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## Luxembourg Newsflash - 10 August 2020

# UCITS can no longer invest in loans

**The CSSF, Luxembourg's supervisory authority for the financial sector, has announced that Luxembourg-domiciled UCITS may no longer invest in loans. This decision has extended a new administrative practice to the public that the CSSF had been implementing in recent months with respect to investment in loans by UCITS.**

The CSSF published the new approach on 7 August 2020 through an update of its FAQ on the Luxembourg law of 17 December 2010 on undertakings for collective investment (the "CSSF FAQ" on the "UCI Law"). Now, under new Q&A 1.13 of the updated CSSF FAQ on the UCI Law, the CSSF states that loans cannot be treated as assets as referred to in Article 41(1) and (2)(a) of the UCI Law, as loans qualify neither as money market instruments nor as transferable securities within the meaning of applicable law and CESR guidelines (CESR being the predecessor of ESMA).

This new position is the result of a detailed eligibility assessment of loans by the CSSF, and reflects discussions held at ESMA level as well as the regulatory practices of other EU Member States.

Luxembourg-domiciled UCITS that are invested in loans are required to disinvest from these positions by 31 December 2020. All such disinvestments will have to be made taking into account the best interest of investors. In addition, the prospectuses of these UCITS will have to be updated by 31 March 2021 at the latest so that they no longer allow for investments in loans.

Note that the wording of the new Q&A 1.13 only covers direct investments in loans by UCITS; thus, indirect investments may still be permissible.

For further information, please liaise with your usual contact on the Fund Formation Team.

To read the updated CSSF FAQ on the UCI Law, [click here](#)\_

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