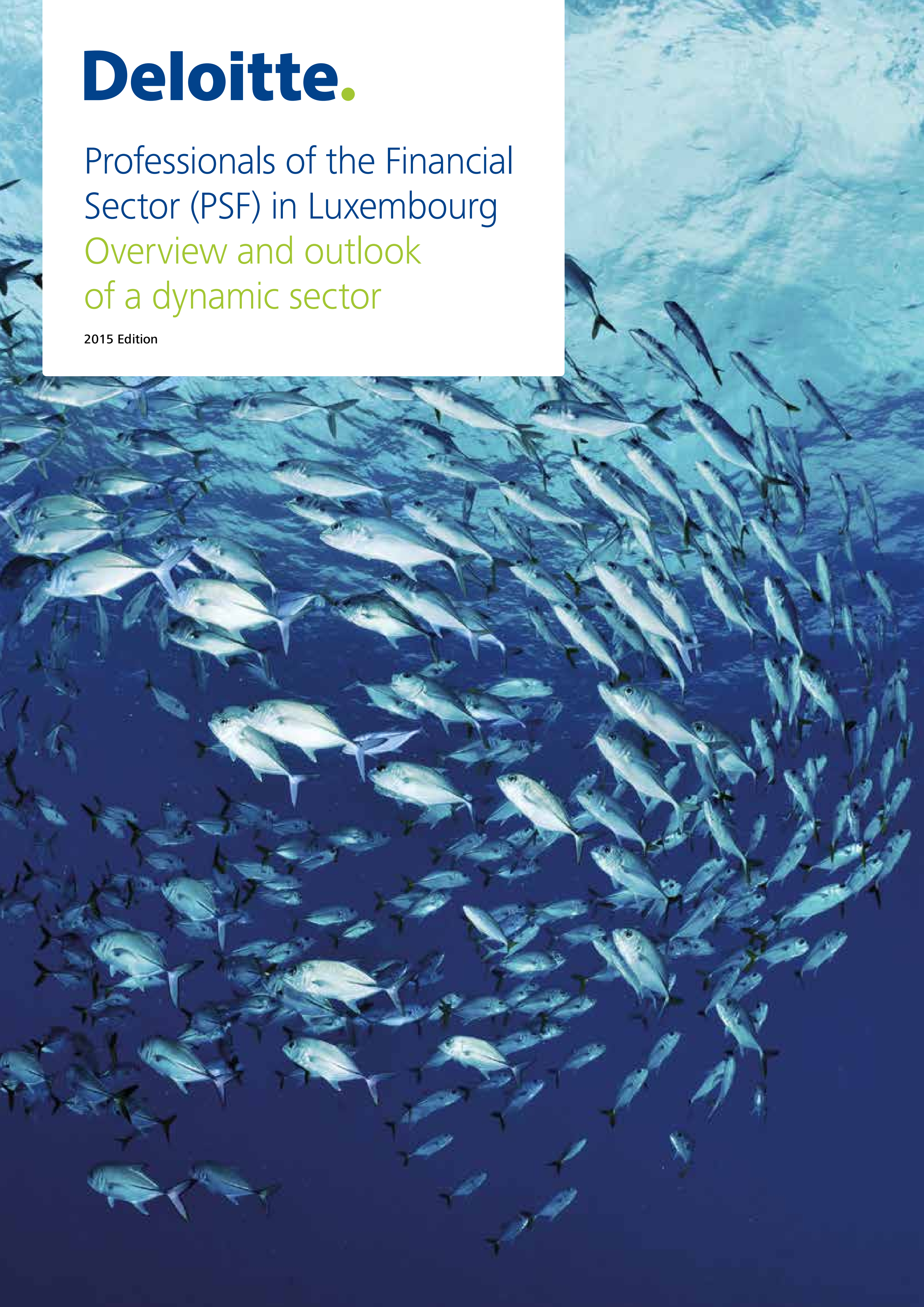
Deloitte.

Professionals of the Financial Sector (PSF) in Luxembourg

Overview and outlook of a dynamic sector

2015 Edition



Content

Foreword

Boasting 316 entities and 15,000 employees, the PSF industry (Professionals of the Financial Sector) has become a major player in Luxembourg. And although, from the outside, this activity would appear to be stable and smooth, it is in fact a lively, dynamic sector, experiencing constant growth and offering companies in the marketplace some splendid opportunities for development. Here, we provide a detailed analysis of this industry's specific features.

Complete with the latest figures and explanations, our brochure analyses changes in the PSF industry and reveals just how dynamic it is. It is enhanced with interviews of key people from the marketplace and articles on topical issues, drafted by industry professionals.

It provides an overview of PSF and illustrates the various existing types and their developments. It confirms the industry's importance in the Luxembourg economy.

Regulatory changes slowed recently and 2014 and 2015 have mainly been spent taking them on board and making transformations. While the challenges related to FATCA in the past, today they stem from CRS (Common Reporting Standard) and BEPS (Base Erosion and Profit Shifting). The shift in OECD paradigm, focussing resolutely on tax transparency, is still delivering impacts. The European Union is heightening the pressure with the forthcoming MIFID II. Players are compelled to review their models and many are seizing new opportunities (wealth management, greater sharing and outsourcing, expanded services, etc.).

We kindly thank Jean-Marie Bettinger, Claude Eyschen, Gérard Hoffmann, Christophe Lentschat and Carlo Thelen for their valuable contributions to this brochure. Their wide-ranging experience in this industry provided us with an enlightened opinion of the latest PSF news and the sector's prospects.

We hope you will enjoy reading our publication

Stéphane Césari
Partner – PSF Leader

Raphaël Charlier
Partner – Audit

Introduction

PSF: A considerable range of services in a secure environment

Professionals of the Financial Sector (PSF) are defined as regulated entities offering financial services apart from the receipt of deposits from the public (a function which is strictly confined to credit institutions). This industry therefore covers a very broad range of financial and even non-financial services.

PSF, which are supervised by the Luxembourg regulatory authority, the *Commission de Surveillance du Secteur Financier (CSSF)*, enjoy special access to the market in financial activities and fall within the financial sector's specific sphere of information confidentiality and security.

This special access is not without consequences in terms of governance, structure, risk management and prudential supervision. It is governed by the Law of 5 April 1993, as amended, relating to the financial sector ('The Law')[1].

By virtue of the demands of information confidentiality and security, many non-financial actors have made the necessary efforts, and often on a large scale, to obtain PSF status allowing them to serve other players of the financial sector.

There are three types of PSF depending on the type of activity carried out and the nature of the services provided, namely:

- **Investment firms** (Art. 24 to 24-9 of the Law)
  They are defined as firms supplying or providing investment services to third parties on a professional and ongoing basis.
  These are mainly:
  1. Investment advisers
  2. Brokers in financial instruments
  3. Commission agents
  4. Private portfolio managers
- **Specialised PSF** (Art. 25 to 28-11 of the Law)
  Specialised PSF as defined in the Law of 28 April 2011 are entities active in the financial sector but which do not offer investment services. These mainly include:
  1. Corporate domiciliation agents
  2. Registrar agents
  3. *Family Offices*

Article 28-8 of the Law on the status of manager of non-coordinated UCIs was repealed with effect on 22 July 2014 by the law of 12 July 2013 on alternative investment fund managers.

