

Law of 23 July 2016 concerning the audit profession and:

- **transposing Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;**
- **implementing Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;**
- **amending the Law of 13 July 2005 on institutions for occupational retirement provision in the form of a SEPCAV and an ASSEP, as amended;**
- **amending the Law of 10 August 1915 on commercial companies, as amended;**
- **repealing the Law of 18 December 2009 concerning the audit profession**

(Mém. A 2016, No 141)

as amended by:

- the Law of 13 February 2018
 1. transposing the provisions on the professional obligations and the powers of the supervisory authorities as regards the fight against money laundering and terrorist financing of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC;
 2. implementing Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006;
 3. amending:
 - (a) the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended;
 - (b) the Law of 10 November 2009 on payment services, as amended;
 - (c) the Law of 9 December 1976 on the organisation of the profession of notary, as amended;
 - (d) the Law of 4 December 1990 on the organisation of bailiffs, as amended;
 - (e) the Law of 10 August 1991 on the legal profession, as amended;
 - (f) the Law of 5 April 1993 on the financial sector, as amended;
 - (g) the Law of 10 June 1999 on the organisation of the accounting profession, as amended;
 - (h) the Law of 21 December 2012 relating to the Family Office activity;
 - (i) the Law of 7 December 2015 on the insurance sector, as amended;
 - (j) the Law of 23 July 2016 concerning the audit profession.

(Mém. A 2018, No 131)

PART I - : Transposition of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

TITLE I. - Organisation of the audit profession.

Chapter I - Definitions.

Article 1. Definitions.

For the purposes of this law, the following definitions shall apply:

- (1) “key audit partner(s)” mean(s):
 - a) the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)) designated by a *cabinet de révision agréé* (approved audit firm) or an audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the *cabinet de révision agréé* (approved audit firm); or
 - b) in case of a group audit, the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)) designated by a *cabinet de révision agréé* (approved audit firm) or an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)) designated as being primarily responsible at the level of material subsidiaries; or
 - c) the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)) who sign(s) the audit report;
- (2) “competent authorities” means the authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms or of specific aspects thereof; the reference to “competent authority” in a specific article means a reference to the authority responsible for the functions referred to in that article;
- (3) “audit firm” means a legal person or any other entity, regardless of its legal form, that is approved in accordance with Directive 2006/43/EC by the competent authorities of another Member State to carry out the statutory audit;
- (4) “*cabinet de révision* (audit firm)” means a legal person or any other entity, regardless of its legal form, that is member of the IRE and satisfies the conditions laid down in Article 3(4);
- (5) “*cabinet de révision agréé* (approved audit firm)” means a legal person or any other entity, regardless of its legal form, that is member of the IRE and approved in accordance with Article 5;
- (6) “statutory audit” means the audit of annual financial statements or consolidated financial statements in so far as required by law or by Union law directly applicable;
- (7) “third-country auditor” means a natural person who carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Articles 3 and 44 of Directive 2006/43/EC;
- (8) “group auditor” means the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or audit firm(s) carrying out statutory audits of consolidated financial statements;
- (9) “statutory auditor” means a natural person who is approved in accordance with Directive 2006/43/EC by the competent authorities of another Member State to carry out statutory audits;
- (10) “CSSF” means the Commission de Surveillance du Secteur Financier;
- (11) “Directive 95/46/EC” means Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data;

(12) “Directive 2003/71/EC” means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended by Directive 2010/73/EU;

(13) “Directive 2004/72/EC” means Commission Directive 2004/72/EC of 29 April 2004 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards accepted market practices, the definition of inside information in relation to derivatives on commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions;

(14) “Directive 2004/109/EC” means Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC;

(15) “Directive 2006/43/EC” means Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, as amended by Directives 2008/30/EC, 2013/34/EU and 2014/56/EU;

(16) “Directive 2013/34/EU” means Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC and repealing Council Directives 78/660/EEC and 83/349/EEC;

(17) “Directive 2013/36/EU” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

(18) “Directive 2014/65/EU” means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

(19) “third-country audit entity” means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than an entity which is registered as an audit firm in any Member State as a consequence of approval in accordance with Article 3 of Directive 2006/43/EC;

(20) “public-interest entities” means

- a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point (21) of Article 4(1) of Directive 2014/65/EC;
- b) credit institutions as defined in point (12) of Article 1 of the Law of 5 April 1993 on the financial sector, other than those referred to in Article 2 of Directive 2013/36/EU;
- c) insurance and reinsurance undertakings as defined in points (5) and (9) of Article 32(1) of the Law of 7 December 2015 on the insurance sector, excluding undertakings and bodies referred to in Articles 38, 40 and 42, pension funds referred to in point (14) of Article 32(1), captive insurance undertakings referred to in point (8) of Article 43 and captive reinsurance undertakings referred to in point (9) of Article 43 of the Law of 7 December 2015 on the insurance sector;

(21) “affiliate of a *cabinet de révision agréé* (approved audit firm)” means any undertaking, regardless of its legal form, which is connected to a *cabinet de révision agréé* (approved audit firm) by means of common ownership, control or management;

(22) “Member State” means a Member State of the European Union. The States that are contracting parties to the Agreement on the European Economic Area (“EEA”) other than the Member States of the European Union, within the limits set forth by this agreement and related acts, shall be considered as equivalent to Member States of the European Union.

(23) “host Member State” means a Member State in which a statutory auditor approved by his or her home Member State or a *réviseur d’entreprises agréé* (approved statutory auditor) seeks to be also approved in accordance with Article 14 of Directive 2006/43/EC, or a Member State in which an audit firm approved by its home Member State or a *cabinet de révision agréé* (approved audit firm) seeks to be registered or is registered in accordance with Article 3a of Directive 2006/43/EC;

(24) “home Member State” means a Member State in which a statutory auditor or audit firm is approved in accordance with Article 3(1) of Directive 2006/43/EC;

(25) “IRE” means the Institut des Réviseurs d’Entreprises;

(26) “medium-sized undertakings” means the undertakings referred to in Article 1(1) and Article 3(3) of Directive 2013/34/EU;

(27) “non-practitioner” means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of three years immediately preceding that involvement, has not carried out statutory audits, has not held voting rights in a *cabinet de révision agréé* (approved audit firm), an audit firm or a third-country audit entity, has not been a member of the administrative, management or supervisory body of a *cabinet de révision agréé* (approved audit firm), an audit firm or a third-country audit entity and has not been employed by, or otherwise associated with, a *cabinet de révision agréé* (approved audit firm), an audit firm or a third-country audit entity;

(28) “international auditing standards” means International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), in so far as they are relevant to the statutory audit;

(29) “international accounting standards” means International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, and future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);

(30) “audit report” means the report referred to in Article 35 issued by the *réviseur d’entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm), the statutory auditor(s) or the audit firm following statutory audit work;

(31) “Regulation (EU) No 537/2014” means Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;

(32) “network” means the larger structure:

- which is aimed at cooperation and to which a *réviseur d’entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm belongs; and
- which is clearly aimed at profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources;

(33) “*réviseur d’entreprises* (statutory auditor)” means a natural person, who is member of the IRE and has the professional qualification referred to in Article 3 and may exercise the activities referred to in point (34), excluding the activities referred to in (a);

(34) “*réviseur d’entreprises agréé* (approved statutory auditor)” means a *réviseur d’entreprises* (statutory auditor), who is member of the IRE and has been approved in accordance with this law in order to carry out:

- a) statutory audit;
- b) any duties entrusted exclusively to *réviseurs d’entreprises* (statutory auditors) by the law.

Without prejudice to the provisions of Articles 18 to 23, the exercise of the functions provided for in (a) and (b) of this point is not incompatible with the exercise of other activities, such as domiciliation,

contractual auditing, giving fiscal advice, organising and carrying out accounting and analysing using accounting techniques the situation and functioning of undertakings from their various economic, legal and financial aspects;

(35) “professional scepticism” means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

Chapter II. - Approval, professional qualification and continuing education.

Article 2. Protection of titles.

(1) No one may bear the title of “*réviseur d’entreprises* (statutory auditor)”, “*réviseur d’entreprises agréé* (approved statutory auditor)”, “*cabinet de révision* (audit firm)” or “*cabinet de révision agréé* (approved audit firm)” or any similar name and no one may exercise, not even on an ancillary or occasional basis, the activities referred to in Article 1(34), unless he, she or it is authorised to do so on the conditions laid down in Articles 3, 5 and 6.

(2) The wrongful use of the title of “*réviseur d’entreprises* (statutory auditor)”, “*réviseur d’entreprises agréé* (approved statutory auditor)”, “*cabinet de révision* (audit firm)” or “*cabinet de révision agréé* (approved audit firm)” or any similar name, or the unauthorised exercise, even on an ancillary or occasional basis, of the activities referred to in Article 1(34) shall be liable to the criminal sanctions set out in Article 47.

Article 3. Conditions for obtaining the title of “*réviseur d’entreprises* (statutory auditor)” or “*cabinet de révision* (audit firm)” and for exercising the activities referred to in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34).

(1) The titles of “*réviseur d’entreprises* (statutory auditor)” and “*cabinet de révision* (audit firm)” shall be granted by the CSSF in accordance with paragraphs 2, 3 and 4.

(2) To obtain the title of “*réviseur d’entreprises* (statutory auditor)”, natural persons shall:

- a) provide proof of good repute and professional qualification. The conditions of professional qualification shall be determined by grand-ducal regulation in accordance with Article 9;
- b) register as a member of the IRE.

(3) To be able to exercise the activities referred to in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34), the *réviseur d’entreprises* (statutory auditor) shall:

- a) have a professional establishment in Luxembourg; or
- b) exercise the activity as an employee of a *cabinet de révision* (audit firm).

(4) To obtain the title of “*cabinet de révision* (audit firm)”, legal persons shall satisfy the following conditions:

- a) natural persons exercising the activities referred to in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34) in the name of the legal person shall satisfy the conditions set out in paragraphs 2 and 3 and be empowered to bind the legal persons;
- b) a majority of the voting rights in an entity must be held by *réviseurs d’entreprises* (statutory auditors), *réviseurs d’entreprises agréés* (approved statutory auditors), *cabinets de révision* (audit firms), *cabinets de révision agréés* (approved audit firms), statutory auditors or audit firms;
- c) a majority of the members of the administrative or management bodies of the entity must be *réviseurs d’entreprises* (statutory auditors), *réviseurs d’entreprises agréés*

(approved statutory auditors) or statutory auditors. Where such a body has no more than two members, one of those members shall satisfy at least the conditions in this letter (c);

- d) the legal person shall satisfy the required conditions of good repute;
- e) have a professional establishment in Luxembourg;
- f) register as a member of the IRE.

(5) The decision of the CSSF granting the title of “*réviseur d’entreprises* (statutory auditor)” or “*cabinet de révision* (audit firm)” or refusing to grant the title of “*réviseur d’entreprises* (statutory auditor)” or “*cabinet de révision* (audit firm)” may be challenged in accordance with Article 46.

Article 4. Withdrawal of the title of “*réviseur d’entreprises* (statutory auditor)” and “*cabinet de révision* (audit firm)”.

(1) The CSSF shall withdraw the title of “*réviseur d’entreprises* (statutory auditor)” from a natural person if any of the conditions imposed in Article 3(2) is no longer fulfilled or in the event of non-compliance with Article 3(3).

(2) The CSSF shall withdraw the title of “*cabinet de révision* (audit firm)” from a legal person if any of the conditions imposed in Article 3(4) is no longer fulfilled.

(3) The CSSF may grant a *cabinet de révision* (audit firm) that no longer complies with any one of the conditions imposed in letters (b) and (c) of Article 3(4), a period of one year to regularise its situation.

(4) The decision of the CSSF to withdraw the title of “*réviseur d’entreprises* (statutory auditor)” or “*cabinet de révision* (audit firm)” may be challenged in accordance with Article 46.

(5) The CSSF shall inform the President of the IRE of the withdrawals decided pursuant to this article.

Article 5. Approval as *réviseur d’entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm).

(1) To be able to exercise the activities referred to in letter (a) of the first subparagraph of Article 1(34), approval shall be granted by the CSSF in accordance with paragraphs 2 and 3.

