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GROUP

NAVIGATING LUXEMBOURG'S ENHANCED AML FRAMEWORK FOR FUNDS

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Navigating Luxembourg's Enhanced AML Framework for Funds

Luxembourg's investment funds sector is adapting to new enhancements to the anti-money laundering ("AML") and counter-terrorist financing ("CTF") framework, after the *Administration de l'enregistrement et des Domaines et de la TVA* ("AED") announced increased filing obligations for unregulated Alternative Investment Funds ("AIF"). Per the Law of 12 November 2004 on AML / CTF measures in Luxembourg ("AML Law") the AED is the financial crime supervisory authority of Luxembourg AIFs.

According to the requirements stipulated in the AML Law, AIFs must appoint a person among the members of their management bodies who is responsible for compliance with all AML / CTF rules and regulations - a *responsable du respect des obligations* ("RR") - and also an individual at the appropriate hierarchical level as the *responsable du contrôle du respect des obligations* ("RC"). The RR can be the Board of directors ("Board") acting as a collegial body or it can also be one of the members of the Board. Depending on the particulars of the AIF, the RC, appointed *intuit personae* by the Board, can be either a member of the Board, or it can also be a person from a third-party service provider under the condition a contract is put in place that specifically names the appointed RC and that any replacements shall be subject to the Board's approval.

AIFs in Luxembourg are also required to submit to the AED an 'AIF RC RR Identification Form' naming the persons appointed to both the RR and RC functions and provide supporting legal documentation, typically board meeting minutes or a resolution of the fund's governing

body, relating to the RC or RR appointment and any subsequent changes. This is an ongoing requirement which must be respected not only at the initial appointment of those functions but also updated upon any changes in either the RC or the composition of the RR function, including changes to the Board composition. Unregulated funds, which were previously not required explicitly to file this form, were for the first time this year, required to do so by 30 June 2025.

AIFs in Luxembourg are also required to submit an annual 'AIF AML / CTF Questionnaire' the purpose of which is to collect key datapoints on the AML / CTF framework of AIFs and examine their compliance with the legal requirements contained in the AML Law. The questionnaires must be submitted for each AIF by either the RR or the RC. For the 2024 reporting period, the submission deadline was 30 June 2025.

Lastly, Luxembourg AIFs are required to submit on an ongoing basis the annual report of the RC detailing the AIF's AML / CTF activities for the previous year. The AED

has specified a number of items which are required to be addressed in the RC report, including:

- The results of the AML / CTF risk identification and assessment, the measures implemented to mitigate these risks and the AIF's AML / CTF risk tolerance levels;
- The outcomes of due diligence measures carried out on clients, initiators, portfolio managers, investment advisors as well as the AIF's assets, including the ongoing due diligence measures;
- The results from enhanced due diligence measures applied to intermediaries acting on behalf of clients and politically exposed persons;
- The monitoring of blocked positions for AML / CTF purposes at the level of the AIF's register of bearer shares and the intermediaries involved in marketing the AIF;
- The periodic review of business relationships based on risk levels;
- Where tasks have been delegated to third parties, the results of controls on third-party compliance with legal, regulatory and contractual obligations and the reasons for selecting new third parties during the year;
- Statistical data on suspicious transactions, including the number of reports made to the Luxembourg Financial Intelligence Unit and transactions involving financial sanctions related to terrorist financing, UN resolutions and EU acts, including the corresponding amounts; and
- The number of breaches of professional obligations related to AML / CTF compliance, explicitly indicating if no breaches occurred.

It is important to note that these requirements were already in place for Reserved Alternative Investment Funds ("RAIFs") and a selection of AIFs were requested to submit these items in late 2022 covering the year 2021. The AED has now extended these obligations to all AIFs in Luxembourg.

The AED has further reminded the investment fund sector of the obligation that each AIF is required to put in place a dedicated Luxembourg AML policy which must be formally established and monitored by the Board and implemented by the RC. The AML Policy is part of the

wider AML / CTF framework for AIFs which also includes a formal Money-Laundering/Terrorist Financing Risk Appetite Statement and a Money-Laundering/Terrorist Financing Risk Assessment. The AED has emphasised that this risk assessment must specifically examine the terrorist financing risk to which the AIFs are exposed in addition to money laundering risk.

The AED requires the RR, who is responsible for adopting and monitoring the AML / CTF policies of the AIF, to:

- Have sufficient AML / CTF knowledge and expertise of Luxembourg's AML / CTF laws and regulations, which must be demonstrated if requested (for example through training or experience);
- Be knowledgeable about the AIF's investment and distribution strategies; and
- Be available without delay upon request by the Luxembourg AML / CTF authorities.

The RC must also fulfil the above requirements and have access to all internal documents and systems that are required to undertake their duties and ensure the quality of AML / CTF controls that are carried out.