1 The articles of the law mentioned in this brochure refer to the amended Law of 5 April 1993

- **Support PSF** (Art. 29-1 à 29-6 of the Law)
  Support PSF act principally as subcontractors offering operational services on behalf of credit institutions, PSF, payment institutions, electronic money institutions, insurance and re-insurance undertakings, pension funds and UCIs. They also act on behalf of Specialised Investment Funds (SIF), SICAR (Société d'Investissement en CApital à Risque or venture capital companies) and approved securitisation entities. They include:
  1. Support PSF not involved in information technology, namely client communication agents (Art. 29-1) and financial sector administrative agents (Art.29-2).
  2. Support PSF involved in information technology, namely Primary IT Systems Operators of the financial sector (OSIP - Art. 29-3) and Secondary IT Systems and communication networks operators of the financial sector (OSIS - Art. 29-4).
  3. And, since the Law of 25 July 2015, support PSF offering dematerialization or digital document conservation services (Art. 29-5 and 29-6).

This brochure presents the scope of this industry in Luxembourg and gives a clear view of the different types of PSF and how they have evolved.

Deloitte has for many years been developing the expertise necessary to enable it to support and advise all forms of PSF during their development stages from the time of creation and throughout their growth period. These services are described in the appendix to this brochure.

1 Scope of PSF in the Luxembourg economy

1.1 A dynamic economic player

Analysis of the importance of PSF and review of their economic and social dimensions

Market size

After posting steady growth close to 95% between 2004 and 2011, the number of PSF has since stabilised. The Grand Duchy identified 316 PSF as at 31 December 2014, against 318 at year end 2013.

The main category of PSF in 2014 remains specialised PSF, accounting for almost 39%. Yet, despite steady growth between 2007 and 2013 (+85%), the number of these PSF saw a slight downturn in 2014 (-3).

Investment firms account for 35% of PSF. Initially in the majority, their progress has been slowed by the financial crisis. After seeing a drop in 2012, the number is back on an upward trend and has regained its 2009 pre-crisis level.

Support PSF have displayed dynamic growth since their creation (+49% since 2007). The number has however been stabilising since 2012.
As at 31 December 2014, they accounted for 26% of the PSF population.

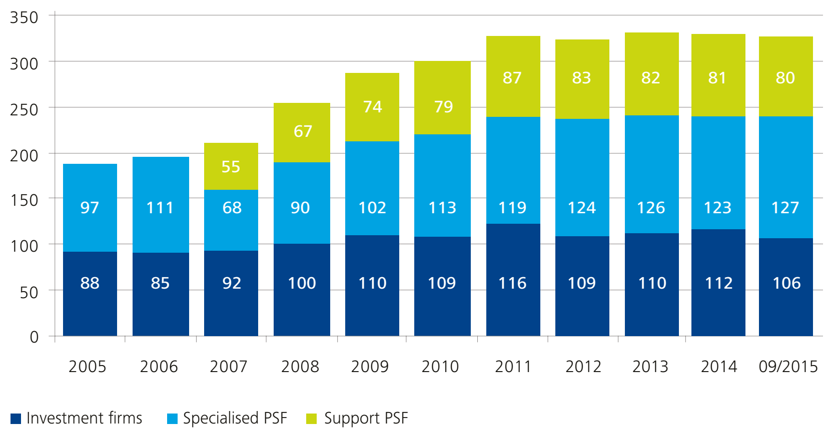
While the number of PSF has stabilised since 2012, we also note that:

- At the time of writing this brochure, this trend is further confirmed. There were 313 PSF at the beginning of September 2015 (down by less than 1% from 2014)
- The overall change in the number of PSF over the last 10 years is outstanding, with over 70% growth in the number

This market momentum for the PSF industry is mainly explained by:

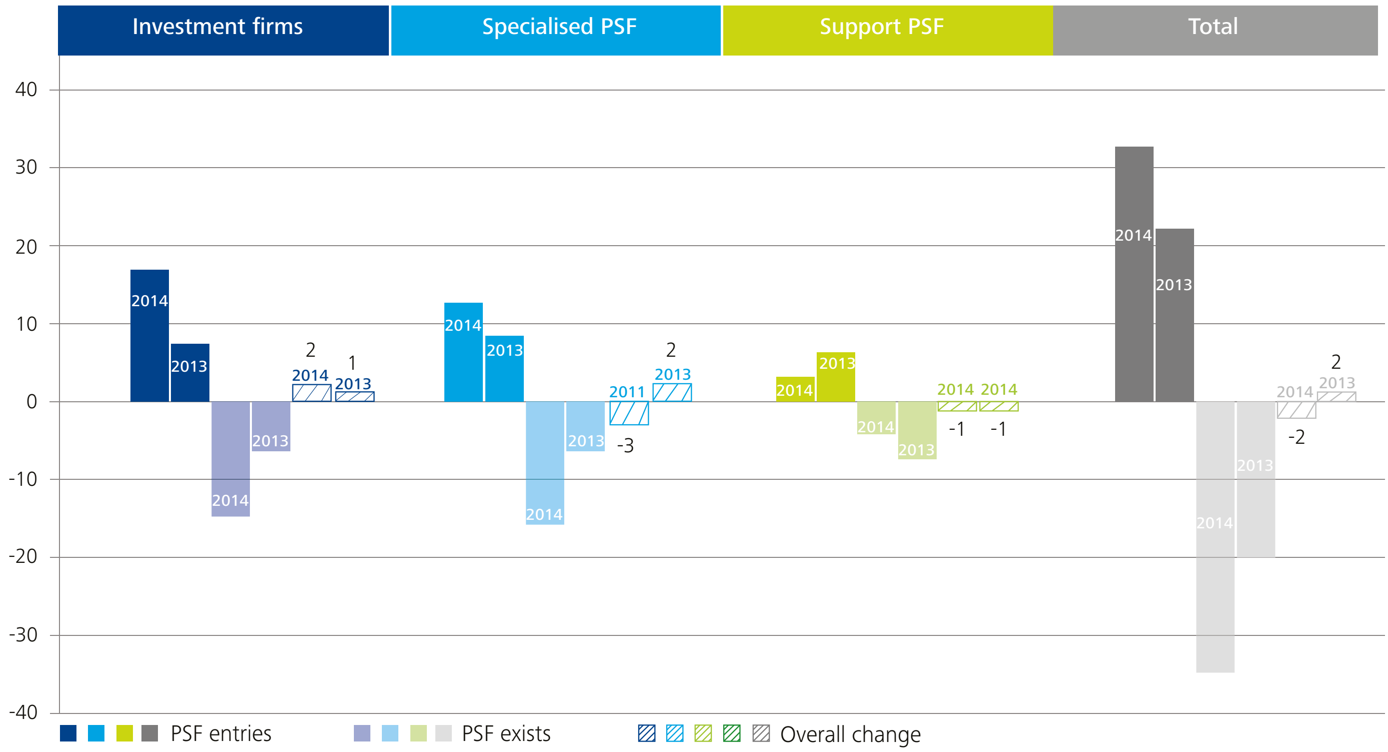
- The quest for cost reductions by pooling resources
- Growth of the financial marketplace, particularly in investment funds and corporate domiciliation agents, which broadens the scope of services a PSF is able to offer
- The growing number of financial and non-financial services for which approved PSF status is mandatory. In this respect, two new licences were created in 2015 in connection with dematerialization and digital document conservation services
- Recognition of a quality label, as PSF are regulated by the CSSF
- The attractiveness of Luxembourg. Since 2007, more than 50% of PSF created in Luxembourg have been of foreign origin and this figure is still rising

Figure 1: Annual change in the number of PSF by category



2 Source : PSF list from CSSF as at 31 December 2014

Figure 2: PSF change by category - entries and exits in 2014 and 2013



The new PSF result from the creation of companies, but also from the conversion of existing entities into PSF

While the number of PSF varied little between 31 December 2013 and 31 December 2014, this is merely outward stability. There were indeed many creations of PSF over 2014 (31 new entities, i.e. 48% more creations than 2013) with as many withdrawals (33 entities, i.e. 74% more withdrawals than 2013). The sector's dynamism is thus confirmed.