(2) To obtain the approval referred to in paragraph 1, natural persons shall have a professional establishment in Luxembourg and satisfy one of the following conditions:

- a) be the holder of the title of “*réviseur d’entreprises* (statutory auditor)”, granted in accordance with Article 3;
- b) be a statutory auditor and pass an aptitude test in one of the administrative languages of Luxembourg, relating to an adequate knowledge of a statutory auditor with regard to the laws and regulations of Luxembourg. The grand-ducal regulation provided for in Article 3 shall organise the aptitude test;
- c) subject to reciprocity, be a third-country auditor, with the provisos that evidence of good repute and professional qualifications deemed equivalent to those required under Article 9 is provided and that the aptitude test referred to in letter (b) of this paragraph is passed.

A grand-ducal regulation shall lay down the criteria for equivalence, taking into account the minimum duration of higher education, the nature and the extent of the subjects having to be covered by the theoretical and practical education and the conditions for the practical training period and continuing education.

(3) To obtain the approval referred to in paragraph 1, legal persons shall satisfy the following conditions:

- a) natural persons exercising the activities referred to in letter (a) of the first subparagraph of Article 1(34) on behalf of a legal person must be *réviseurs d'entreprises agréés* (approved statutory auditors);
- b) a majority of the voting rights in an entity must be held by *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms), statutory auditors or audit firms;
- c) a majority of the members of the administrative or management bodies of the entity must be *réviseurs d'entreprises agréés* (approved statutory auditors) or statutory auditors. Where such a body has no more than two members, one of those members shall satisfy at least the conditions laid down in this letter (c);
- d) the legal person shall satisfy the required conditions of good repute;
- e) have a professional establishment in Luxembourg.

(4) Approved natural persons shall be granted the title of “*réviseur d'entreprises agréé* (approved statutory auditor)”.

Approved legal persons shall be granted the title of “*cabinet de révision agréé* (approved audit firm)”.

(5) The decision of the CSSF granting approval or refusing to grant approval may be challenged in accordance with Article 46.

Article 6. Recognition of audit firms.

(1) By way of derogation from Article 5(1), an audit firm which is approved in another Member State shall be entitled to perform statutory audits in Luxembourg provided that the key audit partner who carries out the statutory audit on behalf of the audit firm complies with letter (a) of Article 5(3).

(2) An audit firm that wishes to carry out statutory audits in Luxembourg shall register with the CSSF in accordance with Articles 12 and 14.

(3) The CSSF shall register the audit firm if it is satisfied that the audit firm is registered with the competent authority in the home Member State. To that end, the CSSF requires a certificate from the home Member State attesting to the registration of the audit firm in the home Member State which is not more than three months old. The CSSF shall inform the competent authority in the home Member State of the registration of the audit firm.

Article 7. Withdrawal of approval as *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm).

(1) The CSSF shall withdraw the approval as *réviseur d'entreprises agréé* (approved statutory auditor) if any of the conditions imposed in Article 5(2) is no longer fulfilled.

(2) The CSSF shall withdraw the approval as *cabinet de révision agréé* (approved audit firm) if any of the conditions imposed in Article 5(3) is no longer fulfilled.

(3) The CSSF may, before proceeding to withdraw approval, grant *cabinets de révision agréés* (approved audit firms) that no longer comply with any one of the conditions imposed in letters (b) and (c) of Article 5(3), a period of one year to regularise their situation.

(4) Withdrawal of approval shall imply that those persons may no longer use the title of “*réviseur d'entreprises agréé* (approved statutory auditor)” or “*cabinet de révision agréé* (approved audit firm)”, respectively.

(5) In the event of the withdrawal of the approval of a *réviseur d'entreprises agréé* (approved statutory auditor) or of a *cabinet de révision agréé* (approved audit firm) for any reason whatsoever and which cannot be challenged before the *Tribunal Administratif* (Administrative Tribunal), the CSSF shall notify this withdrawal and the reasons therefor to the President of the IRE. The CSSF shall notify the withdrawal and the reasons for said withdrawal to the competent authorities of the host Member States

in which the person is also approved and which are mentioned in the public register in accordance with letter (c) of Article 13(1) and letter (i) of Article 14(1).

Article 8. Recognition of service providers from other Member States.

Pursuant to Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, the activities referred to in letter (b) of the first subparagraph of Article 1(34) may be performed by a service provider from a Member State by way of the free provision of services, provided that, pursuant to Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications, the following provisions are complied with in case of the movement of the service provider for the first time:

- a) he, she or it makes a declaration prior to the first provision of services;
- b) he, she or it provides, upon the first provision of services, proof of nationality and an attestation certifying that the holder is legally established in another Member State for the purpose of pursuing the activities concerned and that he, she or it is not prohibited from practising, even temporarily, at the moment of delivering the attestation;
- c) he, she or it provides evidence of professional qualifications;
- d) and he, she or it takes an aptitude test in the event of there being a substantial difference in the professional qualifications required. A grand-ducal regulation shall organise the aptitude test.

The CSSF shall ensure that service providers comply with the requirements set out in this article.

Article 9. Professional qualification.

(1) The grand-ducal regulation provided for in Article 3(2) requires a Master's degree or equivalent training, a practical training and an examination of professional competence.

- (2) a) The diplomas recognised, the practical training arrangements and the examination of professional competence shall be specified by grand-ducal regulation.
- b) The practical training consists of a training period of a minimum of three years in statutory audit and of a certificate of complementary training. At least two thirds of such training shall be completed with a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm), a statutory auditor or an audit firm.
- c) The examination of professional competence shall guarantee the necessary level of theoretical knowledge of subjects relevant to statutory audit and the ability to apply such knowledge in practice. Part at least of that examination shall be in writing.

(3) A derogation may be granted from the provisions of paragraph 1 and letters (a) and (b) of paragraph 2 in favour of a person who shows:

- a) either that he or she has, for 15 years, engaged in professional activities which have enabled him or her to acquire sufficient experience in the fields of finance, law and accountancy, and has passed the examination of professional competence;
- b) or that he or she has, for seven years, engaged in professional activities in those fields and has, in addition, undergone the practical training referred to in letter (b) of paragraph 2 and passed the examination of professional competence.

(4) The CSSF shall issue a diploma of professional aptitude attesting that the requirements of this article are satisfied for the person who wishes to access the audit profession.

Article 10. Continuing education.

- (1) *Réviseurs d'entreprises* (statutory auditors) and *réviseurs d'entreprises agréés* (approved statutory auditors) shall take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.
- (2) A CSSF regulation shall specify the criteria that the programmes of continuing education must satisfy in order to be taken into account.
- (3) Failure to comply with the continuing education requirements shall constitute a disciplinary offence which may give rise to the sanctions mentioned in Articles 43 and 78.

Article 11. Obligation to practice the audit profession under one's own name and limitation periods for civil professional liability claims.

- (1) *Réviseurs d'entreprises agréés* (approved statutory auditors) practising their profession as sole practitioners may do so only under their own name, to the exclusion of any pseudonym or impersonal title.
- (2) Civil professional liability claims brought against a *réviseur d'entreprises* (statutory auditor), a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision* (audit firm), a *cabinet de révision agréé* (approved audit firm) or an audit firm shall be time-barred after five years as from the end date of his, her or its service provision. In the framework of a statutory audit, civil professional liability claims brought against a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm shall be time-barred after five years as from the date of the audit report.

Chapter III. - Registration in the public register.

Article 12. Public register.

- (1) *Réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) and audit firms shall be registered in a public register maintained by the CSSF and which meets the criteria set out in Articles 13 and 14.
- (2) Each *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm shall be identified in the public register by an individual number.
- (3) Registration information required in accordance with Articles 13 and 14 shall be stored in the register in electronic form and shall be electronically accessible to the public in French and in English.
- (4) The public register shall contain the name and address of the CSSF as the competent authority for the public oversight of the audit profession within the meaning of Chapter VII of Title I.

Article 13. Information to be provided by the *réviseurs d'entreprises agréés* (approved statutory auditors) and the third-country auditors.

- (1) As regards the *réviseurs d'entreprises agréés* (approved statutory auditors) and the third-country auditors, the public register shall contain at least the following information that the *réviseurs d'entreprises agréés* (approved statutory auditors) and third-country audit firms shall provide the CSSF with:
 - a) name, address and registration number;
 - b) if applicable, the name, address, website address and registration number of the *cabinet de révision agréé* (approved audit firm) by which the *réviseur d'entreprises agréé* (approved statutory auditor) is employed, or with whom he or she is associated as a partner or otherwise;

- c) all other registration(s) as statutory auditor with the competent authorities of other Member States and as auditor with third countries, including the name(s) of the registration authority(ies), and, if applicable, the registration number(s).

(2) Third-country auditors registered in accordance with Article 57 shall be clearly indicated in the register as such and not as *réviseurs d'entreprises agréés* (approved statutory auditors).

Article 14. Information to be provided by the *cabinets de révision agréés* (approved audit firms), the audit firms and the third-country audit entities.

(1) As regards the *cabinets de révision agréés* (approved audit firms), the audit firms and the third-country audit entities, the public register shall contain at least the following information that the *cabinets de révision agréés* (approved audit firms) must provide the CSSF with:

- a) name, address and registration number;
- b) legal form;
- c) contact information, the primary contact person and, where applicable, the website address;
- d) address of each office in Luxembourg;
- e) name and registration number of all *réviseurs d'entreprises* (statutory auditors) and *réviseurs d'entreprises agréés* (approved statutory auditors) employed by or associated as partners or otherwise with the legal entity;
- f) names and business addresses of all owners and shareholders;
- g) names and business addresses of all members of the administrative or management body;
- h) if applicable, the membership of a network and a list of the names and addresses of member firms and affiliates or an indication of the place where such information is publicly available;
- i) all other registration(s) as audit firm with the competent authorities of other Member States and as audit entity with third countries, including the name of the registration authority(ies), and, if applicable, the registration number(s);
- j) where applicable, whether the audit firm is registered pursuant to Article 6.

(2) Third-country audit entities registered in accordance with Article 57 shall be clearly indicated in the register as such and not as *cabinets de révision agréés* (approved audit firms).

(3) Audit firms registered in accordance with Article 6 shall be clearly indicated in the register as such and not as *cabinets de révision agréés* (approved audit firms).

Article 15. Notification of changes.

The *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms), the audit firms, the third-country auditors and the third-country audit entities shall notify the CSSF of any change of information contained in the public register within eight working days following the change. The register shall be updated without undue delay after notification.

Article 16. Responsibility for the information provided.

The information provided to the CSSF in accordance with Articles 13, 14 and 15 shall be transmitted electronically and signed by the *réviseur d'entreprises agréé* (approved statutory auditor) or the third-country auditor, as the case may be. In the case of a *cabinet de révision agréé* (approved audit firm), an audit firm or a third-country audit entity, the information provided shall be signed by a *réviseur d'entreprises agréé* (approved statutory auditor), a statutory auditor or a third-country auditor, as the

case may be, who is member of that *cabinet de révision agréé* (approved audit firm), audit firm or third-country audit entity.

Article 17. Authorised languages.

The information provided to the CSSF in accordance with Articles 13, 14 and 15 shall be drawn up in Luxembourgish, French, German or English.

Chapter IV. - Professional ethics, independence, objectivity, confidentiality, professional secrecy and professional obligations.

Article 18. Professional ethics and scepticism.

(1) *Réviseurs d'entreprises* (statutory auditors), *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision* (audit firms), *cabinets de révision agréés* (approved audit firms) and audit firms shall be subject to principles of professional ethics, covering their public-interest function, their integrity and objectivity and their professional competence and due care.

(2) When *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) and audit firms carry out the statutory audit, they shall maintain professional scepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding their past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.

The *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms) and the audit firms shall maintain professional scepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the entity's ability to continue as a going concern.

Article 19. Independence of *réviseurs d'entreprises* (statutory auditors), *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision* (audit firms) and *cabinets de révision agréés* (approved audit firms).

(1) The exercise by the *réviseur d'entreprises* (statutory auditor), the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision* (audit firm), the *cabinet de révision agréé* (approved audit firm) or the audit firm of one of their respective activities referred to in Article 1(34) shall be incompatible with any activity liable to detract from the principles of independence of the profession.

(2) Where he or she exercises the activities referred to in paragraph 1 of this article, the *réviseur d'entreprises* (statutory auditor) or the *réviseur d'entreprises agréé* (approved statutory auditor) may not enter gainful employment unless it is with a *cabinet de révision* (audit firm), a *cabinet de révision agréé* (approved audit firm) or an audit firm.

