

Press release

Luxembourg, 19 February 2026

Luxembourg reinforces its Fund Structuring Toolbox

- **Reform of Luxembourg's carried interest regime**
- **Early implementation of AIFMD II and UCITS V**
- **Modernisation and simplification of CSSF guidance for alternative fund structures**
- **Enhanced transparency rules for UCITS ETFs**
- **Updated framework for crypto-asset exposure**

Luxembourg has taken a series of decisive measures in recent months to reinforce its position as Europe's leading hub for investment funds and asset managers.

Through targeted tax reform, early implementation of key EU directives and regulatory modernisation, the jurisdiction continues to enhance its competitiveness, across both private and liquid asset strategies.

Corinne Lamesch, Deputy CEO and General Counsel of ALFI, comments:

"Luxembourg continues to demonstrate how a leading fund centre should evolve—by refining and expanding its regulatory and structuring toolbox to anticipate the evolving needs of managers and investors. Across private and liquid assets, the ecosystem combines flexibility, clarity and high standards of investor protection."

Developments for private assets

A competitive carried interest tax regime

- On 22 January 2026, the Luxembourg Parliament adopted a reform of the carried interest tax regime, applicable as from 1 January 2026.
- Originally introduced in 2013 alongside the transposition of the AIFM Directive, the regime was already recognised as competitive, particularly for invested carry schemes. The reform confirms the exemption for income derived from invested carry (subject to conditions) and enhances the attractiveness of non-invested carry schemes by extending to them reduced taxation at one-quarter of the ordinary tax rate.
- The revised framework broadens the scope of eligible beneficiaries and strengthens legal certainty by clarifying key aspects such as the tax transparency of investment funds and the treatment of deal-by-deal models. It also ensures continuity for existing schemes.
- This reform reinforces Luxembourg's position as a centre of choice for alternative investment funds and contributes to attracting and retaining talent, alongside other measures such as the impatriation regime.

Implementation of AIFMD II and UCITS VI

- On 12 February 2026, Luxembourg adopted amendments to the laws of 17 December 2010 (UCI) and 12 July 2013 (AIFM), transposing the revised AIFMD and UCITS frameworks ("AIFMD II and UCITS VI") into national law.

- Luxembourg is among the first Member States to implement these changes, underlining its commitment to regulatory clarity and predictability.
- The updated framework harmonises liquidity management tools and delegation rules while preserving established operational models.
- For private assets, AIFMD II introduces harmonised rules for loan-originating AIFs, granting managers a cross-border lending passport. It also provides targeted flexibility in depositary appointments by allowing a depositary to be established in a different country than the AIF. This targeted derogation is limited to smaller markets, where local AIF depositary service providers may be more limited.
- ALFI actively supported the implementation process and has published updated Q&A guidance in December 2025 to assist members in navigating the changes.

Regulatory modernisation for alternative fund structures

- On 19 December 2025, the CSSF issued a new circular (circular 25/901) covering SIFs, SICARs and Part II UCIs. The circular clarifies and simplifies existing rules, consolidating previous guidance while preserving core principles.
- Rather than imposing prescriptive rules, the circular is principle-based and provides greater flexibility (e.g. risk spreading and borrowing limits) for funds reserved for sophisticated investors while maintaining appropriate protection for funds reserved to retail investors.

Proposed improvements to private limited companies

- Draft law n° 8669, introduced in December 2025, proposes allowing private limited companies (Sàrl) to defer payment of minimum share capital for up to 12 months after incorporation, subject to safeguards.
- If adopted, the measure would accelerate the launch of special purpose vehicles and further strengthen Luxembourg's attractiveness as a company structuring jurisdiction.

Developments concerning liquid assets

Enhanced transparency rules for UCITS ETFs

- On 17 February 2026, the CSSF updated its FAQ on the 2010 Law, revising portfolio transparency requirements for UCITS ETFs. All UCITS ETFs—both active and passive—must now publish full portfolio holdings at least quarterly with a maximum delay of 30 business days.
- This adjustment introduces greater flexibility while maintaining high transparency standards.

Simplified in-kind subscription process

- Through the UCITS VI implementation, Luxembourg removed the requirement for a statutory auditor's valuation report for in-kind contributions. This streamlines ETF subscription processes, making them faster and operationally more efficient.

Updated crypto-asset guidance

- On 4 February 2026, the CSSF updated its crypto-asset FAQ. UCITS may obtain indirect exposure to crypto-assets up to 10% of their NAV. Such indirect exposure is limited to

transferable securities that do not embed any derivatives. The CSSF also clarifies that retail AIFs may invest directly or indirectly in crypto-assets up to 10% of their NAV. AIFMs managing AIFs with crypto-asset exposure above this 10% threshold are required to obtain a specific licence extension.

- The updated framework balances innovation with investor protection, ensuring crypto exposure remains appropriately regulated.

Together, these measures reflect a coordinated effort by legislators, regulators and industry to ensure Luxembourg remains at the forefront of European fund regulation.

Notes to editors:

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About ALFI

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,400 Luxembourg domiciled investment funds, asset management companies and a wide range of businesses that serve the sector. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds.

ALFI's mission is to lead industry efforts to provide solutions and make Luxembourg the most innovative international investment fund centre.

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