The new PSF result from the creation of companies, but also from the conversion of existing entities into PSF. The rise in PSF numbers may also be due to a change of PSF category. This is particularly the case of the Association Coopérative Financière des Fonctionnaires Internationaux (AMFIE). This specialised PSF in 2013 earned investment firm status in 2014.

PSF withdrawals are mainly due to entities relinquishing their PSF status (this is the case for over 60% of withdrawals). Some entities refocused their activity and adapted their status accordingly, like BNP PARIBAS Real Estate Investment Management Luxembourg S.A., or Notz Stucki Europe S.A which opted for Management Company status, or ALLFUNDS International S.A. which chose Bank status. 30% of withdrawals are due to company liquidations (mainly with branch closures). The remainder mostly stems from mergers/take-overs between PSF.

At the time of writing this brochure, this trend would appear to be confirmed with already nine status changes over the first eight months of 2015.

We note that for support PSF, exits mainly correspond to a better understanding of the Law which is not intended to regulate all financial sector support activities.

Overall, and from one category to the next, we note that PSF creations over 2014 are offset by exits. The final impact is quite balanced, since in 2014 the total number of PSF dropped by less than 1%.

Place of PSF in the Luxembourg financial industry

The latest available analysis carried out by the Haut Comité de la Place Financière (HCPF) on the situation as at 31 December 2012 showed an overall decline in the financial industry in Luxembourg.

And PSF did not escape the trend. Investment firms and specialised PSF nonetheless contributed 3% to national production (this analysis did not take support PSF into account).

In 2012, the added value per employee of PSF was fairly similar to that of banks:

- The contribution of PSF (excluding support PSF) to tax revenue was 6.5% of the total tax contribution made by the financial industry.
- PSF (excluding support PSF) accounted for 14% of jobs in the financial industry (and more than a third including all PSF).

Aggregated balance sheets and net profits of PSF

The sum of the balance sheets of all PSF amounted to €15.6 billion as at 31 December 2014, compared to €15 billion as at 31 December 2013, i.e. an almost 4% rise in one year.

This variation is mainly due to investment firms which saw their balance sheet total increase by 17%, i.e. more than €0.5 billion (with, in particular, a €0.2 billion rise in the balance sheet of Merrill Lynch Equity SARL). The variations recorded in other PSF categories are quite stable but do not reflect the extent of movements over the year. The increase in the balance sheet of Cemex (+€0.6 billion) is indeed offset by the drop in that of other PSF (including AMFIE for -€0.2 billion).

The concentration of PSF business appears to be reinforced as at 31 December 2014. The four PSF with the highest balance sheet totals (one investment firm with €3.2 billion and 3 specialised PSF with a total of €6.4 billion) account for nearly 61% of the balance sheet total of all PSF, up from 50% in 2013.

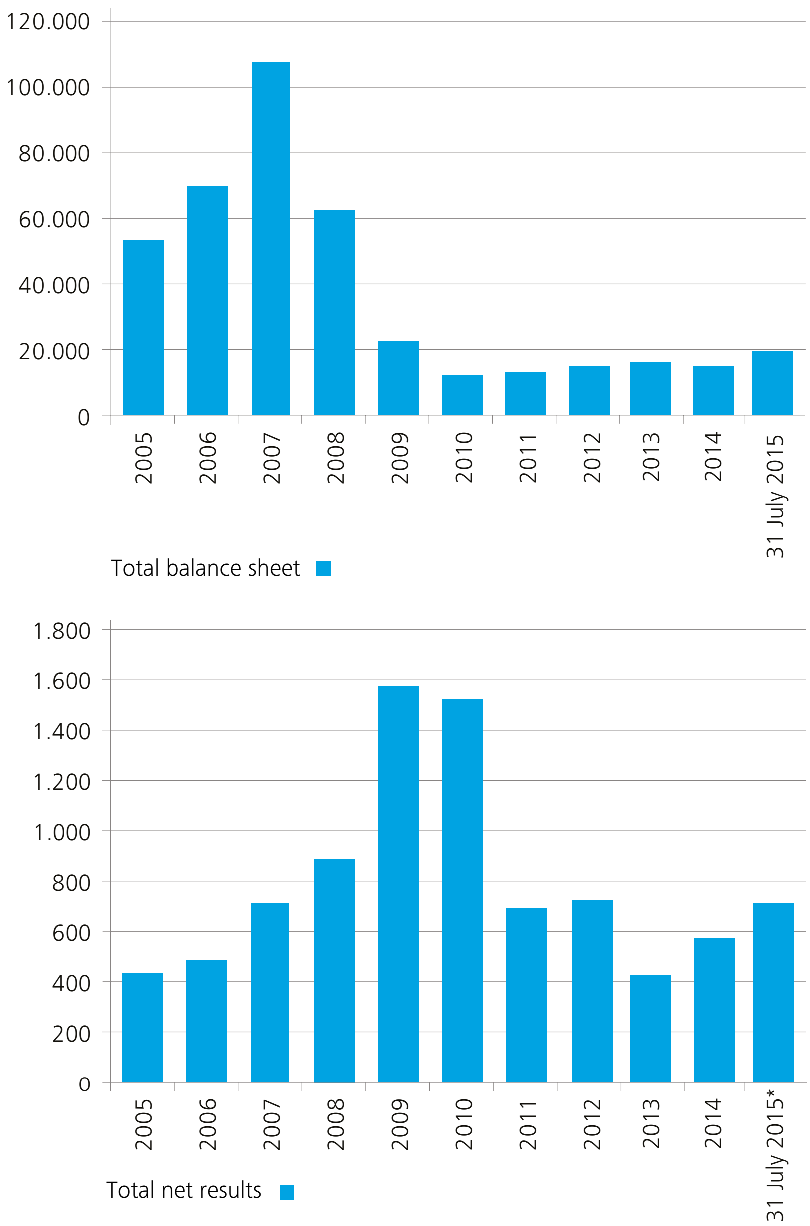
Given the diverse range of players that the term PSF encompasses, we prefer to use net profit as the criterion rather than balance sheet, as we believe it better reflects the strength and reality of the industry.

Thus, PSF post an increase of more than 36% in net profits in one year, with total net revenues rising from €411 million as at 31 December 2013 to €560 million on 31 December 2014.

We note that two specialised PSF (Cemex and Clearstream Services) account for 44% of total profits in the sector (compared to 38% in 2013).

Note that according to CSSF data as at 30 June 2015 pro-rated over 12 months, PSF should generate €708 million in net revenues for 2015, i.e. an expected increase of almost 26% compared to 2014.

Figure 3: Total balance sheets and results of PSF (in € million)



Source: CSSF statistics of June 2015, latest information dated 30 June 2015.

