CONSULTATION RESPONSE

From: Association of the Luxembourg Fund Industry ALFI
For: International Ethics Standards Board for Accountants (IESBA)
Deadline: 30 June 2025
Topic: Response to IESBA's Consultation Paper – Enhancing Independence Requirements in the Audit of Collective Investment Vehicles and Pension Funds

association of the luxembourg fund industry

Luxembourg, 30 June 2025

IESBA's Consultation Paper – Enhancing Independence Requirements in the Audit of Collective Investment Vehicles and Pension Funds

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,400 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 80 countries around the world.

We would like to thank the International Ethics Standards Board for Accountants (IESBA) for the opportunity to respond to the public consultation on the independence considerations with respect to audits of Collective Investment Vehicles (CIVs) and Pension Funds.

Important considerations

ALFI would like to respond to two distinct points in the consultation, namely:

1. Questions 1&2 in relation to the impact of changes to the definition of "related entity"; and
2. Question 6 Luxembourg (and EU) jurisdictional requirements specific to CIVs / pension funds from an auditor perspective.

In addition, we would like to highlight that in Luxembourg, the *Luxembourg Institute of Registered Auditors (IRE)* is the body in charge of the audit profession, which will submit a separate detailed response to all questions raised in the consultation.

Responses to the Questions in the Consultation

1. **Response to questions 1&2 in relation to the impact of changes to the definition of "related entity".**

ALFI welcomes the opportunity to comment on the application of the IESBA's Code's conceptual framework on independence, particularly as it relates to the identification of "related and connected parties" in the context of CIVs and pension fund structures.

ALFI believes that the existing Luxembourg framework captures the relevant parties necessary to assess auditor independence in CIV and pension fund structures. The framework defined in the Code is applied in combination with EU and national regulation under the supervision of the national competent authority (see further below reg. CSSF). It enables a principles-based approach that allows auditors and national competent authorities to assess threats to independence in a way that reflects the actual roles, influence, and risks posed by different parties within an investment fund structure.

We would like to underline that in Luxembourg, investment funds for CIVs and pension funds are often complex, involving a range of parties performing specialised and distinct services for these funds. These typically include the investment managers, management companies of funds, fund administrators, custodians, and other third-party service providers (lawyers, advisers etc.).

For this reason, changes to the definition of "related and connected parties" in the Code need to be carefully considered, as hundreds of already supervised entities such as third-party management companies, administrators and others would lead to having to apply overly broad or uniform restrictions on the provision of non-audit services to such third-party service providers, especially where there is no direct relationship or influence. This would result in limiting market access to audit firm's expertise without significantly enhancing investor protection.

ALFI believes the Code should continue to support a principles-based assessment of independence threats. The Code already requires auditors to assess who the true beneficiaries of non-audit services are, which is key to evaluating independence threats.

2. Response to question 6 Luxembourg (and EU) jurisdictional requirements specific to CIVs / pension funds

Luxembourg has specific detailed legal and regulatory requirements and guidance regarding auditor independence in the context of Collective Investment Vehicles (CIVs) and pension funds.

European Union dimension **-** Luxembourg is a member of the European Union and follows harmonized audit rules and regulation. The EU Directive 2014/56/EU, amended the existing EU Directive on statutory audits (EU Directive 2006/43/EC). The EU Audit Regulation 537/2014 specifically addresses statutory audits of public interest entities (PIEs), which in Luxembourg includes certain UCITS funds, alternative investment funds and pension funds. The EU Audit Regulation 537/2014 enhances transparency in the audit market and bolster public confidence in the financial statements of these entities. It covers key requirements such as mandatory auditor rotation, restrictions on non-audit services, cooling off periods for audit team members and generally areas such as auditor independence, selection, and supervision of auditors.

In **Luxembourg**, the Luxembourg Law of 23 July 2016 on the audit profession (Law of 2016) applies. This law implements the EU Audit Directive 2014/56/EU, as mentioned above, which applies to Luxembourg *réviseurs d'entreprises agrees* (**"**approved statutory auditors"). The Luxembourg Law of 2016 covers accordingly detailed rules on independence and objectivity, incompatibilities and prohibitions and professional ethics.

Finally, the Luxembourg Regulator in charge of the audit profession is the *Commission de Surveillance du Secteur Financier* (CSSF). The CSSF provides additional practical guidance in form of circulars to clarify laws and EU regulations, moreover it sets our supervisory expectations and the CSSF may implement new requirements aligning national practice with EU directives and regulations (*e.g. CSSF Circular 01/27 (as amended by Circulars CSSF 08/340, 10/484, 11/521 and 21/765) repealed by Circular CSSF 22/821 – CSSF) provides rules and expectations for UCIs and their auditors*).
As regards guidance for pension funds, these are structured as ASSEPs and SEPCAVs (regulated under the Law of 13 July 2005), which must appoint a *réviseur d'entreprises agréé*. These are supervised by the CSSF and are PIEs under the Law of 2016. Here auditors must adhere to stricter independence and rotation requirements, as set out by law.

ALFI believes that the existing framework, supported by European and national law, provides a well-calibrated and effective mechanism for managing auditor independence in the context of CIVs and pension funds. Efforts to refine or clarify guidance should allow flexibility and recognize the diversity of the investment fund structures, the functional roles of service providers, and the strong regulatory environment already in place in Luxembourg.