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FUNDS

## Failures in CSSF oversight of funds, EU watchdog finds

by [John MONAGHAN](#) 2 min. today at 13:17

**Luxembourg financial watchdog only fully meets standards in two areas out of six assessed by the EU's financial markets regulator**

Luxembourg's financial watchdog, the CSSF



*Photo credit: Gerry Huberty*

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Luxembourg's financial watchdog, the CSSF, is not fully compliant in its oversight of cross-border investment firms, a review by the EU's regulator has found, despite the country's status as the world's second-largest fund management centre.

The CSSF only fully meets standards in two areas out of six assessed by the European Securities and Markets Authority (ESMA), which regulates financial markets across the bloc.

The findings, covering the period from 2018 to 2020, are contained in a report published last week. In four other areas, including daily supervision of cross-border funds and investigations and inspections, Luxembourg's watchdog was only “partially meeting expectations”, the ESMA concluded.

There are 92 investment firms under supervision by the CSSF, just over half of which provide services on a cross-border basis. The Grand Duchy is the world's second largest fund management centre, with almost € 6 trillion [under management in the country last year](#).

The CSSF was not assessed at all on its enforcement and sanctions response to cross-border activities as the Luxembourg regulator had “indicated that they did not identify any infringement in the review period”, ESMA said.

Luxembourg was one of six countries assessed, none of which obtained a full compliance score across all areas. The CSSF did not immediately respond to a request for comment from the *Luxembourg Times*.

ESMA [said at the end of last year that it would abstain](#) from launching an official investigation into breaches of EU law by the CSSF, after a complaint from investors who lost some €100 million in a Luxembourg fund.

The EU regulator had been urged to investigate whether the CSSF fell short of its oversight responsibilities in the demise of the LFP I funds after complaints from investors and the former director of the funds, David Mapley.

ESMA itself came in for criticism in [a report by the European Court of Auditors last month](#), which said the regulator lacks its own powers and is far too reliant on voluntary cooperation from national authorities.

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