**For comparison purposes, profit as at 30 June 2015 has been pro-rated over12 months.*

An analysis of profits by category (figure 4) shows that:

- Following a significant drop in the profits of specialised PSF in 2011 (mainly due to the PSF Cemex which posted a reduction of almost €800 million), they rose considerably in 2014 (+60%). Specialised PSF now account for more than 60% of profits of all PSF.
- Although their net profits increased in 2014, investment firms saw their weight in value decline compared to other PSF.
- However, the relative share of net profits of support PSF remained stable between 2013 and 2014 at around 10%.

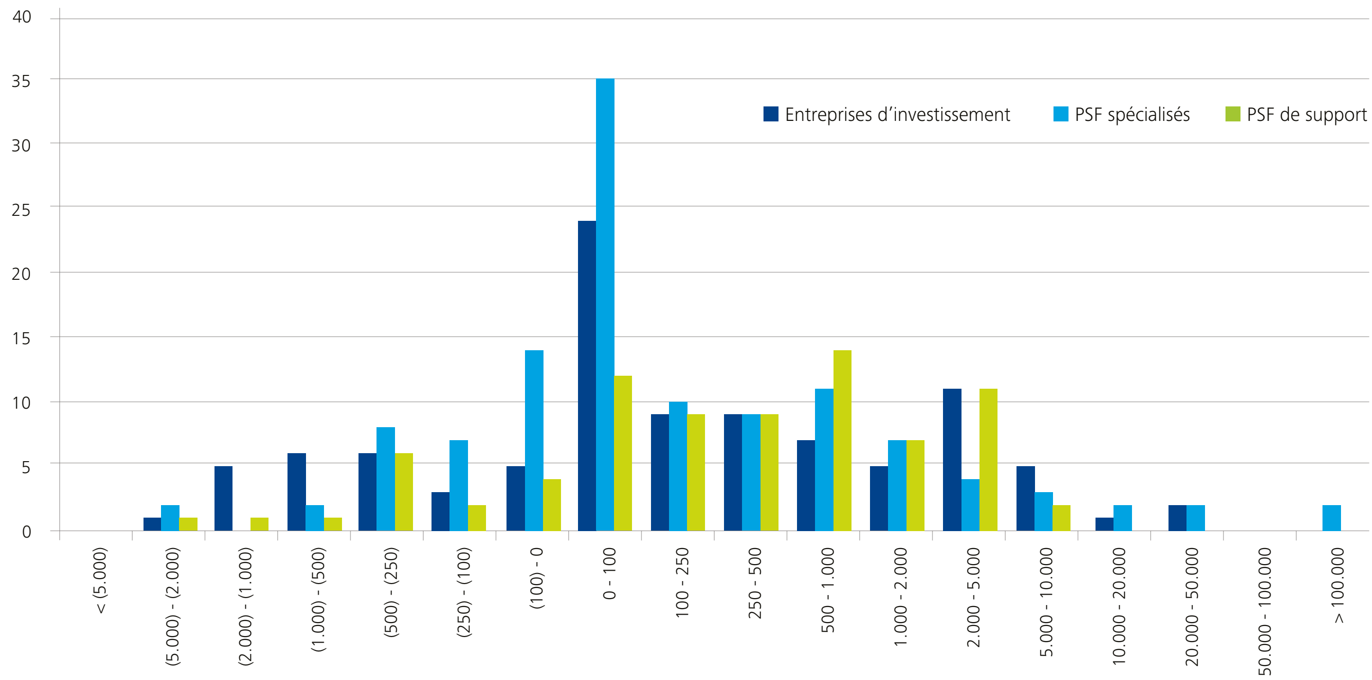
Figure 4: Breakdown of balance sheet totals and profits by PSF category

In €M	Balance sheet total						Net profits					
	2009		2013		2014		2009		2013		2014	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment firms	1.132	5%	3.101	21%	3.643	23%	171	11%	149	36%	153	27%
Specialised PSF	20.147	90%	10.862	72%	10.842	70%	1.377	87%	219	52%	347	62%
Support PSF	1.177	5%	1.053	7%	1.085	7%	30	2%	43	10%	60	11%
Total	22.456	100%	15.016	100%	15.570	100%	1.577	100%	419	100%	560	100%

Source : CSSF statistics at December 2014.

Figure 5.1: Breakdown of PSF by net profit bracket as at 31 December 2014 (in €,000)

Following our analysis of the 2014 financial statements that we received, the structure of the main profit trends is as follows:



Extreme results, i.e. a loss of almost €5 million and a profit in excess of €130 million, are posted by two specialised PSF. The average net profit of a PSF as at 31 December 2014 is €1.8 million compared to €1.4 million as at 31 December 2013.

Figure 5.2: Comparison of the breakdown of PSF by net profit bracket in 2014 and in 2013 (in €,000)

	Investment firms		Specialised PSF		Support PSF	
	2014	2013	2014	2013	2014	2013
Losses	26%	22%	28%	29%	19%	28%
Net profits between 0 et 100	24%	31%	30%	31%	15%	37%
Net profits between 100 et 5.000	41%	39%	35%	33%	63%	32%
Net profits > 5.000	8%	8%	8%	7%	3%	4%
	100%	100%	100%	100%	100%	100%

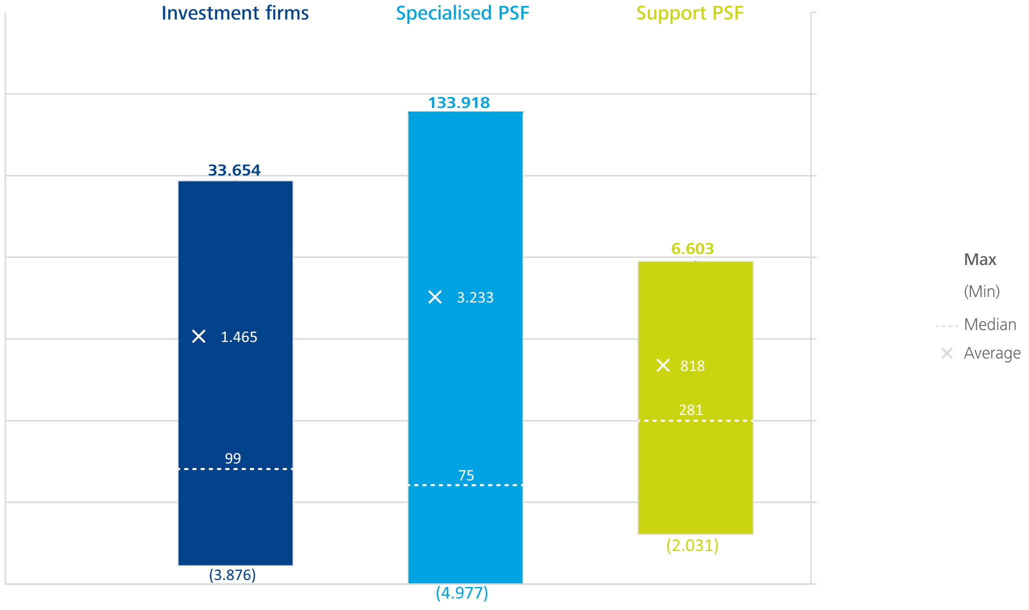
PSF Investment Firms Category:
Net profit/loss of investment firms varied between a loss of €4 million and a profit of €34 million. The three highest figures were posted by Lombard Intermediation Services S.A., Attrax S.A. and Vontobel Europe S.A., for a total amount of €70 million. The other entities peaked at a profit of €10 million. While average profit was €1.5 million, the median stands at €0.1 million.

