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EU Watchdog cites CSSF for failures in oversight of funds, thus failing to protect investors.

As reported in the Luxembourg Times March 16, 2022, “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.

<https://www.luxtimes.lu/en/business-finance/failures-in-cssf-oversight-of-funds-eu-watchdog-finds-6231d568de135b92366fc251>

“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.

Interestingly, 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. This despite more than 30 criminal, civil, and money laundering complaints filed (2018 – 2021) by the former directors of LFP I SICAV re 4 indentified Ponzi scheme sub-funds, Aventor, Blackstar Commodities, Columna Commodities, and Equity Power Fund.

Almost € 100 million of investors' mostly pension and retirement savings were defrauded or lost due to service provider failings. The CSSF itself is being sued for contributing to these losses, through a filed civil complaint citing “gross negligence”.

With the European Banking Authority, FATF-GAFI and the European Commission looking in to complaints filed against the CSSF, investors wait impatiently for some regulatory action in supporting the recovery of their lost money.

A very angry and disenchanted shareholder base could face a similar situation as with Luxalpha (13 years with no investment returns to investors in this Luxembourg-regulated Madoff feeder fund) and even more recent CYBERServices SA. One might opine that the CSSF is more involved in “CYA” over its past failings than recovering investor money and sanctioning those responsible for losses. The gross negligence legal claim should be quite revealing as it is argued...

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