

PUBLICATION
GOVERNANCE OF
UNREGULATED AIFs IN
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Luxembourg unregulated Alternative Investment Funds (AIFs) are those not subject to the direct supervision of the *Commission de Surveillance du Secteur Financier* (CSSF).

The boards and governing bodies of such AIFs retain full fiduciary responsibility to their investors and other stakeholders, and the absence of direct regulatory supervision does not diminish their accountability.

In practice, there should be no material difference in governance standards between regulated and unregulated AIFs. Investors, regulators, and industry bodies increasingly expect unregulated funds to uphold the same high standards of oversight, transparency, and risk management as their supervised counterparts.

Good governance across the Luxembourg fund ecosystem is actively promoted by asset managers, AIFMs, board members, service providers, and industry bodies alike. Institutions such as the Luxembourg Institute of Governance (ILA – formerly the Luxembourg Institute of Administrators) and the Association of the Luxembourg Fund Industry (ALFI) provide guidance, training, and best practice frameworks that apply equally to regulated and unregulated AIFs. ILA's Fund Governance Masterclass, for example, has become a benchmark for board members seeking to deepen their understanding of fund governance in all fund types.

Crucially, most unregulated AIFs – including all Reserved Alternative Investment Funds (RAIFs) – are required to appoint an authorised Alternative Investment Fund Manager (AIFM), regulated either by the CSSF or another competent authority within the EU or EEA. This means that many unregulated AIFs are subject to indirect regulatory oversight via the supervision of their appointed AIFM.

Where unregulated AIFs are managed by sub-threshold “registered” AIFMs, such AIFMs are subject to requirements on initial registration and ongoing annual reporting to the CSSF (on the AIFM and the AIFs it manages, AuM, largest exposures & concentrations, etc), and remain subject to CSSF powers to request information and impose penalties.

Moreover, all unregulated AIFs established in Luxembourg are subject to anti-money laundering (AML) and counter-terrorism financing (CTF) obligations which are supervised by the Administration de l'Enregistrement, des Domaines et de la TVA (AED), which imposes further governance and compliance responsibilities.

In the absence of direct regulatory supervision, strong governance in unregulated AIFs depends heavily on self-regulation and the professionalism of the AIF Board and AIFM. Directors of both AIFs and AIFMs, whether they are employed by asset management groups, by service providers or are independent non-executive directors, must all ensure that the oversight practices are robust, risk-focused, and commensurate with the AIF's complexity and investor profile. Demonstrating a culture of accountability, independence, and transparency is just as important for unregulated AIFs as it is for regulated ones.

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