Specialised PSF Category:
Net profit/loss of Specialised PSF varied between a loss of €5 million and a profit of €134 million. Two PSF posted an extremely high profit compared to the other entities. They are Cemex Global Funding SARL and Clearstream International S.A. with €247 million in total. The other entities peaked at a profit of €20 million. This explains why, despite an average profit of €3 million, half of the specialised PSF generated profits below €0.1 million.

Support PSF Category:
Net profit/loss of support PSF varied between a loss of €2 million and a profit of €7 million. The concentration of profit is higher than for the other PSF categories. This is confirmed by an average profit of €0.8 million, close to a median figure of €0.3 million.

Although the tendency in the sector is towards higher concentration of profits, a handful of companies continue to drive the average net profit upwards.

Figure 6: Range and average net profit by PSF category as at 31 December 2014 (in €,000)



This diagram shows the range of net profit by PSF category as at 31 December 2014.

Main expenses of PSF

From the financial statements that we recovered, we analysed the main expenses of PSF. The expenses identified correspond to:

- personnel costs,
- external expenses and other operating expenses,
- financial expenses
- taxes

Year over year, the distribution of these expenses varies little. However, they do not all carry the same weight from one PSF to another.

For investment firms, external expenses account for more than half of identified expenses. Interest paid represents more than 22% and is closely followed by personnel costs. The significant portion of interest is due to one PSF, Merrill Lynch, whose financial expenses amount to €288 million. Without this extreme, the share of these expenses would be 2% of all expenses identified.

For specialised PSF, external expenses and personnel costs are equivalent and account for 76% of identified costs. The significant portion of interest paid (18%) is due to one PSF, Reluxco International, whose financial expenses amount to €288 million. Without this extreme, the share of these expenses would be less than 1% of all expenses identified.

Within support PSF, personnel costs rank first and account for half of identified expenses. They are followed by external expenses and other operating expenses for 47%.

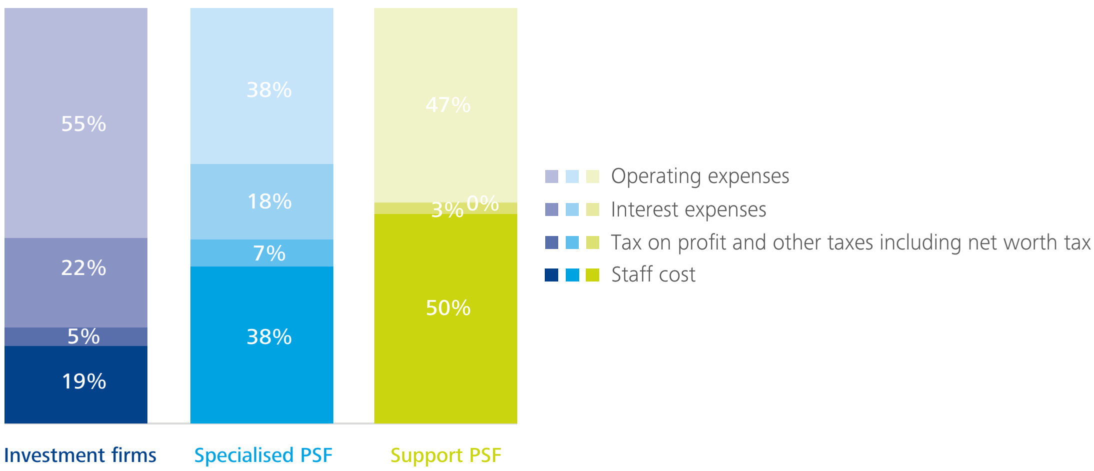
We have recalculated an effective rate of taxation per PSF category and we note that it is similar across the different categories:

- Investment firms: 20.0%
- Specialised PSF: 18.5%
- Support PSF: 17.5%

We have calculated the average cost of an employee for each PSF category (in €,000):

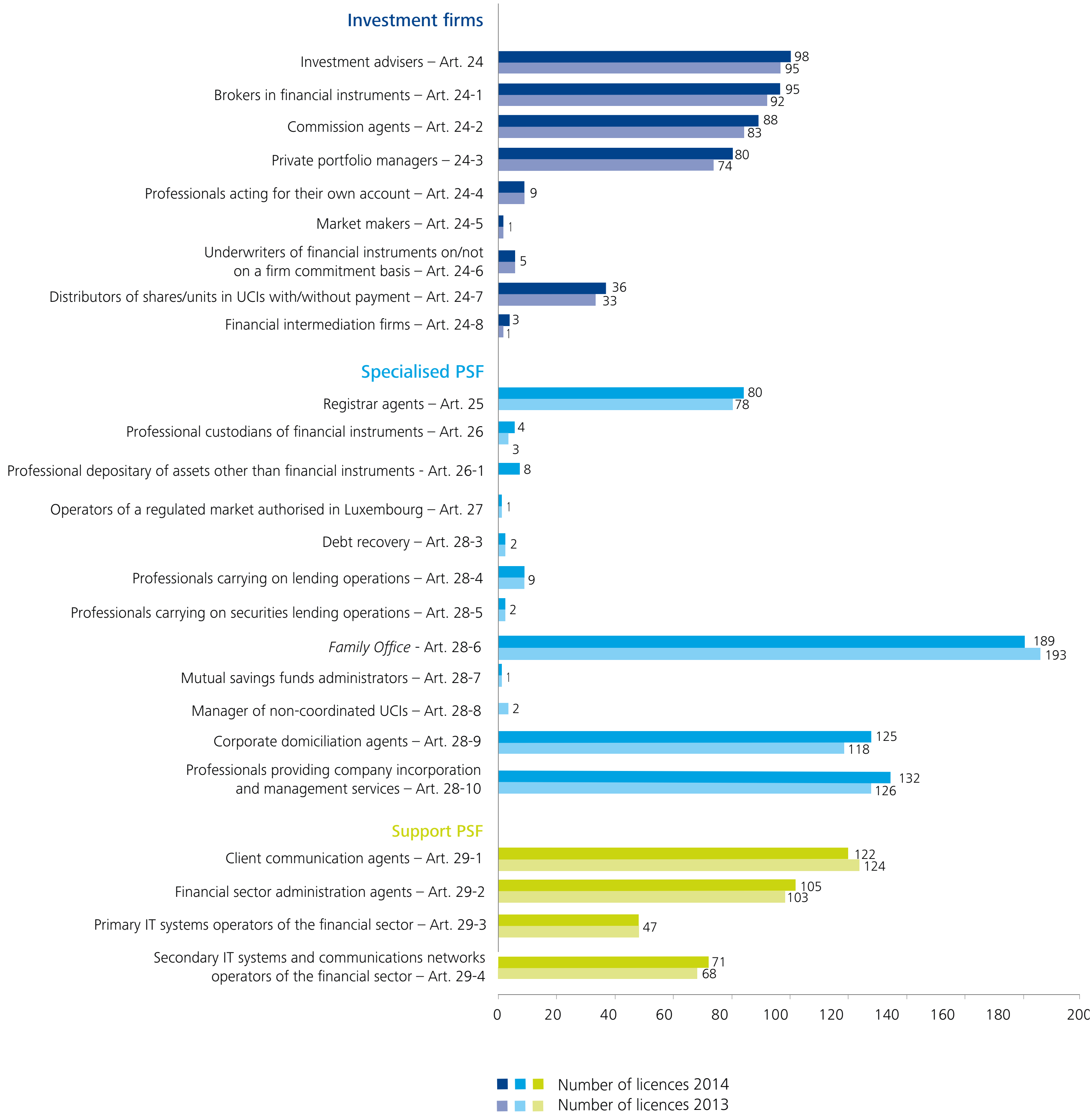
- for investment firms: 131
- for specialised PSF: 91
- for support PSF: 71

Figure 7: Breakdown of the main expenses per PSF category as at 31 December 2014 (in %)



Within support PSF, personnel costs rank first and account for half of identified expenses. They are followed by external expenses and other operating expenses for 47%

Figure 8: Total number of PSF licences as at 31 December 2014 and 31 December 2013



Distribution of the number of licences

As at 31 December 2014, the most widely granted licence is still Article 28-6 “Family Office”. Created in 2013, this licence met with great success as soon as it was published. It has been granted to almost 60% of PSF: 92% of investment firms and 77% of specialised PSF (including 97% of corporate domiciliation agents). It alone represents more than 14% of licences as at 31 December 2014.

