited liability company
<b>MiFID</b>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments	<b>Sàrl</b>	<i>Société à responsabilité limitée</i> , private limited liability company
		<b>SCA</b>	<i>Société en commandite par actions</i> , corporate partnership limited by shares
		<b>SCS</b>	<i>Société en commandite simple</i> , common limited partnership with legal personality

## Appendix III – Glossary

<b>SCSp</b>	<i>Société en commandite spéciale</i> , special limited partnership without legal personality		
<b>SICAR</b>	<i>Société d'investissement en capital à risque</i> , investment company investing in risk capital only		
<b>SICAV</b>	<i>Société d'investissement à capital variable</i> , investment company with variable capital		
<b>SIF</b>	Specialised Investment Fund, a collective investment scheme governed by the law of 13 February 2007 on specialised investment funds, as amended		
<b>SPV</b>	Special purpose vehicle governed by the 1915 Law and not subject to any specific legal or tax regime		
<b>Subscription tax</b>	<i>Taxe d'abonnement</i> , a tax assessed on the NAV and payable by certain collective investment schemes only		
<b>UCI</b>	Undertaking for collective investment, collective investment scheme governed by the law of 17 December 2010 relating to undertakings for collective investment, as amended		
<b>UCITS</b>	Undertaking for collective investment in transferable securities, collective investment schemes organised in accordance with Directive 2009/65/EC of the European Parliament and Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)		
<b>VAT</b>	Value added tax		
		<b>Well-informed investor (SICARs, SIFs and RAIFs)</b>	<p>Institutional investor, professional investor or any other investor who meets the following conditions:</p> <p>(a) investor has confirmed in writing that he adheres to the status of well-informed investor; and</p> <p>(b) (i) investor invests a minimum of EUR 100,000 in the SICAR / SIF / RAIF, or (ii) investor has been the subject of an assessment made by a credit institution within the meaning of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, by an investment firm within the meaning of Directive 2014/65/EU, by a management company within the meaning of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) or by an authorised AIFM within the meaning of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010, hereafter “Directive 2011/61/EU”, certifying his expertise, his experience and his knowledge to adequately appraise an investment in the SICAR / SIF / RAIF.</p>

## About ALFI

Founded in 1988, the **Association of the Luxembourg Fund Industry (ALFI)** represents the face and voice of the Luxembourg investment management community, championing sustainable investing, mainstream and private assets.

Our mission is to lead industry efforts to provide solutions and make Luxembourg the most innovative international investment fund centre, facilitate the transition towards more sustainable economies globally and empower investors to meet their goals.

The Association today represents over 1400 Luxembourg-domiciled investment funds, asset management companies and a wide range of business that serve the sector. Our members are investment funds, management companies, asset managers, alternative investment fund managers (AIFMs), depositary banks, legal and consultancy firms, tax advisory firms, auditors and accountants, specialised IT and communication companies and individual members.

Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment funds are distributed in more than 80 countries around the world.

ALFI's main objectives are to:

### Help members capitalise on industry trends

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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

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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 the legislative body enable ALFI to make an effective contribution to decision making through relevant input for changes to the regulatory framework, implementation of European directives and regulation of new products or services.

### Foster dedication to professional standards, integrity and quality

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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 organising training at all levels, defining codes of conduct, transparency and good corporate governance, and supporting initiatives to combat money laundering.

### Promote the Luxembourg investment fund industry

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ALFI actively promotes the Luxembourg investment fund industry, its products and its services. It represents the sector in financial and in economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry. ALFI is an active member of the European Fund and Asset Management Association, of the European Federation for Retirement and of the International Investment Funds Association.

To keep up with all the news from ALFI and the fund industry in Luxembourg, follow us on [LinkedIn](#), [YouTube](#) and [Flickr](#).

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