Article 20. Independence of *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) and audit firms with regard to the statutory audit.

(1) When carrying out a statutory audit, the *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms), the audit firms, and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, shall be independent of the audited entity. They shall not be involved in the decision-taking of the audited entity.

Independence shall be required at least during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.

The *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms) and the audit firms shall take all reasonable steps to ensure that, when carrying out a statutory audit, their independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm carrying out the statutory audit and, where appropriate, his, her or its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm, or any person directly or indirectly linked to the *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm by control.

The *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationships between:

- the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm), the audit firm, his, her or its network, and any natural person in a position to influence the outcome of the statutory audit, and
- the audited entity,

as a result of which an objective, reasonable and informed third party, taking into account the safeguards applied, would conclude that the independence of the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm is compromised.

(2) The *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms), the audit firms, their key audit partners, their employees, and any other natural person whose services are placed at the disposal or under the control of such *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 1(2) of Commission Directive 2004/72/EC, do not hold or have a material and direct beneficial interest in, or engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by, any audited entity within their area of statutory audit activities, other than interests owned indirectly through diversified undertakings for collective investment, including managed funds such as pension funds or life insurance.

(3) A *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm shall document in the audit working papers all significant threats to his, her or its independence as well as the safeguards applied to mitigate those threats.

(4) The persons or firms referred to in paragraph 2 shall not participate in or otherwise influence the outcome of a statutory audit of any particular audited entity if they:

- own financial instruments of the audited entity, other than interests owned indirectly through diversified undertakings for collective investment;
- own financial instruments of any entity related to an audited entity, the ownership of which may cause, or may be generally perceived as causing, a conflict of interest, other than interests owned indirectly through diversified undertakings for collective investment;
- have had an employment, or a business or other relationship with that audited entity within the period referred in paragraph 1 that may cause, or may be generally perceived as causing, a conflict of interest.

(5) Persons or firms referred to in paragraph 2 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.

(6) If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires another entity, the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available safeguards, could compromise his, her or its independence and ability to continue with the statutory audit after the effective date of the merger or acquisition.

As soon as possible, and in any event within three months, the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit entity) or the audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise his, her or its independence and shall, where possible, adopt safeguards to minimise any threat to his, her or its independence arising from prior and current interests and relationships.

Article 21. Employment by audited entities of former *réviseurs d'entreprises agréés* (approved statutory auditors) or of employees of *réviseurs d'entreprises agréés* (approved statutory auditors) or *cabinets de révision agréés* (approved audit firms).

(1) A *réviseur d'entreprises agréé* (approved statutory auditor) or a key audit partner who carries out a statutory audit on behalf of a *cabinet de révision agréé* (approved audit firm) or an audit firm shall not, before a period of at least one year, or in the case of statutory audit of public-interest entities a period of at least two years, has elapsed since he or she ceased to act as *réviseur d'entreprises agréé* (approved statutory auditor) or key audit partner in connection with the audit engagement:

- take up a key management position in the audited entity;
- where applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;
- become a non-executive member of the administrative body or a member of the supervisory body of the audited entity.

(2) Employees and partners other than key audit partners of a *réviseur d'entreprises agréé* (approved statutory auditor) or of a *cabinet de révision agréé* (approved audit firm) carrying out a statutory audit, as well as any other natural person whose services are placed at the disposal or under the control of such *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm), shall not, when such employees, partners or other natural persons are personally approved as *réviseurs d'entreprises agréés* (approved statutory auditors), take up any of the duties referred to in paragraph 1 before a period of at least one year has elapsed since he or she was directly involved in the statutory audit engagement.

Article 22. Preparation for the statutory audit and assessment of threats to independence.

Before accepting or continuing an engagement for a statutory audit, a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm shall assess and document in writing the following:

- whether he, she or it complies with the requirements of Article 20;
- whether there are threats to his, her or its independence and the safeguards applied to mitigate those threats;
- whether, he, she or it has the competent employees, time and resources needed in order to carry out the statutory audit in an appropriate manner;
- whether, in the case of an audit firm, the key audit partner is *réviseur d'entreprises agréé* (approved statutory auditor) in Luxembourg.

Article 23. Independence and objectivity of the *réviseurs d'entreprises agréés* (approved statutory auditors) carrying out the statutory audit on behalf of *cabinets de révision agréés* (approved audit firms) or audit firms.

Shareholders, owners or the members of the administrative, management and supervisory bodies of a *cabinet de révision agréé* (approved audit firm), of an audit firm or of an affiliated firm, shall not intervene in the execution of a statutory audit in any way which jeopardises the independence and objectivity of the *réviseur d'entreprises agréé* (approved statutory auditor) who carries out the statutory audit on behalf of the *cabinet de révision agréé* (approved audit firm) or audit firm.

Article 24. Internal organisation of *réviseurs d'entreprises agréés* (approved statutory auditors) and *cabinets de révision agréés* (approved audit firms).

(1) A *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall comply with the following organisational requirements:

a) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying-out of a statutory audit in any way which jeopardises the independence and objectivity of the *réviseur d'entreprises agréé* (approved statutory auditor) who carries out the statutory audit on behalf of the *cabinet de révision agréé* (approved audit firm);

b) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall have sound administrative and accounting procedures, internal quality control mechanisms, effective procedures for risk assessment and effective control and safeguard arrangements for information processing systems;

Those internal quality control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the *cabinet de révision agréé* (approved audit firm) or of the working structure of the *réviseur d'entreprises agréé* (approved statutory auditor).

c) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall establish appropriate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at his, her or its disposal or under his, her or its control, and who are directly involved in the statutory audit activities, have appropriate knowledge and experience for the duties assigned;

d) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall establish appropriate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the internal quality control of the *réviseur d'entreprises agréé* (approved statutory auditor) or of the *cabinet de révision agréé* (approved audit firm) and the ability of the CSSF to supervise the compliance of the *réviseur d'entreprises agréé* (approved statutory auditor) or of the *cabinet de révision agréé* (approved audit firm) with the obligations laid down in this law and, where applicable, in Regulation (EU) No 537/2014. This outsourcing of audit functions shall not affect the responsibility of the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) towards the audited entity;

e) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to their independence as referred to in Articles 20 to 22;

- f) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall establish appropriate policies and procedures for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file as referred to in Article 25(5);
- g) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall establish an internal quality control system to ensure the quality of the statutory audit.
The quality control system shall at least cover the policies and procedures described in point (f). In the case of a *cabinet de révision agréé* (approved audit firm), responsibility for the internal quality control system shall lie with a person who is qualified as a *réviseur d'entreprises agréé* (approved statutory auditor);
- h) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall use appropriate systems, resources and procedures to ensure continuity and regularity in the carrying-out of his, her or its statutory audit activities;
- i) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall also establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of his, her or its statutory audit activities;
- j) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall have in place adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying-out of, the audit;
- k) a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal quality control mechanisms and arrangements established in accordance with this law and, where applicable, Regulation (EU) No 537/2014 and take appropriate measures to address any deficiencies. A *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall in particular carry out an annual evaluation of the internal quality control system, referred to in point (g). A *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system.

The policies and procedures referred to in the first subparagraph shall be documented and communicated to the employees of the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm).

(2) The policies and procedures referred to in paragraph 1 shall be adapted to the scale and complexity of the activities of the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm).

The *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) shall be able to demonstrate to the CSSF that the policies and procedures designed to achieve such compliance are appropriate given the scale and complexity of activities of the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm).

(3) *Cabinets de révision agréés* (approved audit firms) shall establish appropriate procedures for their employees to report potential or actual breaches of this law or of Regulation (EU) No 537/2014 internally through a specific channel.

Article 25. Organisation of the work.

(1) When the statutory audit is carried out by a *cabinet de révision agréé* (approved audit firm), that *cabinet de révision agréé* (approved audit firm) shall designate at least one key audit partner. The *cabinet de révision agréé* (approved audit firm) shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.

Securing audit quality, independence and competence shall be the main criteria when the *cabinet de révision agréé* (approved audit firm) selects the key audit partner(s) to be designated.

The key audit partner(s) shall be actively involved in the carrying-out of the statutory audit.

(2) When carrying out the statutory audit, the *réviseurs d'entreprises agréés* (approved statutory auditors) shall devote sufficient time to the engagement and shall assign sufficient resources to enable them to carry out their duties appropriately.

(3) The *réviseurs d'entreprises agréés* (approved statutory auditors) and the *cabinets de révision agréés* (approved audit firms) shall keep records of the breaches of the provisions of this law and, where applicable, of Regulation (EU) No 537/2014. They shall also keep records of any consequence of any breach, including the measures taken to address such breach and to modify their internal quality control system, where applicable. They shall prepare an annual report containing an overview of any such measures taken and shall communicate that report internally.

When a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) asks external experts for advice, he, she or it shall document the request made and the advice received.

(4) A *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall maintain a client account record. Such record shall include the following data for each audit client:

- a) the name, the address and the place of business;
- b) in the case of a *cabinet de révision agréé* (approved audit firm), the name(s) of the key audit partner(s);
- c) the fees charged for the statutory audit and the fees charged for other services in any financial year.

(5) A *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) shall create an audit file for each statutory audit.

The *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) shall document at least the data recorded pursuant to Article 22 and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.

The *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) shall retain any data and documents that are of importance in support of the report referred to in Article 35 and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014 and for monitoring compliance with this law and other applicable requirements.

The audit file shall be closed no later than 60 days after the date of signature of the audit report referred to in Article 35 and, where applicable, Article 10 of Regulation (EU) No 537/2014.

(6) The *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) shall keep records of any complaints made in writing about the performance of the statutory audits carried out.

Article 26. Scope of the statutory audit.

Without prejudice to the reporting requirements referred to in Article 35 and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014, the scope of the statutory audit shall not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity.

Article 27. Audit fees.

The fees for statutory audits cannot be influenced or determined by the provision of additional services to the audited entity and cannot be based on any form of contingency.

Article 28. Confidentiality and professional secrecy.

(1) The *réviseur d'entreprises* (statutory auditor), the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision* (audit firm), the *cabinet de révision agréé* (approved audit firm) and, when carrying out statutory audits in Luxembourg, the audit firms as well as the persons working for them shall maintain secret the information entrusted to them in the course of their professional activity. Disclosure of such information shall be punished based on Article 458 of the Penal Code.

(2) There is no secrecy obligation where disclosure of information is authorised or imposed by or in accordance with a legal provision, even prior to this law.

(3) There is no secrecy obligation towards the CSSF, the IRE or their representatives where they are acting within the confines of the powers conferred on them by this law.

(4) A person protected by professional secrecy may dispense the persons referred to in paragraph 1 from the secrecy obligation for the purposes laid down in the dispensation.

(5) Paragraph 1 shall not obstruct a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm from communicating information:

- to the *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm) replacing another *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm) in the context of the statutory audit of the entity concerned. The *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm) being replaced shall provide the successor with free access to all relevant information concerning the audited entity and the most recent audit of that entity;
- to the group auditor and statutory auditors responsible for the statutory audit of the consolidated financial statements of a group of undertakings.

(6) Any *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm having ceased to participate in a particular audit assignment and any former *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm shall remain subject to professional secrecy with respect to that audit assignment.

(7) Where a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm carries out the statutory audit of an undertaking which is part of a group whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in paragraph 1 shall not impede the transfer by the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm of relevant documentation concerning the audit work performed to the group auditor situated in a third country if such documentation is necessary for the performance of the audit of consolidated financial statements of the parent undertaking.

A *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm that carries out the statutory audit of an undertaking which has issued securities in a third country, or which forms part of a group issuing statutory consolidated financial statements in

a third country, may only transfer the audit working papers or other documents relating to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 60.

The transfer of information to the group auditor situated in a third country shall comply with the Law of 2 August 2002 on the protection of individuals with regard to the processing of personal data as well as with Chapter IV of Directive 95/46/EC.

(8) A civil procedure or criminal investigation action which is carried out with regard to a *réviseur d'entreprises* (statutory auditor), a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision* (audit firm) or a *cabinet de révision agréé* (approved audit firm) in cases provided for by law, may only be carried out in the presence of the President of the IRE or his or her representative or after the latter have been duly notified.