Nonetheless, not all of these PSF have begun working the licence and, according to the CSSF, only 42% of companies with 'Family Office' status actually carry on this activity. The market therefore looks set to further invest and develop in this sector.

The three other most frequent licences in 2014 are still Articles 28-9 “corporate domiciliation agents”, 28-10 "professionals providing company incorporation and management services” and 29-1 “client communication agents”.

These three articles account for nearly 30% of licences granted as at 31 December 2014. The number of licences granted for each of these three activities increased between 2009 and 2014 by 45% for Articles 28-9 and 28-10, and by 33% for Article 29-1 (see figure 9).

The 'Registrar agents' licence (Article 25) has also risen sharply, going from 51 in 2009 to 80 in 2014, (+57%), as has the 'Financial sector administrative agents' licence (Article 29-2) which went from 73 to 105 licences between 2009 and 2013 (+44%).

Article 28-8 of the Law concerning manager of non-coordinated UCIs status was repealed with effect on 22 July 2014 by the law of 12 July 2013 relative to alternative investment fund managers. As a result, the two entities which held this licence in 2013 gave up their PSF status in 2014.

Lastly, in 2014, eight specialised PSF obtained the licence under Article 26-1 enabling them to carry on the activity of "professional depositary of assets other than financial instruments". Also created in 2013, this licence was only adopted for the first time in 2014, a sign that the market preferred to wait for a real need for this kind of service to develop before engaging investments.

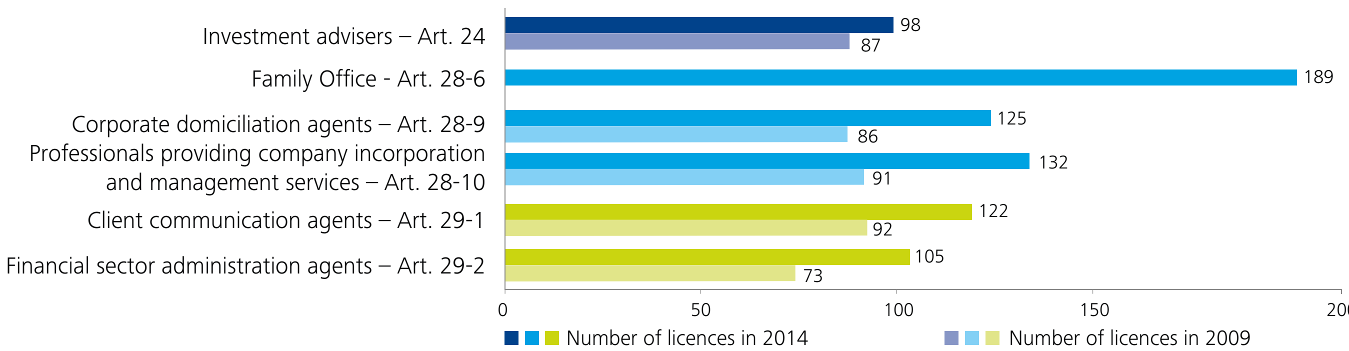
We can see that three licences are not granted as at 31 December 2014.

These are licences under articles:

- 24-9 Investment firms operating an MTF in Luxembourg
- 28-2 Person carrying out foreign exchange cash operations
- 28-11 Central account agent

The Law of 5 April 1993 was recently amended by the law of 25 July 2015 on electronic archiving. Two new licences were created: providers of dematerialization (Art. 29-5) and conservation (Art. 29-6) services. These entities provide services on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, venture capital investment companies, pension funds, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law. It is still early days to measure the market's attraction to these licences announced several years ago.

Figure 9: Change between 2014 and 2009 in the main six PSF licences as at 31 December 2014



PSF look ahead and apply for several licences

PSF often tend to apply for more licences than necessary when they are setting up, thereby hoping to avoid having to make a subsequent application to the CSSF to extend their licence, which would become necessary if they decided to expand their range of activities.

The number of PSF licences granted rose steadily between 2009 and 2014 (+47%).
However, after the take-off seen in 2013 following the introduction of Article 28-6 "Family Office", the increase was more moderate in 2014 at 3%, i.e. 43 additional licences.

For the second year running, the most widely granted licences are those of specialised PSF (42% of licences in 2014 and 2013, compared to 27% in 2012).
These figures do not include postal licences and general provisions, i.e. 3 licences in 2014.

Figure 11 details the factors of change in the number of licences in activity between 2013 and 2014.

These changes break down as follows:

- PSF created during the year
- PSF that already existed (and obtained supplementary licences or decided to relinquish certain licences)
- Entities that totally gave up their PSF status

The variations mainly result from PSF statuses created or those given up.
While the trend in recent years was to broaden service ranges to be better armed to cope with recession, professionals appear to have reached a certain degree of maturity in their service offering, as the low variation in the number of licences over the year would appear to confirm.

Investment firms mostly hold five licences (mainly Articles 24 to 24-3, as well as 28-6 Family Office). This distribution is less pronounced for specialised PSF and support PSF. While most specialised PSF hold six licences, a significant number of specialised PSF hold only three.

Similarly, while the majority of support PSF hold two licences, almost the same amount hold only one (Articles 29-3 and 29-4).

Figure 10: Change in and breakdown of licences since 2009

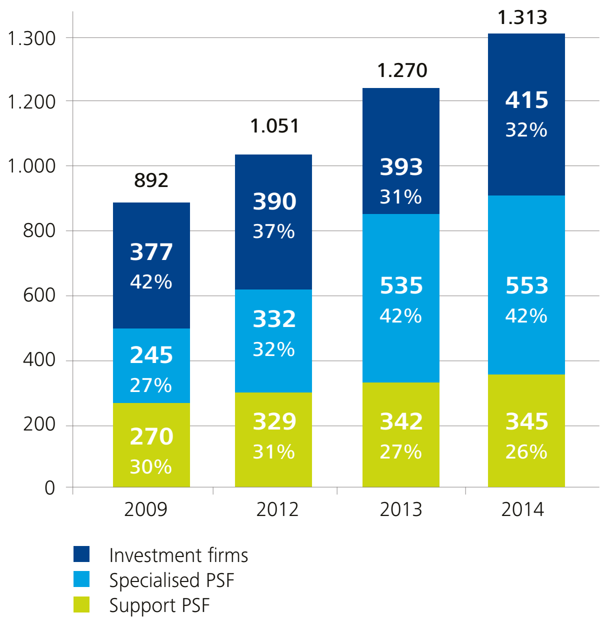


Figure 11: Change in PSF licences over 2014 and 2013

Source of increases and declines in licences	Investment firms	Specialised PSF	Support PSF
PSF created	48	40	19
Existing PSF	4	30	4
PSF withdrawals	(30)	(52)	(20)
Total change in the number of licences	22	18	3

Figure 12: Distribution of PSF by number of licences as at 31 December 2014

Number of licences	Investment firms	Specialised PSF	Support PSF
1	1	22	**31**
2	2	5	34
3	3	**36**	6
4	8	2	9
5	36	5	-
6	**11**	47	1
7	12	6	-
8	6	-	-
9	7	-	-
10	8	-	-
11	3	-	-
12	5	-	-
	102	**123**	**81**

Number of the most represented licences

Interview with Carlo Thelen

Director General of the Chamber of Commerce of the Grand Duchy of Luxembourg
Chief Economist

What are the reasons for the success of the Luxembourg economy and, more particularly, of Luxembourg PSF?

