

NEWSFLASH

CSSF Circular 24/863

The circular, published on 21 October 2024, provides guidelines on the use of ESG (Environmental, Social, and Governance) or sustainability-related terms in fund names. The purpose of these guidelines is to ensure that fund names using such terms are not unfair, unclear, or misleading. The guidelines are based on various European directives and regulations, including the AIFMD and the UCITS Directive

The circular applies to UCITS management companies, alternative investment fund managers, and other relevant entities. It specifies that managers of new funds created after the application date of the guidelines (21 November 2024) should comply immediately, while managers of existing funds have until 21 May 2025 to comply

1. **Clarity and Accuracy:** Fund names using ESG or sustainability-related terms must be clear, accurate, and not misleading. The terms should reflect the actual investment strategy and objectives of the fund
2. **Disclosure Requirements:** Funds using these terms must provide detailed disclosures about their ESG or sustainability-related strategies. This includes information on how ESG factors are integrated into the investment process and the criteria used to select investments
3. **Compliance Deadlines:** Managers of new funds created after the application date of the guidelines (21 November 2024) must comply immediately. Managers of existing funds have until 21 May 2025 to comply
4. **Monitoring and Reporting:** The circular requires ongoing monitoring and reporting of ESG or sustainability-related claims. This ensures that the funds continue to meet the criteria and objectives stated in their names and disclosures

These guidelines aim to enhance transparency and protect investors by ensuring that fund names accurately reflect their investment strategies and objectives.

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