The President of the IRE or his or her representative may address the authorities having ordered such actions with any observations concerning the safeguarding or professional secrecy. Acts of seizure and minutes of search shall mention, under penalty of being null and void, the presence of the President of the IRE or his or her representative or the fact that they were duly informed, as well as any observations which the President of the IRE or his or her representative thought fit to make.

Article 29. Cooperation with the authorities.

The *réviseurs d'entreprises* (statutory auditors), the *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision* (audit firms), the *cabinets de révision agréés* (approved audit firms) and, where they carry out statutory audits in Luxembourg, the audit firms shall respond to and cooperate as fully as possible with any legal request made to them by the authorities responsible for the application of the laws and regulations in the exercise of their powers.

Article 30. Professional obligations.

The *réviseurs d'entreprises* (statutory auditors), the *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision* (audit firms), the *cabinets de révision agréés* (approved audit firms) and, where they carry out statutory audits in Luxembourg, the audit firms shall be subject to the (...)¹ professional obligations as defined "in Title I of"² the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended, "and in its implementing measures"³.

(...)⁴

Chapter V. - Appointment, dismissal and resignation of *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) and audit firms.

Article 31. Appointment of *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) or audit firms.

(1) The *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms) or the audit firms shall be appointed by the general meeting of shareholders or members of the audited entity, without prejudice to the provisions laid down in other laws.

(2) Any contractual clause restricting the choice by the general meeting of shareholders or members of the audited entity pursuant to the first paragraph to certain categories or lists of *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms)

¹ Law of 13 February 2018

² Law of 13 February 2018

³ Law of 13 February 2018

⁴ Law of 13 February 2018

or audit firms as regards the appointments of a particular *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm to carry out the statutory audit of that entity shall be prohibited. Any such existing clauses shall be null and void.

Article 32. Dismissal and resignation of *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) and audit firms.

(1) *Réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) or audit firms may be dismissed only where there are proper grounds. Divergence of opinions on accounting treatments or audit procedures shall not be proper grounds for dismissal.

(2) The audited entity and the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm shall inform the CSSF concerning the dismissal or resignation of the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm during the term of appointment and give an adequate explanation of the reasons therefor.

(3) In the case of a statutory audit of a public-interest entity:

- the shareholders representing 5% or more of the voting rights or of the share capital;
- the other legal bodies of the audited entities;
- the CSSF;

may bring a claim before the *Tribunal d'Arrondissement* (District Court) sitting in commercial matters for the dismissal of the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm where there are proper grounds for so doing.

Chapter VI. - Auditing standards and audit report.

Article 33. Auditing standards.

(1) Statutory audits shall be carried out in compliance with the international auditing standards as adopted by the European Commission.

(2) The CSSF may issue standards in the field of statutory audit for matters that are not covered by the auditing standards referred to in paragraph 1. These standards are adopted by way of a CSSF regulation.

Article 34. Statutory audits of consolidated financial statements.

In the case of a statutory audit of the consolidated financial statements of a group of undertakings:

(1) in relation to the consolidated financial statements, the group auditor bears the full responsibility for the audit report referred to in Article 35 and, where applicable, Article 10 of Regulation (EU) No 537/2014 and for, where applicable, the additional report to the audit committee as referred to in Article 11 of that regulation;

(2) the group auditor shall evaluate the audit work performed by any *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), *cabinet(s) de révision agréé(s)* (approved audit firm(s)), statutory auditor(s), audit firm(s), third-country auditor(s) or third-country audit entity(ies) for the purpose of the group audit, and documents the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor's review of relevant parts of those auditors' audit documentation;

(3) the group auditor reviews the audit work performed by *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms), statutory auditors, audit firms, third-country auditors or third-country audit entities for the purpose of the group audit and documents it.

The documentation retained by the group auditor shall be such as to enable the CSSF to review the work of the group auditor.

To this end, the group auditor shall request the agreement of the *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms), the statutory auditors, the audit firms, the third-country auditors or the third-country audit entities concerned to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of those *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms), the statutory auditors, the audit firms, the third-country auditors or the third-country audit entities.

Where the group auditor is unable to comply with the provisions of the first subparagraph of paragraph 3, he, she or it shall take appropriate measures and inform the CSSF. Such measures shall, as appropriate, include carrying out additional statutory audit work, either directly or by outsourcing such duties, in the relevant subsidiary;

(4) where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings, the group auditor shall, when requested, make available to the CSSF the relevant documentation he, she or it retains concerning the audit work performed by the respective *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), *cabinet(s) de révision agréé(s)* (approved audit firm(s)), statutory auditor(s), audit firm(s), third-country auditor(s) or third-country audit entity(ies) for the purpose of the group audit, including any working papers relevant to the group audit.

The CSSF may request additional documentation on the audit work performed by any statutory auditor(s) or audit firm(s) for the purpose of the group audit from the relevant competent authorities pursuant to Article 56.

Where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditors or an audit entity or entities from a third country, the CSSF may request additional documentation on the audit work performed by any third-country auditor(s) or third-country audit entity(ies) from the relevant competent authorities from third countries through the working arrangements referred to in Article 60.

By way of derogation from the third subparagraph, where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditors or an audit entity or entities from a third country that has no working arrangements as referred to in letter (d) of Article 60(1), the group auditor shall also be responsible for ensuring the proper delivery, upon request by the CSSF, of the additional documentation of the audit work performed by the third-country auditor(s) or audit entity(ies), including the working papers relevant to the group audit.

In order to ensure such delivery, the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor(s) or audit entity(ies) that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action.

Where audit working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he, she or it has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.

Article 35. Audit report.

(1) The *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), the *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or the audit firm(s) shall present the results of the statutory audit in an audit report. The report shall be prepared in accordance with the requirements of auditing standards adopted by the European Commission or the CSSF, as referred to in Article 33.

(2) The audit report shall be in writing and shall:

- a) identify the entity whose annual financial statements are the subject of the statutory audit; specify the annual financial statements and the date and period they cover; and identify the financial reporting framework that has been applied in their preparation;
- b) include a description of the scope of the statutory audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;
- c) include an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or audit firm(s) as to:
 - i. whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework; and,
 - ii. where appropriate, whether the annual financial statements comply with the statutory requirements.

If the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), the *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or the audit firm(s) are unable to express an audit opinion, the report shall contain a disclaimer of opinion;

- d) refer to any other matters to which the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), the *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or the audit firm(s) draw(s) attention by way of emphasis without qualifying the audit opinion;
- e) include an audit opinion and statement, both of which shall be based on the work undertaken in the course of the audit, referred to in the second subparagraph of Article 34(1) of Directive 2013/34/EU;
- f) provide a statement on any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern;
- g) identify the place of establishment of the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), the *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or the audit firm(s);
- h) a CSSF regulation may lay down additional requirements in relation to the presentation of the audit report and other rules within the framework of the international standards on auditing.

(3) Where the statutory audit was carried out by more than one *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm, the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)), *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or audit firm(s) shall agree on the results of the statutory audit and submit a joint audit report and opinion. In the case of disagreement, each *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm shall submit his, her or its audit opinion in a separate paragraph of the audit report and shall state the reason for the disagreement.

(4) The audit report shall be signed and dated by the *réviseur d'entreprises agréé* (approved statutory auditor). Where a *cabinet de révision agréé* (approved audit firm) or an audit firm is responsible for the statutory audit, the audit report shall only be signed and dated by the *réviseurs d'entreprises agréés* (approved statutory auditors) of that firm, and, at least, by the *réviseurs d'entreprises agréés* (approved statutory auditors) who carried out the statutory audit on behalf of that firm. Where more than one *réviseur d'entreprises agréé* (approved statutory auditor), *cabinet de révision agréé* (approved audit firm) or audit firm have been simultaneously engaged, the audit report shall be signed by all *réviseurs d'entreprises agréés* (approved statutory auditors) or at least by the *réviseurs d'entreprises agréés* (approved statutory auditors) carrying out the statutory audit on behalf of every firm.

(5) The requirements laid down in paragraphs 1 to 4 shall also apply to the report on consolidated financial statements. In reporting on the consistency of the management report and the financial

statements, the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision agréés* (approved audit firms) or the audit firms required by this article may be combined.

Chapter VII. - Public oversight of the audit profession.

Article 36. Competences of the CSSF as public oversight authority of the audit profession.

(1) All *réviseurs d'entreprises agréés* (approved statutory auditors) and *cabinets de révision agréés* (approved audit firms) shall be subject to the public oversight of the audit profession.

(2) The CSSF shall be the competent authority for the public oversight of the audit profession, for the performance of the duties laid down in Regulation (EU) No 537/2014 and ensuring the application of its provisions.

(3) The CSSF shall have the ultimate responsibility for the oversight of:

- a) the approval and registration of *réviseurs d'entreprises agréés* (approved statutory auditors) and *cabinets de révision agréés* (approved audit firms);
- b) the adoption of standards on professional ethics, internal quality control of *cabinets de révision agréés* (approved audit firms) and auditing;
- c) continuing education;
- d) quality assurance systems;
- e) investigative and administrative disciplinary systems.

(4) The CSSF is competent to receive complaints in the field of statutory audit from third parties and to intercede with these third parties in order to resolve such complaints amicably.

(5) The CSSF may engage practitioners to carry out specific duties and may also be assisted by experts when this is essential for the proper fulfilment of its duties. These practitioners and these experts shall not be involved in any decision-making of the CSSF. Where the CSSF engages experts to carry out specific assignments, it shall ensure that there are no conflicts of interest between those experts and the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) in question. Such experts shall comply with the requirements provided for in letter (a) of Article 39(2).

(6) In order to ensure the transparency of the public oversight of the audit profession, the CSSF shall publish annual work programmes and activity reports relating to the exercise of its functions with regard to the public oversight of the audit profession.

(7) Any person may report breaches of this law or of Regulation (EU) No 537/2014 to the CSSF.

Without prejudice to the provisions of this law on the report to other authorities and the publication of decisions made, the CSSF shall process personal data of both the person who reports the suspected or actual breach and the person who is suspected of committing, or who has allegedly committed that breach, in compliance with the Law of 2 August 2002 on the protection of persons with regard to the processing of personal data, as amended.

The CSSF shall put in place, via a regulation, mechanisms aiming to encourage the report of breaches as well as procedures for the report of breaches and for the follow-up of these reports.

Article 37. Powers of the CSSF.

For the purposes of the application of this law, the CSSF shall be given the powers necessary to enable it to carry out its functions, as laid down in Articles 39 to 43. The CSSF may require all such information as necessary for the accomplishment of its duties.

Article 38. Funding of the system for the public oversight of the audit profession.

The funding of the system of public oversight shall be secure and free from any possible undue influence by the *réviseurs d'entreprises agréés* (approved statutory auditors) and *cabinets de révision agréés* (approved audit firms) subject to it.

Article 39. Quality assurance systems.

(1) The *réviseurs d'entreprises agréés* (approved statutory auditors) and the *cabinets de révision agréés* (approved audit firms) shall be subject to a system of quality assurance for the assignments which they carry out in connection with the statutory audit. The system of quality assurance includes quality assurance reviews.

(2) The CSSF shall be responsible for the implementation of a quality assurance system governed by the following conditions:

- a) the inspectors who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;
- b) the selection of inspectors for specific quality assurance review assignments shall be effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between the inspectors and the *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm) under review.

To that end, at least the following criteria shall apply to the selection of inspectors:

- the inspectors shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;
 - a person shall not be allowed to act as an inspector in a quality assurance review of a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) until at least three years have elapsed since that person ceased to be a partner or an employee of, or otherwise associated with, that *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm);
 - inspectors shall declare that there are no conflicts of interest between them and the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) to be reviewed;
- c) the scope of the quality assurance review shall be supported by adequate testing of selected audit files and shall include an assessment of compliance with the standards referred to in Article 33 and with the rules of professional ethics, in particular of independence referred to in Chapter IV of Title I, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the *cabinet de révision agréé* (approved audit firm);
 - d) the quality assurance review shall be the subject of a report which shall contain the main conclusions of the quality assurance review. This report shall not be translated, summarised or communicated or be published or disseminated without prior written authorisation of the CSSF.