First, the current international context is quite favourable. The Dollar-Euro exchange rate, the low oil price, and low interest rates are all conducive to business development. 2014 saw growth in excess of 5% and expected growth rates for 2015 and 2016 are 3.5%.

Beyond these conjunctural conditions, the historical factors of success are no doubt the same as those that work in several other business sectors in Luxembourg, such as the steel industry, the media, logistic, ICTs (Information and Communication Technologies), etc. The country derives its strengths from a set of structural elements. Political stability, legal and fiscal stability, the international and multicultural environment, modern infrastructure and high quality of life are all assets that both resident and international investors appreciate.

Being a real European testing ground, Luxembourg greatly benefitted from the formation and development of the internal market, and free movement of goods, services, capital and people in Europe. We derived such benefit thanks to our multilingualism, our policy of openness, our dynamism, and our traditional role as a skilful "builder of bridges" between the continental heavy-weights, i.e. Germany and France. All these positive factors fuel the virtuous cycle of the Luxembourg economy, attract expertise, know-how, talent and budding entrepreneurs, and also contribute to the expansion of PSF.

On the other hand, a single, complementary European market also means competition. Our companies are aware that our natural market is limited and that a single market brings higher demands. We must therefore constantly get back on track, innovate, and aim for quality and expertise or, to put it more plainly, be competitive.

As a result, we need increasingly better-trained labour and, on top of the necessary development of our own education and RDI (Research, Development and Innovation) system, a large part of our growth depends on our ability to attract and retain highly qualified labour.

What other major challenges do you see?

The regulatory pendulum has swung too far in some areas. We must bear in mind that many nations worldwide are less regulated than EU countries are. In addition, the European internal market is still under construction and Member States continue to use "gold-plating". Beyond transposing directives, they define additional standards, procedures and guidelines at national, regional and even local levels, which is contrary to the spirit of the European single market.

In environmental matters, we must resist the temptation to prevent or relocate production to reduce pollution, instead of investing and innovating to achieve the same result while securing the future of productive operations. The same reasoning applies to the PSF sector, where risks should indeed be reduced, but excessive regulation must also be avoided.

In Luxembourg, we must also continue to work on our structural challenges, namely education, infrastructure and housing:

- Our education and training system obviously has its qualities and the University is establishing its reputation year after year. But we must also offer technical, technology and vocational training courses that are tailored to our young people and geared to the needs of the Luxembourg labour market. I welcome the projects of the future *Ecole Française* in Gasperich and the new international school in Differdange. The idea of creating two separate educational branches, one French-speaking and the other German, should also definitely be realized to address the challenge of "realistic, well-managed multilingualism" which would not leave so many young people out on a limb.
- Regarding our infrastructure, I would say that communication with the main European centres is good, except for the rail link with Brussels and the interconnection with the high-speed rail network on the German side. Transport of cross-border workers is still a complex issue. Both individual and collective mobility must remain an absolute priority.
- As for housing, we are faced with a shortage in a context of spectacular demographic development, so prices are logically very high. Supply must follow demand, which implies faster procedures and denser housing. Private investors should play a more active role in social rental housing, alongside the public sector.

Looking further ahead, the definition of the required - and desirable - socio-economic model raises questions in terms of our social welfare system (health insurance, dependency, retirement) and the dichotomy of our country's governance (i.e. public service reserved for nationals vs. private sector driven by non-nationals and non-residents).

Can you tell us about the current Nation Branding project?

Our country's main strengths lie in its reliability, its dynamism and its openness. Via this initiative, Luxembourg asserts itself as an "ally", promising that it is possible to move forward with and in the Grand Duchy. A more professional Nation Branding approach aims to show the world that, while it is well-known, Luxembourg is much more than an international financial hub, or just a former pseudo-tax haven.

In our country, the three concepts of reliability, openness and dynamism take on their full meaning:

- Our "Made in Luxembourg" label is recognised as being synonymous with top quality, modernism and innovation.
- Luxembourg is the European country, which, all proportions kept, welcomes the most migrants. The "live together" and "do together" concepts echo our tradition of building bridges.
- Our public services should rapidly find solutions that can be applied on the ground, with a reputation for flexibility. We aim to keep our flexibility and our pragmatism, through a system of incentives to help entrepreneurs generate added value. The initiative would be very counterproductive if we promoted flexibility, rapidity and pragmatism as major advantages, without turning them into concrete actions.

1.2 The PSF: a consistent and steady employer

PSF employ 14,978 people as at 30 June 2015, i.e. 11,310 more employees than Management Companies and 10,691 less than Banks

Employment in PSF

Based on the latest study carried out by the Haut Comité de Place Financière (HCPF) on the situation as at 31 December 2012, we estimate that the PSF sector (including support PSF) accounts for almost 4% of jobs of the working population in the Grand Duchy. PSF are Luxembourg's second-largest employers in the financial industry, ahead of Insurance and Management Companies (figure 13).

Employment in PSF increased during 2014. Since 2008, it has recorded growth of over 15%, whereas employment in banks declined globally by more than 5% over the same period. The first half of 2015 confirmed the erosion in banking sector employment (-0.4%) while employment in PSF continued to grow, albeit modestly (+0.8%).

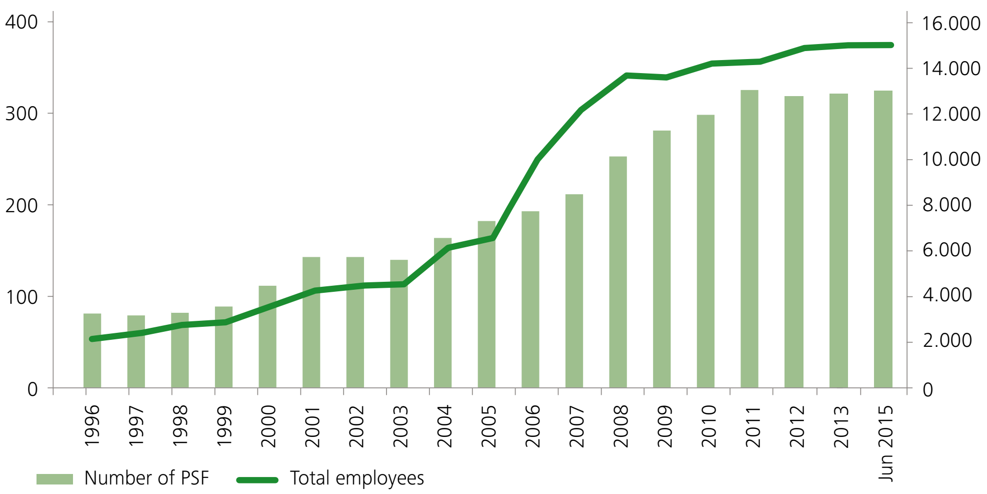
The breakdown of employees by category of PSF remains stable year over year.

