

PSF in the Era of Digital Transformation

At the 2025 PSF Conference, held on 4 December at Deloitte Luxembourg, leading voices gathered to explore new trends and tackle the sector's biggest challenges. Supported by the newly released 2025 PSF Report from Deloitte Luxembourg, the conference offered an insightful view of a sector in transformation—balancing consolidation with innovation, and tradition with digital progress.

The Professionals of the Financial Sector (PSF) are at the forefront of this transformation. Over the past several years, the sector has moved from rapid expansion to a phase of consolidation and specialization. While the number of market participants has declined, overall performance has improved—net results rose by 51.8% in 2024, and the sector now employs over 17,000 professionals, representing one-third of Luxembourg's financial workforce. This progress reflects clear productivity gains and evolving business models, as Luxembourg's robust regulatory framework enables more PSF to become crypto-asset service providers, accelerating digital finance innovation.

As the sector evolves, recent regulations are key catalysts for resilience and innovation. Among these, the Digital Operational Resilience Act (DORA), with its broad and systemic impact, is prompting financial in-



sitions to strengthen their management of technology risks and incident response. As emphasized by Laureline Senequier, Partner at Deloitte Luxembourg, a key recent development for this regulation has been the transition from passive to more active supervision by the competent authorities, characterized by on-site inspections and thematic reviews. However, a Deloitte DORA survey conducted in spring revealed that just 50% of entities were fully compliant with incident reporting—the most advanced of the four pillars—underscoring that digital resilience testing and third-party risk management are still work in progress and all four pillars will require continuous adaptation.

During a session on Investment Tax Credit Regime, Carole Hein, Managing Director at Deloitte Luxembourg, noted that Luxembourg's investment tax credit (ITC) has recently been revamped, making it easier and more accessible for organizations to pursue digital and environmental transformation projects.

The ITC now aims to encourage initiatives that go beyond mere regulatory compliance, fostering genuine innovation within companies. Under the updated scheme, the existing tax credit has been simplified and a new incentivized ITC rate of 18% has been introduced for digital or environmental transformation projects. To qualify,

companies must obtain eligibility and annual certificates from the Ministry of Finance. Careful planning is essential, as only expenses incurred after submitting the eligibility request are covered, and timely certification is required to ensure tax compliance.

An insightful panel discussion examined the role of digital assets in reshaping the PSF industry, moderated by Thomas Campione, Director and Digital Assets Accelerator Centre initiative leader at Deloitte Luxembourg, and joined by Vesna Zupan, Head of Operations at Coinbase Luxembourg, Ami Nagata, Managing Director and Authorised Manager Luxembourg at Zodia Custody, and Julie Bourgeois, Head of Legal and Compliance at 6 Monks (6M). Discussions highlighted a pivotal shift in the digital assets market from exploration to execution, driven by regulatory clarity from frameworks such as MiCA, national blockchain laws and the DLT Pilot Regime. This new landscape has paved the way for greater institutional participation and attracted new market entrants, with opportunities emerging in crypto-assets as a new asset class in institutional portfolios, in investment funds tokenization, onchain security financing, and stablecoins for example.

The discussion went on reminding the audience about the Commission de Surveillance du Secteur Financier's early move to supervise crypto-assets exchanges back in 2016 and the continuous developments that followed, which gave Luxembourg a

crucial head start in understanding and regulating digital assets. This proactive approach also enabled the country to establish clear, practical and flexible rules for alternative investment funds (AIFs) investing in crypto-assets, uniquely allowing up to 100% direct or indirect exposure to the asset class, setting Luxembourg apart from other European jurisdictions like Ireland or Germany.

Despite these advances, challenges remain. We still observe a suboptimal level of comfort from traditional financial players which remains a barrier to structural development of the market. That said, significant improvements have been noted from that perspective over the last 12-18 months. In parallel, operational risks and a shortage of experienced professionals in control functions continue to test the sector. The panel emphasized the importance of collaboration between traditional finance and digital assets specialists, upskilling programs, and partnerships with pure players to bridge existing gaps. The future lies in hybrid models, where banks partner with specialist firms for custody or trading, leveraging DLT to modernize financial infrastructure while strengthening client relationships.

Luxembourg's regulatory approach and commitment to innovation position it as a steady leader in the evolving financial landscape. The 2025 PSF Conference and report together provide a clear view of a sector adapting to digital transformation while maintaining its core strengths.