- e) quality assurance reviews shall take place on the basis of an analysis of the risk and, at least every six years;
 - f) quality assurance reviews shall be appropriate and proportionate in view of the scale and complexity of the activity of the reviewed *réviseur d'entreprises agréé* (approved statutory auditor) or *cabinet de révision agréé* (approved audit firm). To that end, when undertaking quality assurance reviews of the statutory audits of annual or consolidated financial statements of small and medium-sized undertakings, the inspectors shall take account of the fact that the auditing standards adopted in accordance with Article 33 are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited entity.
- (3) Quality assurance reviews of the CSSF shall include the right to:
- a) have access to any useful or necessary document in any form whatsoever, and to receive or take a copy of it;
 - b) request information from any person and, if necessary, to summon and question any person with a view to obtaining information;
 - c) instruct experts to carry out on-site examinations;
 - d) adopt any measure necessary to ensure that the persons subject to its oversight continue to comply with the requirements of Regulation (EU) No 537/2014, this law and its implementing measures.
- (4) The CSSF shall publish the findings of all the quality assurance reviews on an annual basis.

Article 40. Implementation of the recommendations made by the CSSF.

- (1) The *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm, respectively, shall implement the recommendations made by the CSSF at the end of the quality assurance review referred to in Article 39(2) within a reasonable period as from the date of notification of the findings.
- (2) If the recommendations provided for in the preceding paragraph are not implemented or if the quality assurance review referred to in Article 39(2) discloses failures to meet legal and regulatory requirements relating to statutory audit, the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm respectively may, depending on the seriousness, be subject to preventive measures in accordance with Article 42 or to a disciplinary procedure which may give rise to sanctions or other appropriate administrative measures referred to in Article 43.

Article 41. Power of investigation of the CSSF.

- (1) The CSSF may order investigations and expert reports. The investigations shall be carried out either by CSSF inspectors or by experts.
- (2) In addition to the provisions referred to in Article 39(3), the CSSF's power of investigation shall include the right to:
- a) carry out investigations by way of on-site inspections of the persons subject to its oversight;
 - b) instruct investigations with the persons subject to its oversight.
- (3) Where the investigation or expert report discloses failures to meet legal and regulatory requirements relating to statutory audit, the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm, respectively, may, depending on the seriousness, be subject to preventive measures in accordance with Article 42 or to a disciplinary procedure which may give rise to sanctions or other appropriate administrative measures referred to in Article 43.

Article 42. Preventive measures.

The CSSF may order the following preventive measures listed in the order of their seriousness:

- a) the participation in programmes of specific training in addition to the programmes of continuing education referred to in Article 10;
- b) prior to the signature of any audit report, the engagement quality control review of the statutory audit by a *réviseur d'entreprises agréé* (approved statutory auditor) who has not participated in carrying out the reviewed statutory audit;
- c) the specific follow-up which consists of a quality assurance review of a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) within a short period of time;
- d) the joint signature of all audit reports by the *réviseur d'entreprises agréé* (approved statutory auditor) and another *réviseur d'entreprises agréé* (approved statutory auditor) who participated in carrying out the statutory audit subject to the audit report, accompanied by a specific follow-up.

The measures referred to in points (a) and (b) may also, if necessary, be accompanied by a specific follow-up.

These preventive measures shall be ordered either following a quality assurance review or following an investigation and shall last for a fixed period of time not exceeding 18 months. They shall be subject to appropriate verifications during a future quality assurance review.

Article 43. Sanctions and other administrative measures.

- (1) As part of its remit, the CSSF may impose the following sanctions and administrative measures:
 - a) a notice requiring the natural or legal person responsible for the breach to cease the conduct and to abstain from any repetition of that conduct;
 - b) a public statement which indicates the person responsible and the nature of the breach, published on the CSSF's website;
 - c) a temporary prohibition, of up to three years' duration, banning the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the key audit partner from carrying out statutory audits and/or signing audit reports;
 - d) a declaration that the audit report does not meet the requirements of Article 35 of this law or, where applicable, Article 10 of Regulation (EU) No 537/2014;
 - e) in the case of a legal person, an administrative fine of up to EUR 1,000,000 or up to 5% of the legal person's total annual turnover as indicated in the last accounts approved by the management or administrative body;
 - f) in the case of a natural person, an administrative fine of up to EUR 500,000;
 - g) as an alternative to points (e) and (f), an administrative fine amounting to at least twice the amount of the benefit derived from the infringement where that benefit can be determined, even if that exceeds the maximum amounts in points (e) and (f);
 - h) the permanent deregistration from the public register and the permanent prohibition for the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the key audit partner to carry out statutory audits and/or sign audit reports;
 - i) a temporary prohibition, of up to three years' duration, banning the *réviseur d'entreprises* (statutory auditor) or the *cabinet de révision* (audit firm) from carrying out the activities listed in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34);

- j) a permanent prohibition banning the *réviseur d'entreprises* (statutory auditor) or the *cabinet de révision* (audit firm) from carrying out the activities listed in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34).

(2) The CSSF may impose the administrative sanctions or administrative measures referred to in paragraph 1 on *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision agréés* (approved audit firms) or audit firms that:

- a) infringed the provisions of this law, of Regulation (EU) No 537/2014 or of their implementing measures;
- b) committed professional misconduct or negligence;
- c) acted in a manner that is contrary to the rules on ethics or professional repute;
- d) refused to provide documents or other information requested, necessary to the CSSF for the purpose of applying this law and Regulation (EU) No 537/2014;
- e) provided documents or other information that prove to be incomplete, inaccurate or false;
- f) impeded the exercise of the CSSF's powers of oversight, inspection and investigation;
- g) failed to publish on their website within four months of the end of each accounting year the transparency report in accordance with Article 13 of Regulation (EU) No 537/2014;
- h) failed to comply with the CSSF's injunctions or preventive measures ordered pursuant to point (a) of Article 42(2).

(3) In case of breach of the provisions of this law or Regulation (EU) No 537/2014, the CSSF may order a temporary prohibition, of up to three years' duration, banning members of an administrative or management body of a public-interest entity and members of an audit committee of a public-interest entity from exercising functions in *cabinets de révision* (audit firms) or public-interest entities.

(4) In case of breach of the provisions of this law or Regulation (EU) No 537/2014, the CSSF may impose the sanctions provided for in points (e) to (g) of paragraph 1 on natural or legal persons that committed the breach.

(5) The sanctions imposed and administrative measures taken by the CSSF may be challenged in accordance with Article 46. The application of the sanction or administrative measure is suspended until the time limit for action comes to an end or until the end of the proceedings.

Article 44. Effective application of sanctions.

In order to determine the type and level of administrative sanctions and measures to be applied, the CSSF shall take into account all relevant circumstances, including where appropriate:

- a) the gravity and the duration of the breach;
- b) the degree of responsibility of the responsible person;
- c) the financial strength of the responsible person, for example, as indicated by the total turnover of the responsible undertaking or the annual income of the responsible person, if that person is a natural person;
- d) the amounts of the profits gained or losses avoided by the responsible person, in so far as they can be determined;
- e) the level of cooperation of the responsible person with the CSSF;
- f) previous breaches by the responsible legal or natural person.

Article 45. Disclosure to the President of the IRE.

The CSSF shall inform the President of the IRE of any measures taken with regard to a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) pursuant to Article 43.

Article 46. Remedies.

The *Tribunal Administratif* (Administrative Tribunal) shall have unlimited jurisdiction to review the decisions adopted by the CSSF in implementation of this law (*recours en pleine juridiction*).

Article 47. Criminal sanctions.

(1) The wrongful use of the title of “*réviseur d'entreprises* (statutory auditor)”, “*réviseur d'entreprises agréé* (approved statutory auditor)”, “*cabinet de révision* (audit firm)” and “*cabinet de révision agréé* (approved audit firm)” or any similar title shall be punishable by a term of imprisonment ranging from eight days to three years and a fine of EUR 500 to EUR 100,000 or only one of these penalties.

(2) A person who, without being approved in accordance with Article 5 or recognised in accordance with the provisions of Article 6, carries out, even in an ancillary or occasional manner, directly or through an intermediary, a statutory audit shall be punishable by a term of imprisonment ranging from eight days to three years and a fine of EUR 500 to EUR 100,000 or only one of these penalties.

(3) A person who, without being a *réviseur d'entreprises* (statutory auditor), a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision* (audit firm) or a *cabinet de révision agréé* (approved audit firm), carries out, even in an ancillary or occasional manner, directly or through an intermediary, work reserved to *réviseurs d'entreprises* (statutory auditors) or carries out an audit of accounts while referring to international auditing standards shall be punishable by a term of imprisonment ranging from eight days to three years and a fine of EUR 500 to EUR 100,000 or only one of these penalties.

(4) The fact that a *réviseur d'entreprises* (statutory auditor) carries out, even in an ancillary or occasional manner, in his or her own name and under his or her responsibility, directly or through an intermediary, a statutory audit shall constitute professional misconduct and negligence within the meaning of Article 77.

(5) The provisions of the First Book of the Penal Code and Articles 130-1 to 132-1 of the Code of Criminal Procedure shall apply.

Article 48. Publication of sanctions.

(1) The CSSF shall publish on its website any decision imposing a sanction for breach of the provisions of this law and its regulatory provisions and, where applicable, of Regulation (EU) No 537/2014, without undue delay, after the person sanctioned has been informed of that decision. The publication shall include at least information concerning the type and nature of the breach and the identity of the natural or legal person on whom the sanction has been imposed.

This publication shall take place once all the remedies have been exhausted or have expired, except for sanctions laid down in points (c), (e) and (i) to (k) of Article 43(2). In these latter cases, the CSSF shall, as soon as reasonably practicable, also publish on its website information concerning the status and outcome of any action. Any decision annulling a previous decision to impose a sanction or a measure shall also be published.

This publication shall remain on the CSSF's website for five years after all remedies have been exhausted or have expired.

(2) The sanctions imposed shall be published on an anonymous basis in any of the following circumstances:

- a) where, in the event that the sanction is imposed on a natural person, publication of personal data is shown to be disproportionate by an obligatory prior assessment of the proportionality of such publication;
 - b) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;
 - c) where publication would cause disproportionate damage to the institutions or individuals involved.
- (3) Every year, the CSSF shall provide the CEAOB with aggregated information on all the administrative measures taken and all the sanctions imposed.

Chapter VIII. - Additional specific provisions regarding statutory audit of public-interest entities.

Article 49. Audit fees.

Upon reasoned request (*demande motivée*) and after having verified that exceptional circumstances so justify, the CSSF may relieve the *réviseur d'entreprises agréé* (approved statutory auditor) or the *cabinet de révision agréé* (approved audit firm) that filed the request, from the obligation to comply with the limits set in the "first subparagraph of Article 4(2)"⁵ of Regulation (EU) No 537/2014 for a maximum period of two financial years.

Article 50. Non-audit services.

By way of derogation from the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014, the provision of the services referred to in letter (a), point (i) and points (iv) to (vii) and in letter (f) of that paragraph is allowed, provided that the following requirements are complied with:

- a) they have no direct or have immaterial effect, separately or in the aggregate on the audited financial statements;
- b) the estimation of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014;
- c) the principles of independence laid down in this law are complied with by the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm.

Article 51. Duration of the audit engagement.

By way of derogation from Article 17(1) of Regulation (EU) No 537/2014, the maximum duration of a statutory audit of a public-interest entity may be of 20 years, where a public tendering process for the statutory audit is conducted in accordance with paragraphs 2 to 5 of Article 16 of the above-mentioned regulation.

Article 52. Audit committee.

(1) Each public-interest entity shall have an audit committee. The audit committee shall be either a stand-alone committee or a committee of the administrative body or supervisory body of the audited entity. It shall be composed of non-executive members of the management body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders or, for entities without shareholders, by an equivalent body.

⁵ Law of 13 February 2018

At least one member of the audit committee shall have competence in accounting and/or auditing.

The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.

A majority of the members of the audit committee shall be independent of the audited undertaking. The chairman of the audit committee shall be appointed by its members or by the supervisory body of the audited entity, and shall be independent of the audited entity.

(2) In public-interest entities which meet the criteria of points (f) and (t) of Article 2(1) of Directive 2003/71/EC, the functions assigned to the audit committee may be performed by the administrative or supervisory body as a whole, provided that, where the chairman of such a body is an executive member, he or she shall not be the chairperson of the audit committee.

(3) The public-interest entities, which have a body performing equivalent functions to an audit committee, may derogate from paragraph 1 under the conditions set by the CSSF.

