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AED expands supervisory measures for unregulated AIFs

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The AED has expanded its AML/CFT reporting obligations to encompass all unregulated alternative investment funds (AIFs), in addition to introducing a new deadline. Unregulated AIFs must act immediately to ensure their compliance.

Introduction

The *Administration de l'Enregistrement, des Domaines et de la TVA* (AED) has expanded AML/CFT reporting obligations for the 2024 financial year. Previously, only Reserved Alternative Investment Funds (RAIFs) were required to submit an RC report by the end of May. This requirement now applies to **all funds under AED supervision**, with the submission deadline extended to the end of **June 2025**.

Therefore, all supervised funds must submit:

- an AML/CFT annual questionnaire

- an AIF RC RR identification form

- a signed RC report

Funds that have not yet established a comprehensive AML/CFT framework must do so **immediately**, as the principle of proportionality will not be accepted for any exemption.

To ensure full compliance and mitigate legal and regulatory risks, funds should be proactive and take action to review their AML/CFT frameworks.

Next steps

All AED unregulated AIFs must:

1. Define an AML/CFT Risk Appetite Statement (RAS)
2. Design and implement their AML/CFT policy and procedures
3. Perform an AML/CFT risk assessment of their activities
4. Implement a risk-based approach that properly categorises all counterparty relationships and perform adequate due diligence (including on assets)
5. Appoint a *Responsable du Respect* (RR) and a *Responsable du Contrôle* (RC)
6. Cooperate with the authorities
7. Apply proper governance, mitigation measures and reporting, obtain AML/CFT Key Performance Indicators (KPIs) from delegates, issue an annual AML/CFT RC report, ensure adequate annual AML/CFT training, etc.

The compliance deadline is fast approaching, which puts greater pressure on market participants and strains resources. Non-compliance may result in sanctions and penalties imposed by the AED.

Quick AML/CFT Health Check – Key questions to consider

Are you facing challenges in designing and implementing your AML/CFT framework? Is its maturity in doubt?

Does your AML/CFT Risk Appetite Statement (RAS) clearly define acceptable and unacceptable risk tolerance levels? Does it include Key Risk Indicators (KRIs) to monitor compliance?

Do your AML/CFT policy and procedures contain sections devoted to the due diligence you perform on counterparties and assets?

Does your risk assessment methodology incorporate all relevant inherent risk factors identified by different authorities, including (but not limited to) supranational, national, and sector-specific risk assessments? Does it feature a dedicated Terrorist Financing (TF) section?

Have you properly defined and understood the roles and responsibilities of the RR and RC? Have you found the right RC?

Are you struggling with your RC report, its content and/or data collection?

If you delegate activities, how comfortable are you with your oversight process? What type of KPIs do you receive and do they effectively capture the inherent risks within your business?

Does your annual AML/CFT training programme for both members of governing bodies and RCs cover i) ML/TF cases adapted to the Luxembourg fund industry, ii) your AML/CFT legal and regulatory obligations and iii) your internal AML/CFT policies and procedures?