The Maples Group – AML Compliance and Governance

The Maples Group provides highly suitable experienced professionals to act as the RC for AIFs in Luxembourg, as part of a complete AML / CTF compliance solution, including the preparation and submission of the required reporting items outlined above. Through our Maples Group affiliate law firm, Maples and Calder (Luxembourg) SARLⁱ, our experienced and specialist attorneys in our regulatory and investment funds practice work with our clients to produce AML / CTF policies and procedures for investment funds and advise on compliance-related matters on an ongoing basis. Funds that are yet to establish an AML / CTF policy should urgently address that matter by getting in touch with us.

This is a significant development for the Luxembourg investment fund sector, in light of the large number of AIFs and the significant growth in this sector over the last several years. The changes also introduce a new level of complexity for operators of unregulated funds, which

may not have been anticipated when these structures were first established, particularly where there is no in-house AML / CTF capability. Funds will need to recalibrate their current reporting models to be able to accurately state assets under management and be in position to respond to the fine detail required in the AML questionnaire.

Clients have found our ability to provide a complete AML / CTF solution, with legal, regulatory compliance, fiduciary and entity management, a highly attractive proposition. From the largest global private equity companies with thousands of entities, to boutique fund managers, an outsourced AML / CTF solution allows them to concentrate on growing their business, with the comfort of being in full compliance with all laws and regulations. Our long-established presence in Luxembourg, providing fiduciary services since 2007, means we have an expert understanding and great familiarity with the jurisdiction and its regulatory framework.

Sponsors and managers also recognise, as governance standards globally have been raised, that investors are demanding higher standards. AML compliance and governance is not a check-box exercise and should be embedded throughout the entirety of a fund's operations, encompassing elements such as a cash flow, structuring and risk review. Our highly experienced professionals fulfilling the RC role in Luxembourg can apply their expertise and in-depth knowledge of the AML Law, and the wider regulatory framework to proactively identify areas of risk, before they materialise.

The Maples Group also recently introduced 'Know Your Assets' ("KYA") reviews for global investment managers, as best practice for due diligence and compliance in the investment fund space continues to evolve. By conducting KYA, managers can mitigate certain unseen risks for funds, such as owning a company or dealing with a counterparty known to engage in illicit activities. The KYA service allows managers to enhance their investment screening process and reduce risk for the fund and investors.

Crucially, from a governance perspective, our services are grounded in the commercial realities that our clients

encounter in competitive markets, particularly given Luxembourg's highly regarded framework comes with a greater level of regulatory requirements. Our focus on efficiency comes from a strong understanding of our clients' businesses and providing the highest quality of service, without overselling services that aren't needed. With the combination of legal, fiduciary and regulatory compliance expertise, clients benefit from Maples' One Group approach and the high-touch service excellence we are renowned for. If you have any questions about the changes in AML regulations for funds in Luxembourg, please contact one of the authors or your usual Maples Group contact.

For legal and regulatory disclosures, please visit [maples.com/legal-notices](https://www.maples.com/legal-notices).

About the Authors

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Jorge is a Senior Vice President and Head of Fiduciary Services – Luxembourg. With over 20 years of international experience, Jorge has driven global solutions for middle and back-office operations for financial institutions, management companies, open and closed-ended investment funds, securitisation vehicles, and corporate and trust structures.

He has expert knowledge on regulatory and compliance requirements for capital markets, AIFM and fund administration. Prior to joining the Maples Group, Jorge held a number of senior management roles at large global trust and audit firms. He graduated in International Business Economics at the University of Trier, Germany.

Vaanee Patten

Vaanee is a Senior Vice President at the Maples Group, based in Luxembourg. She is an experienced Chartered Governance Professional with a distinguished 18-year career in the Luxembourg financial sector. Vaanee has worked for both listed and non-listed fiduciary companies, as well as in house for some high-profile asset managers.

During her career she has had experience with a diverse range of asset classes and various corporate structures, as well as handling transactions and investments across multiple European jurisdictions. Vaanee holds a BA Honours in English – University of Mauritius and an MA in Marketing Communications – University of Westminster – Marylebone Business School.

Georgi Branekov

Georgi is a Vice President in the Maples Group's Luxembourg office, specialising in fiduciary services related to regulatory compliance. Georgi has worked in the financial services sector in Luxembourg since 2018 and he leads the Group's MLRO/RC services to clients in Luxembourg, performing due diligence and analysis on all parties, including all required regulatory reporting and filings. Previously Georgi worked for a leading global sanctions and PEP name screening solution used widely in the financial sector, leading teams performing due diligence research and analysis. He holds a Bachelor of Arts, Journalism with Economics and Law from the University of Sofia, Bulgaria.

ⁱ independent law firm - member of the Luxembourg Bar Association and subject to the professional ethics code of Luxembourg lawyers