(4) Where all members of the audit committee are members of the administrative or supervisory body of the audited entity, the audit committee shall be exempted from the independence conditions laid down in the fourth subparagraph of paragraph 1.

(5) The following public-interest entities are not required to have an audit committee:

- a) any public-interest entity which is a subsidiary undertaking within the meaning of point (10) of Article 2 of Directive 2013/34/EU if that entity fulfils the requirements set out in paragraphs 1 to 4, Article 11(1), Article 11(2) and Article 16(5) of Regulation (EU) No 537/2014 at group level;
- b) any public-interest entity which is a Luxembourg undertaking for collective investment as defined in Article 2(2) of the Law of 17 December 2010 relating to undertakings for collective investment, as amended, or an alternative investment fund (AIF) within the meaning of point (39) of Article 1 of the Law of 12 July 2013 on alternative investment fund managers;
- c) any public-interest entity the sole business of which is to act as issuer of asset-backed securities as defined in point (5) of Article 2 of Commission Regulation (EC) No 809/2004. In that case, the entity shall explain to the public the reasons why it considers that it is not appropriate for it to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee;
- d) any Luxembourg credit institution whose shares are not admitted to trading on a regulated market of any Member State within the meaning of point (21) of Article 4(1) of Directive 2014/65/EU and which has, in a continuous or repeated manner, issued only debt securities, provided that the total nominal amount of all such debt securities remains below EUR 100,000,000 and that it has not published a prospectus under Directive 2003/71/EC.

(6) Without prejudice to the responsibility of the members of the administrative or supervisory bodies, or of other members who are appointed by the general meeting of shareholders of the audited entity, the audit committee shall, inter alia:

- a) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- b) monitor the financial reporting drawing-up process and submit recommendations or proposals to ensure its integrity;
- c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the audited entity, without breaching its independence;

- d) monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the CSSF pursuant to Article 26(6) of Regulation (EU) No 537/2014;
- e) review and monitor the independence of the *réviseurs d'entreprises agréés* (approved statutory auditors) or the *cabinets de révision agréés* (approved audit firms), or, where appropriate, the audit firms in accordance with Articles 19 to 25 of this law and Article 6 of Regulation (EU) No 537/2014, in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that regulation;
- f) be responsible for the procedure for the selection of *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)) or *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or, where appropriate, audit firm(s) and recommend the *réviseur(s) d'entreprises agréé(s)* (approved statutory auditor(s)) or *cabinet(s) de révision agréé(s)* (approved audit firm(s)) or, where appropriate, audit firm(s) to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014 except when Article 16(8) of that regulation is applied.

The CSSF may specify the arrangements relating to letters (a) to (f) of this paragraph.

Article 53. Additional report to the audit committee.

Except for entities referred to in paragraphs 2 and 3 of Article 52, the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014 issued by the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm shall also be submitted to the administrative or supervisory body of the audited entity.

Article 54. Monitoring market quality and competition.

To the extent necessary for carrying out regular monitoring of the market for providing statutory audit services to public-interest entities referred to in Article 27 of Regulation (EU) No 537/2014, the CSSF shall be entitled to:

- have access to any document in any form whatsoever, and to receive or take a copy of it;
- request information from any person and, if necessary, to summon and question any person with a view to obtaining information;
- carry out verifications by way of on-site inspections of the persons subject to its oversight;
- instruct experts to carry out on-site verifications of the persons subject to its oversight, in order to assess inter alia:
 - a) the risks arising from high incidence of quality deficiencies of a *réviseur d'entreprises agréé* (approved statutory auditor), a *cabinet de révision agréé* (approved audit firm) or an audit firm, including systematic deficiencies within its network, which may lead to its demise, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk of audit deficiencies and the impact on the overall stability of the financial sector;
 - b) the market concentration levels, including in specific sectors;
 - c) the performance of audit committees;
 - d) the need to adopt measures to mitigate the risks referred to in point (a).

Chapter IX. - Mutual recognition of regulatory arrangements and cooperation with the competent authorities of other Member States.

Article 55. Principle of the competence of the home Member State.

(1) Without prejudice to home-country regulation and oversight by the Member State in which they are approved and in which they have their registered office, the audit firms that perform audit services in Luxembourg pursuant to Article 6 shall be subject to the CSSF's oversight of any statutory audit carried out in Luxembourg.

(2) In the case of a statutory audit of consolidated financial statements of an entity with registered office in Luxembourg, the statutory auditor or the audit firm carrying out a statutory audit of a subsidiary having its registered office in another Member State, shall be subject to the law of that Member State in relation to the registration, quality assurance review, auditing standards, professional ethics and independence.

(3) In the case of an entity with registered office in another Member State whose securities are traded on the regulated market in Luxembourg, the statutory auditor or the audit firm carrying out the statutory audit of that entity shall be subject to the law of the Member State where the entity has its registered office in relation to the registration, quality assurance review, auditing standards, professional ethics and independence.

Article 56. Cooperation with the competent authorities of other Member States.

(1) The CSSF may exchange confidential information with the authorities of other Member States responsible for approval, registration, quality assurance, inspection and for investigation and sanctions. Information thus exchanged shall be covered by the obligation of professional secrecy.

The CSSF may transmit to the competent authorities responsible for supervising public-interest entities, to central banks, to the European System of Central Banks and to the European Central Bank, as well as to the Luxembourg and European systemic risk boards, confidential information intended for the performance of their duties.

(2) The communication of information by the CSSF to the authorities referred to in paragraph 1 shall be subject to the following requirements:

- a) the information communicated must be necessary for the performance of the function of the authorities receiving it;
- b) the information communicated must be covered by the professional secrecy of the authorities, bodies and persons receiving it and the professional secrecy of those authorities, bodies and persons must afford guarantees at least equivalent to the professional secrecy to which persons exercising or having exercised an activity for the CSSF are subject;
- c) the authorities, bodies and persons receiving information from the CSSF may not use it for purposes other than those for which it was communicated and must be in a position to ensure that no other use is made of it;

(3) The CSSF may disclose information received from the competent authorities referred to in paragraph 1 only with the express agreement of these authorities and, where appropriate, solely for the purposes for which these authorities have signified their agreement, unless the circumstances justify it.

(4) The CSSF may refuse to act on a request for information where:

- a) supplying information might adversely affect the sovereignty, security or public order of Luxembourg or breach Luxembourg security rules; or
- b) judicial proceedings have already been initiated in respect of the same actions and against the same persons in Luxembourg; or

- c) final judgment has already been passed in Luxembourg on the same persons in respect of the same actions.

(5) Without prejudice to the obligations to which it is subject in judicial proceedings, the CSSF which, pursuant to this article, receives confidential information, may use it only for the exercise of its functions as defined in this law or in Regulation (EU) No 537/2014 and in the context of administrative or judicial proceedings related to the exercise of those functions.

(6) Information requested pursuant this article shall be provided without undue delay. Where appropriate, the CSSF shall take, without undue delay, such measures as are required to collect the information requested. If the CSSF is not able to supply the required information without undue delay, it shall notify the requesting competent authority of the reasons therefor.

(7) Where the CSSF concludes that activities contrary to the provisions of this law are being or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as specific a manner as possible.

(8) Where the competent authority of another Member State informs the CSSF of its conclusions that activities contrary to the provisions of Directive 2006/43/EC or of Regulation (EU) No 537/2014 are being or have been carried out in Luxembourg, the CSSF shall take appropriate action. It shall inform the notifying competent authority of the outcome and, to the extent possible, of significant interim developments.

(9) The CSSF may request that an investigation be carried out by the competent authority of another Member State on the latter's territory. It may request that some of its own personnel be allowed to accompany the personnel of the competent authority of that other Member State in the course of the investigation.

A competent authority of another Member State may also request that an investigation be carried out by the CSSF in Luxembourg. It may further request that some of its own personnel be allowed to accompany the personnel of the CSSF in the course of the investigation. The investigation shall be subject throughout to the overall control of the CSSF.

(10) The CSSF may refuse to act on a request for an investigation to be carried out or on a request for the personnel to be accompanied where:

- a) such investigation might adversely affect the sovereignty or public order of Luxembourg or breach national security rules; or
- b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the Luxembourg authorities; or
- c) final judgment has already been passed on the same persons in respect of the same actions by the Luxembourg authorities.

Chapter X. - Registration and public oversight of third-country auditors and audit entities and cooperation with the competent authorities of third countries.

Article 57. Registration of third-country auditors and audit entities.

(1) The CSSF shall, in accordance with Articles 12 to 14, register every third-country auditor and audit entity, where the third-country auditor or audit entity provides an audit report concerning the annual or consolidated financial statements of a company incorporated outside the Union whose transferable securities are admitted to trading on a regulated market in Luxembourg within the meaning of point (11) of Article 1 of the Law on markets in financial instruments⁶, except when the company is an issuer exclusively of outstanding debt securities for which one of the following applies:

⁶ Law of 13 July 2007.

- a) they have been admitted to trading on a regulated market in a Member State within the meaning of letter (c) of Article 2(1) of Directive 2004/109/EC prior to 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 50,000 or, in the case of debt securities denominated in another currency, equivalent to at least EUR 50,000;
 - b) they have been admitted to trading on a regulated market in a Member State within the meaning of letter (c) of Article 2(1) of Directive 2004/109/EC from 31 December 2010 and the denomination per unit of which is, at the date of issue, at least EUR 100,000 or, in the case of debt securities denominated in another currency, equivalent to at least EUR 100,000.
- (2) Articles 15 and 16 shall apply.
- (3) A third-country audit entity may be registered only if:
- a) the majority of the members of the administrative or management body of the third-country audit entity meet requirements of good repute and professional qualification which are equivalent to those laid down in letter (c) of Article 5(3);
 - b) the third-country auditor carrying out the audit on behalf of the third-country audit entity meets requirements of good repute and professional qualification which are equivalent to those laid down in letter (c) of Article 5(2);
 - c) the audits of the annual or consolidated financial statements referred to in paragraph 1 are carried out in accordance with international auditing standards as referred to in Article 33, as well as the requirements laid down in Chapter IV of Title I;
 - d) it publishes on its website an annual transparency report which includes the information referred to in Article 13 of Regulation (EU) No 537/2014 or it complies with equivalent disclosure requirements.
- (4) The CSSF may register a third-country auditor only if he, she or it meets the requirements set out in letters (b), (c) and (d) of paragraph 3.
- (5) The audit reports of annual or consolidated financial statements as referred in paragraph 1, issued by third-country auditors or audit entities which have not been registered in Luxembourg, shall have no legal value in Luxembourg.

Article 58. Public oversight of third-country auditors and audit entities.

- (1) Registered third-country auditors and audit entities shall be subject to the provisions of Chapter VII of Title I.
- (2) Third-country auditors and audit entities registered in accordance with Article 57(1) may, on a basis of reciprocity, be exempted from the obligation to submit themselves to the quality assurance system referred to in Article 39, if another Member State or a quality assurance system of a third-country deemed to be equivalent in accordance with Article 46 of Directive 2006/43/EC has subjected the third-country auditor or audit entity concerned to a quality review during the preceding three years.

Article 59. Equivalence of third countries.

The CSSF may, on a basis of reciprocity, modify or not apply the provisions of Article 57(1) and Article 58 to auditors and audit entities from a third country deemed to be equivalent in accordance with Article 46 of Directive 2006/43/EC.

Article 60. Cooperation with competent authorities from third countries.

- (1) The transfer to the competent authorities of a third country of audit working papers or other documents held by *réviseurs d'entreprises agréés* (approved statutory auditors) or *cabinets de révision*

agrés (approved audit firms), and of inspection or investigation reports relating to the audits in question shall be allowed provided that:

- a) those audit working papers or other documents relate to audits of companies which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;
- b) the transfer takes place via the CSSF to the competent authorities of that third country and at their request;
- c) the competent authorities of the third country concerned meet the adequacy requirements of the European Commission on this matter;
- d) there are working arrangements on the basis of reciprocity agreed between the CSSF and the competent authorities of the third country ensuring that:
 - i. justification as to the purpose of the request for audit working papers and other documents is provided by the competent authorities;
 - ii. the persons employed or formerly employed by the competent authorities of the third country that receive the information are subject to obligations of professional secrecy;
 - iii. the protection of the commercial interests of the audited entity, including its industrial and intellectual property, is not undermined;
 - iv. the competent authorities of the third country, organisations and persons receiving information from the CSSF, may use it only for the exercise of their functions of public oversight, quality assurance and investigations that meet requirements equivalent to those of Articles 29, 30 and 32 of Directive 2006/43/EC;
 - v. the request from a competent authority of a third country for audit working papers or other documents held by *réviseurs d'entreprises agréés* (approved statutory auditors) or *cabinets de révision agréés* (approved audit firms) can be refused:
 - where the provision of those working papers or documents would adversely affect the sovereignty, security or public order of the European Community or of Luxembourg;
 - where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the Luxembourg authorities; or
 - where final judgment has already been passed in respect of the same actions and against the same *réviseurs d'entreprises agréés* (approved statutory auditors) or *cabinets de révision agréés* (approved audit firms) by the Luxembourg authorities;
- e) the transfer of personal data to the third country is in accordance with Chapter IV of the Law of 2 August 2002 on the protection of persons with regard to the processing of personal data, as amended.

(2) In exceptional cases, the CSSF may allow, by way of derogation from paragraph 1, a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) to transfer audit working papers and other documents directly to the competent authorities of a third country, provided that:

- a) investigations have been initiated by the competent authorities in that third country;
- b) the transfer does not conflict with the obligations with which *réviseurs d'entreprises agréés* (approved statutory auditors) or *cabinets de révision agréés* (approved audit firms) are required to comply in relation to the transfer of audit working papers and other documents to their home competent authority;
- c) there are working arrangements with the competent authorities of that third country that allow the CSSF reciprocal direct access to audit working papers and other documents of that third-country's auditors and audit entities;

- d) the requesting competent authority of the third country informs in advance the CSSF of each direct request for information, indicating the reasons therefor;
 - e) the conditions referred to in paragraph 1, letter (d), points (i) to (v) are respected.
- (3) These provisions shall apply without prejudice to other legal texts which may additionally restrict the transmission of information covered by professional secrecy.

TITLE II. - Institut des réviseurs d'entreprises

Article 61. IRE.

- (1) The IRE shall be a legal entity.
- (2) The IRE shall consist of *réviseurs d'entreprises* (statutory auditors), *réviseurs d'entreprises agréés* (approved statutory auditors), *cabinets de révision* (audit firms) and *cabinets de révision agréés* (approved audit firms).
- (3) Members of the bodies and the persons exercising or having exercised a function for the IRE shall be bound to secrecy regarding confidential information received while exercising their functions, on pain of sanctions provided for in Article 458 of the Penal Code.

Article 62. Competences of the IRE.

The IRE shall have the following competences:

- a) to defend the rights and interests of the profession;
- b) to issue standards for the fields of activity referred to in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34);
- c) to ensure respect for professional standards and duties, with the exception of those applicable to statutory audit;
- d) to ensure respect by its members of their professional obligations arising from the legislation relating to the fight against money laundering and terrorist financing;
- e) to forestall and conciliate any disputes, other than those submitted to the CSSF pursuant to Article 36(4), between its members, on the one hand, and between its members and third parties, on the other hand;
- f) to perform certain duties entrusted to it by the CSSF;
- g) to make any proposals in the interest of the profession to the CSSF;
- h) to exercise disciplinary authority by its Disciplinary Board;
- i) to publish the list of *réviseurs d'entreprises* (statutory auditors) and *cabinets de révision* (audit firms).

Article 63. Powers of the IRE.

- (1) The IRE shall have the power to carry out checks and to require any such information as it deems necessary from its members in the fields attributed to it by this law.
- (2) The checks shall be carried out in accordance with procedures decided upon by the general meeting upon proposal of the Council of the IRE.

Article 64. Bodies of the IRE.

The bodies of the IRE shall be the Council, the general meeting and the Disciplinary Board.

Article 65. Council of the IRE.

(1) The Council of the IRE shall be composed of seven members elected by the general meeting from among the members who are natural persons. A majority must consist of *réviseurs d'entreprises agréés* (approved statutory auditors).

Elections shall take place by secret ballot by a relative majority of the votes unless there are as many candidates as there are vacancies. In such case, the candidates shall be declared elected and there shall be no need to hold a vote.

The Council of the IRE shall have all the powers that are not reserved to the general meeting or to the Disciplinary Board.

(2) The members of the Council are elected for a term of three years. Their term of office, however, shall not come to an end until a new Council has been elected. All terms of office shall expire on the same day, i.e. every three years, at the annual general meeting. Terms of office are renewable.

In the event of a vacancy of a position within the Council, the remaining members shall ensure a replacement until the next general meeting.

In the event of a simultaneous vacancy of three positions, the remaining members or, failing that, the President of the Disciplinary Board shall convene a general meeting in order to fill the vacancies.

The members thus designated or elected shall complete the term of office of the members whom they replace.

Article 66. Election of a President, a Secretary and a Treasurer.

The members of the Council shall, at their first meeting, elect from among them a President, a Secretary and a Treasurer. The President of the Council shall be designated from among the members of the Council who have the title of "*réviseur d'entreprises agréé* (approved statutory auditor)".

Article 67. Rights and obligations of the President, the Secretary and the Treasurer.

(1) The President shall represent the IRE in court and out-of-court proceedings. He or she shall have a casting vote in the event of a tied vote within the Council. He or she shall convene the Council when he or she deems it necessary or at the request of two other members of the Council, submitted at least eight days in advance, except in cases of urgency. In the event that the President is absent or prevented from acting, his or her function shall be assumed by a representative designated in accordance with the rules defined by the Council.

(2) The Secretary shall draw up the minutes of the Council, which shall be countersigned by the President of the meeting. The minutes shall mention the names of the members present or represented at the meeting.

(3) The Treasurer shall draw up the statement of income and expenditure authorised by the Council; he or she shall present the accounts at the end of each year to the Council, which shall adopt them and submit them to the annual general meeting along with the budget.

Article 68. Decision-making conditions of the Council of the IRE.

The Council may take decisions validly only if the majority of its members are present or represented. A member may be represented at the meetings of the Council by another member. A member may represent only one other member at meetings of the Council. The decisions of the Council shall be taken by an absolute majority of the votes of the members present and the members represented.

Article 69. General meeting.

All natural persons shall be called on to hold a general meeting at least once a year, at the latest during the month of June. Extraordinary general meetings shall be held each time that the Council of the IRE

deems it necessary or upon the written and reasoned request of at least one fifth of the members who are natural persons.

General meetings shall be convened by the President of the IRE at least two weeks before the date set for the meeting. Convening notices, to be sent out by registered mail or an equivalent procedure, shall indicate the place, the date, the time and the agenda of the general meeting.

Article 70. Conditions for deliberation of the general meeting.

(1) The general meeting may validly deliberate only if at least half of the members who are natural persons are present or represented.

If a first meeting does not meet the required quorum, a second meeting, convened within the month and with the same agenda, shall deliberate validly whatever the number of members who are natural persons present or represented.

Each member who is a natural person shall have one vote; he or she may be represented by virtue of a written proxy given to another member.

(2) The general meeting shall decide by two-thirds majority vote on the dismissal of one or more members of the Council of the IRE and on the conferral of the title of Honorary President.

In all other cases, it shall decide by an absolute majority vote, without prejudice to the provisions of Article 65.

Article 71. Agenda of the general meeting.

The agenda of the annual general meeting shall include in particular the presentation of the activity report and the financial statements for the past financial year, the vote on the approval of the annual financial statements, the vote on the discharge of the members of the Council of the IRE, the vote on the budget for the following financial year and on the annual membership fee as well as, where appropriate, the election of the Council of the IRE.

Article 72. Disciplinary Board.

A Disciplinary Board shall be established consisting of the President of the Luxembourg *Tribunal d'Arrondissement* (District Court) or such judge replacing him or her as President, and four members of the Council of the IRE.

The full members of the Disciplinary Board shall have as their alternates the other members of the Council of the IRE.

In the event that the full and alternate members are prevented from acting, the President of the Disciplinary Board shall appoint *réviseurs d'entreprises* (statutory auditors) or *réviseurs d'entreprises agréés* (approved statutory auditors) from outside the members of the Council of the IRE.

Article 73. Independence requirements for members of the Disciplinary Board.

The following may not sit on the Disciplinary Board: the President of the IRE or the person to whom he or she has delegated his or her powers within the meaning of the third subparagraph of Article 74(1), persons associated with the person prosecuted or blood relations or relations by marriage or his or her spouse up to and including the sixth degree and persons associated with the complainant or blood relations or relations by marriage of the complainant up to and including the sixth degree.

Members of the Disciplinary Board wishing to abstain for other reasons shall be bound to declare this in writing to the President of the Disciplinary Board within eight days of their convening. The President of the Disciplinary Board shall decide whether or not abstention is warranted.

Article 74. Investigation of cases by the President of the IRE.

(1) The President of the IRE shall investigate cases referred to him or her by the State Prosecutor or the CSSF or by complaint or upon his or her own motion. If he or she considers that he or she is in the presence of one of the situations referred to in Article 77, he or she may:

- on the advice of the Council of the IRE, issue an injunction in accordance with Article 75 or make a call to order in accordance with Article 76;
- refer the case to the Disciplinary Board. He or she shall be bound to refer to the Disciplinary Board all cases referred to him or her upon request of the State Prosecutor or the CSSF.

The President of the IRE may enlist the help of experts in order to carry out his or her disciplinary investigations.

He or she may delegate his or her powers of investigation and referral to another member of the Council of the IRE who is not member of the Disciplinary Board on the grounds set out in the first subparagraph of Article 73.

Without prejudice to the provisions of this law, the Disciplinary Board shall comply with the forms laid down for the Courts.

(2) Before referring a case to the Disciplinary Board, the President of the IRE shall draw up a record of the facts underlying the investigation. To this end, he or she may address the General State Prosecutor with a view to having officers of the judicial police carry out an investigation.

(3) If the President of the IRE decides to close a case after carrying out his or her investigation, he or she shall inform the Council of the IRE and, where he or she did not investigate the case on his or her own motion, the State Prosecutor, the CSSF or the complainant.

Article 75. Power of injunction of the President of the IRE.

(1) Where a member of the IRE does not respect the provisions of this law falling under the competences of the IRE, the President of the IRE may, pursuant to the first indent of Article 74(1), having heard the opinion of the Council of the IRE, order a member by registered mail to rectify the situation found within such timeframe as is determined in the letter.

(2) If, upon the expiry of the timeframe determined pursuant to the preceding paragraph, the member has not complied with or has not sufficiently complied with the injunction referred to in the first paragraph, the President may, having heard the opinion of the Council of the IRE, deliver a call to order or refer the case to the Disciplinary Board.

Article 76. Call to order by the President of the IRE.

Pursuant to the first indent of Article 74(1), the President of the IRE, having heard the opinion of the Council of the IRE, may call a member to order where he or she has found that the matters complained of, while being established, constitute a failure to comply with the provisions of this law, which fall within the competences of the IRE while not warranting any of the sanctions provided for in Article 78.

Article 77. Power of the Disciplinary Board to adopt sanctions.

(1) Within the framework of the competences of the IRE as provided for in Article 62, the Disciplinary Board shall exercise the power to impose sanctions on any of its members on account of:

- a) infringement of legal and regulatory provisions;
- b) professional misconduct or negligence;
- c) acts contrary to professional meticulousness and dignity and honour and integrity;
- d) refusal to provide documents or other information requested;

- e) provision of documents or other information that prove to be incomplete, inaccurate or false;
- f) obstruction of the exercise of the IRE's or its President's powers of inspection and investigation;
- g) refusal to comply with injunctions or calls to order of the President of the IRE;

all the foregoing being without prejudice to the administrative or judicial action that may result from the same facts.

(2) The disciplinary action shall be time-barred after five year as from the day when the events referred to in paragraph 1 took place.

Article 78. Disciplinary sanctions.

(1) The disciplinary sanctions in the order of their seriousness shall be:

- a) a warning;
- b) a reprimand;
- c) a fine ranging from EUR 1,250 to EUR 125,000. In the event of a failure to comply with professional obligations resulting from legislation on the fight against money laundering and terrorist financing, or in the event of any obstacle to the exercise of the authority of the IRE as defined in Article 63 in respect of the powers referred to in point (d) of Article 62, the maximum fine is raised to EUR 250,000;
- d) the removal of the right to vote in general meetings with a prohibition on being a member of the Council of the IRE for a maximum of six years;
- e) a prohibition to exercise one of the activities referred to in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34) for a term not exceeding three years;
- f) a permanent prohibition to exercise one of the activities referred to in letter (b) of the first subparagraph and in the second subparagraph of Article 1(34);
- g) a prohibition of the right to practice the profession for a term not exceeding three years;
- h) a permanent prohibition on the right to practice the profession.

(2) The CSSF shall temporarily or permanently withdraw the title of "*réviseur d'entreprises* (statutory auditor)" or "*cabinet de révision* (audit firm)" of a person who has been subject to the sanctions described in (g) and (h) by virtue of a final decision.

(3) In the event that a sanction is imposed, the costs of the disciplinary proceedings shall be borne by the member against whom the sanction is imposed. In the opposite case, the costs shall be borne by the IRE.

(4) The costs and, where appropriate, the fine shall be made enforceable by the President of the *Tribunal d'Arrondissement* (District Court) of the district of the person against whom the sanction is imposed. The fine shall be collected by the Administration de l'Enregistrement for the benefit of the State.

Article 79. Disclosure to the CSSF.

The IRE shall inform the CSSF, without undue delay, of any breach of professional standards and duties and of the professional obligations referred to in letters (c) and (d) of Article 62 by a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) and of any measure imposed by the IRE against a *réviseur d'entreprises agréé* (approved statutory auditor) or a *cabinet de révision agréé* (approved audit firm) by virtue of Articles 75, 76 and 78.

Article 80. Summons before the Disciplinary Board.

The member accused shall be summoned before the Disciplinary Board by the President of the IRE at least fifteen days prior to the session. The summons shall contain the complaints made against him or her. The member accused may inspect the file, without moving it, at the Secretariat of the IRE. He, she or it may have copies issued to him, her or it.

The member accused shall appear in person and may be assisted by a lawyer. If the member accused does not appear, a decision shall be taken by default against which no action will be possible.

Article 81. Session of the Disciplinary Board.

(1) At the opening of the session of the Disciplinary Board, the President of the IRE shall set forth the case and read out the documents. The President of the IRE may be represented by a lawyer at the session of the Disciplinary Board.

The Board shall then hear successively the complainant, if any, the witnesses, the experts, who shall withdraw after testifying, the member accused and the findings of the President of the IRE.

The member accused shall speak last.

The minutes of the session shall be drawn up by a member of the Board appointed for that purpose by the President of the Disciplinary Board.

(2) The sessions of the Disciplinary Board shall be public. However, a session behind closed doors may be ordered at the request of the accused member or if facts affecting vital interests of third parties must be raised in the debates. The deliberations shall be secret. The decisions shall be taken by an absolute majority of the votes; they shall be signed by all the members of the Disciplinary Board.

Article 82. Power of investigation and expert assessment of the Disciplinary Board.

As part of its remit, the Disciplinary Board may order investigations and expert reports. Investigations shall be carried out by the Board, by two of its delegate members, by experts or by officers of the judicial police.

Witnesses and experts appearing before the Board or its delegates shall be heard under oath.

Witnesses summoned who refuse to appear or to testify shall be liable to the penalties provided for in Articles 157 and 158 of the Code of Criminal Procedure. These penalties shall be pronounced by the *Tribunal Correctionnel* (Criminal Court) on application by the Public Prosecutor. The *Tribunal Correctionnel* (Criminal Court) may furthermore order the defaulting witness to testify under threat of civil imprisonment.

Perjury and the subornation of witnesses and experts shall be punishable by the penalties laid down in Articles 220, 223 and 224 of the Penal Code.

Article 83. Signature and dispatch of letters, writs or summons, certified copies and notifications.

Letters and writs of summons to the member accused, witnesses and experts shall be signed by the President of the IRE. Certified copies of the decisions of the Disciplinary Board shall be signed by the President of the Disciplinary Board.

Writs of summons and notifications shall be sent by registered mail or served by writ of a bailiff.

Article 84. Notification and enforcement of decisions of the Disciplinary Board.

Without prejudice to the provisions of Article 78(4), the decisions of the Disciplinary Board shall be notified to the member accused and enforced at the instance of the President of the IRE. A certified copy thereof shall be forwarded to the General State Prosecutor. The minutes of the decisions shall be

lodged and kept at the Secretariat of the IRE. A copy thereof may be issued only with the authorisation of the President of the IRE.

Article 85. Remedies.

Decisions of the Disciplinary Board may be challenged by way of appeal both by the member found guilty and by the General State Prosecutor. The appeal shall be brought before the Civil Chamber of the *Cour d'Appel* (Court of Appeal) which shall give its decision by way of a final judgment. The appeal shall be notified to the registry of the Court within one month, under penalty of forfeiture. Time shall start to run for the member found guilty on the day on which the decision was notified to him, her or it, and for the General State Prosecutor on the day on which he or she received the certified copy of the decision. The case shall be treated as urgent and the debates shall take place at a public hearing. However, a session behind closed doors may be ordered at the request of the accused member or if facts affecting vital interests of third parties must be raised in the debates. The appeal and the time limit for appealing against the decision shall have suspensive effect.

Article 86. Publication of sanctions.

The sanctions referred to in Article 78 shall be brought to the attention of the public at the instance of the President of the Disciplinary Board through publication on the website of the IRE as soon as the decisions pronounced become final. This publication shall remain on the IRE's website for five years after all remedies have been exhausted or have expired.

Article 87. Funding of the IRE.

The expenses of the IRE shall be covered by the contributions paid by the *réviseurs d'entreprises* (statutory auditors), the *réviseurs d'entreprises agréés* (approved statutory auditors), the *cabinets de révision* (audit firms) and the *cabinets de révision agréés* (approved audit firms) as well as by trainees carrying out practical training provided for in Article 9.

These contributions shall be set annually by the general meeting upon proposal of the Council of the IRE.

In the event of non-payment, the President of the IRE may seek enforcement of the contribution by the President of the Luxembourg *Tribunal d'Arrondissement* (District Court).

PART 2 - Amending, transitional, repealing and various provisions.

Chapter 1. - Amending provisions relating to the titles of “*réviseur d'entreprises*” and “*réviseur d'entreprises agréé*”

Article 88. Amendment of the Law of 10 August 1915 on commercial companies, as amended.

1. The first sentence of the second subparagraph of Article 26e(1) shall be amended as follows:
“For companies subject to Luxembourg law, these experts shall be appointed by the management body and shall be chosen among the *réviseurs d'entreprises* (statutory auditors).”
2. In Article 26-1, the word “*agréé*” (approved) shall be deleted every time it appears in paragraphs 2, 3b, 3d and 3e.
3. The last sentence of Article 26-2(1) shall be amended as follows:
“The *réviseur d'entreprises* (statutory auditor) shall be appointed by the Board of Directors or the Executive Board, as the case may be.”
4. Article 27(9) shall be amended as follows:

“the specification of each contribution which is not made in cash, the conditions under which it is made, the name of the contributor and the conclusions of the report of the *réviseur d'entreprises* (statutory auditor) laid down in Article 26-1;”.

5. Article 31-2(3) shall be amended as follows:

“(3) Prior to the general meeting referred to in paragraph 4, one or several *réviseurs d'entreprises* (statutory auditors) appointed by the management body, shall certify that the company has assets which are at least equivalent to the capital.”

6. Article 31-3(3) shall be amended as follows:

“(3) Prior to the general meeting referred to in paragraph 4, one or several *réviseurs d'entreprises* (statutory auditors) appointed by the management body, shall certify that the company has net assets which are at least equivalent to the capital plus those reserves which may not be distributed under the law or the articles of incorporation.”

7. Article 32-1(5) shall be amended as follows:

“For consideration other than in cash, the shares shall be fully paid up within five years as from the decision to increase the capital. A report shall be drawn up by a *réviseur d'entreprises* (statutory auditor) in accordance with Article 26-1; this *réviseur d'entreprises* (statutory auditor) shall be appointed by the Board of Directors or the Executive Board, as the case may be. The report of the *réviseur d'entreprises* (statutory auditor) shall be submitted in accordance with Article 9(1).”

8. In Article 49-6a, the word “*agrée*” (approved) shall be deleted.

9. In point (d) of Article 72-2(1), the word “*agrée*” (approved) shall be deleted.

10. Article 101-9(3) shall be amended as follows:

“(3) Failure to convene the general meeting provided for in the preceding paragraph or, in the event the general meeting refuses to accept the changes proposed, the securities concerned shall be redeemed at the price which corresponds to their valuation made in the transfer project and checked by an independent expert appointed by the management body and chosen among the *réviseurs d'entreprises* (statutory auditors).”

11. Point (3) of Article 117 shall be amended as follows:

“3° the company shall be managed by a director and supervised by a *commissaire* (supervisory auditor) or be subject to a statutory audit by a *réviseur d'entreprises agrée* (approved statutory auditor), appointed, dismissed and acting in the same manner as in *sociétés anonymes* (public limited liability companies);”

12. In the first subparagraph of Article 151, the third sentence shall be deleted.

13. The first subparagraph of Article 184 shall be amended as follows:

“The provisions of Article 27 shall apply to *sociétés à responsabilité limitée* (limited liability companies), subject to those relating to share capital and to the intervention of a *réviseur d'entreprises* (statutory auditor) in the specification of consideration other than in cash.”

14. The first subparagraph of Article 266(1) shall be amended as follows:

“The merger project shall be subject to a review and a written report for the partners. This review shall be carried out and the report shall be drawn up for every merging company by one or several independent experts to be appointed by the management body of each merging company. These experts shall be chosen among the *réviseurs d'entreprises* (statutory auditors). However, it is possible to draw up the report by one or several independent experts for all the merging companies. In such case, the appointment is made, upon joint request of the merging companies, by the judge presiding the Chamber of the *Tribunal d'Arrondissement* (District Court) where the acquiring company has its registered office, sitting in commercial matters and as in summary proceedings (*référé*).”

15. The last sentence of the first subparagraph of Article 294(1) shall be amended as follows:

“These experts shall be chosen among the *réviseurs d'entreprises* (statutory auditors).”

16. Point (14) of Article 337 shall be amended as follows:

“(14) separately, the total fees for the financial year charged by the *réviseur d'entreprises agréé* (approved statutory auditor), the *cabinet de révision agréé* (approved audit firm) or the audit firm for the statutory audit of the consolidated accounts, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services.”

Article 89. Amendment of the Law of 13 July 2005 on institutions for occupational retirement provision in the form of a SEPCAV and an ASSEP, as amended.

1. The second subparagraph of Article 10(3) shall be amended as follows:

“Notwithstanding Articles 26-1 and 26-2 of the Law of 10 August 1915 on commercial companies, as amended, consideration other than in cash shall be the subject of a report drawn up by a *réviseur d'entreprises* (statutory auditor) or a *cabinet de révision* (audit firm) appointed by the founders or the Board of Directors.”

2. The first subparagraph of Article 26(5) shall be amended as follows:

“The contributors’ consideration other than in cash shall be the subject of a report drawn up by a *réviseur d'entreprises* (statutory auditor) or a *cabinet de révision* (audit firm) appointed by the founders or the Board of Directors.”

Article 90. Protective provision relating to the titles of “*réviseur d'entreprises*” and “*réviseur d'entreprises agréé*”.

In all the laws and regulations in which reference is made to the term “*réviseur d'entreprises* (statutory auditor)”, this reference shall mean “*réviseur d'entreprises agréé* (approved statutory auditor)” and shall be replaced by the term “*réviseur d'entreprises agréé* (approved statutory auditor)” where the activity referred in these texts concerns statutory audits.

Article 91. Assimilation of activities for *cabinets de révision agréés* (approved audit firms).

In all the laws and regulations, except Titles I and II of this law, any reference to a *réviseur d'entreprises* (statutory auditor) shall mean *réviseurs d'entreprises agréés* (approved statutory auditors) as well as *cabinets de révision agréés* (approved audit firms) as defined in points (34) and (5) of Article 1.

Chapter 2. - Repealing and various provisions.

Article 92. Repeal of the Law of 18 December 2009 concerning the audit profession, as amended.

The Law of 18 December 2009 concerning the audit profession, as amended, is repealed.

Article 93. Abbreviated designation.

This law may be referred to under the abbreviated title “Law of 23 July 2016 concerning the audit profession”.

We instruct and order that this law be inserted in the Mémorial in order to be implemented and complied with by all the persons concerned.