Support PSF are represented most with more than 60% of jobs in the sector. Their staff numbers remain stable from one year to the next. Employees in investment firms and specialised PSF are equivalent.

The decline recorded by investment firms is greatly due to one investment firm with a high headcount (Intertrust (Luxembourg) S.A. with 230 employees), which was withdrawn from the official list of investment firms following its merger by absorption by a specialised PSF.

Thus, specialised PSF saw their headcount increase by 7% over the year, i.e. 230 additional employees. This variation is due to the transfer of 230 employees following the merger of Intertrust, and to the arrival of new players in the category and a general recruitment trend (respectively +63 and +78 people) even though one player representing 164 people relinquished its licence).

Figure 13: Summary of jobs by year and comparison with changes in the number of PSF



Source: CSSF statistics of June 2015 based on the most recent available data.

The analysis that we conducted on the basis of PSF 2014 annual financial statements shows that most investment firms and specialised PSF have less than 25 employees.

These PSF employ 21.3 people on average for investment firms and 27.9 for specialised PSF. These average figures remain quite high thanks to a handful of entities generating a significant number of jobs:

- The four largest investment firms alone employ nearly 1,000 people (with over 100 employees each, EFA having more than 500). The workforces of these companies account for almost 42% of the total number of investment firm employees. Without these four entities, investment firms would have an average workforce of 12.4 people
- The number of specialised PSF employing more than 100 people is higher (8 as at 31 December 2014). Among them, there are five PSF with over 150 employees, totalling more than 1,000 people. They are TMF, UBS Fund, Intertrust, SGG and International Financial Data Services. In total, their workforces account for almost a third of specialised PSF employees.

Sans ces 5 entités, l'effectif moyen des PSF spécialisés serait ramené à 19 personnes.

Most support PSF employ between 10 and 75 people. However, the average number of employees per support PSF is 111.6, a figure boosted by five PSF (Clearstream Services, Brink's Security, G4S Security Solutions, SOGETI and IS4F) which each employ more than 500 people (totalling more than 3,600 employees, i.e. 41% of the sector's total workforce).

See our analysis for details of support PSF employees (figure 17 on page 25).

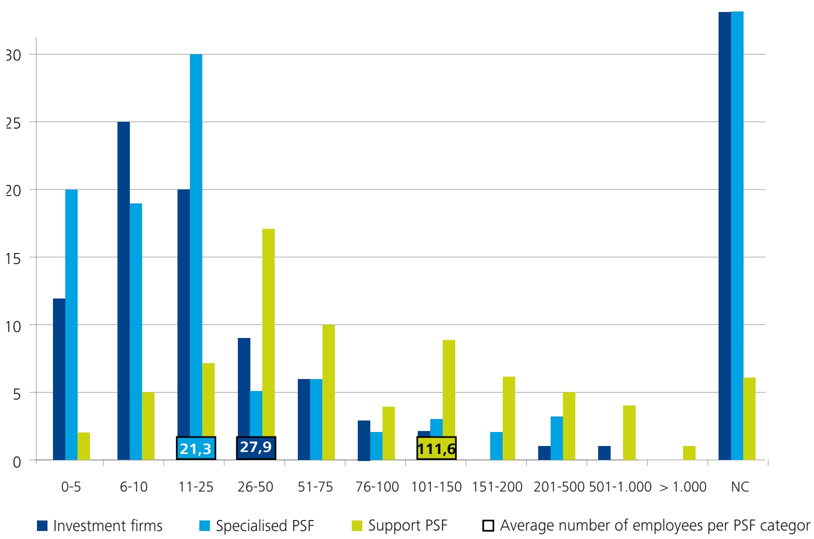
Without these five PSF, the average workforce of support PSF would be practically divided by two, to 66.2 employees.

Figure 14: Changes in the number of employees by PSF category

	2014		2013		Change	
	Total	Part	Total	Part	Total	%
Investment firms	2.390	16%	2.560	17%	(170)	-7%
Specialised PSF	3.431	23%	3.201	22%	230	7%
Support PSF	9.043	61%	8.971	61%	72	1%
Total	14.864	100%	14.732	100%	132	1%

Source: CSSF annual report.

Figure 15: Distribution of PSF by employee bracket as at 31 December 2014



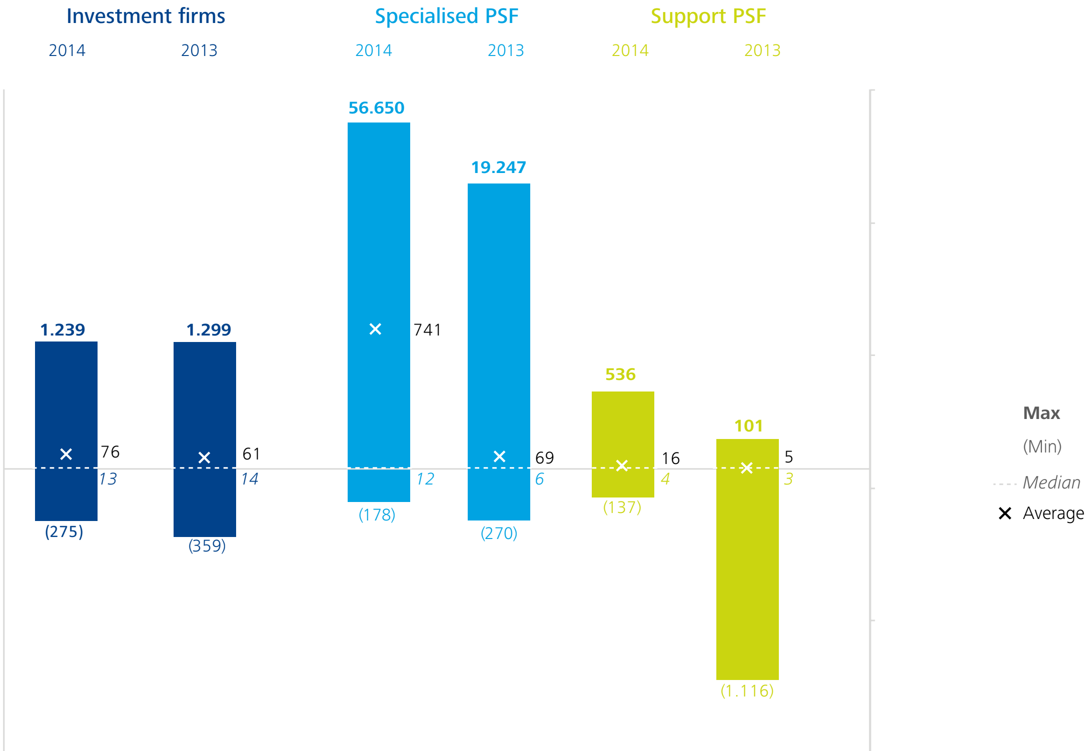
Review of the results of PSF per employee

Following our analysis of PSF annual financial statements, we were able to calculate the average profit per employee. For all PSF, it amounts to €38.8 thousand in 2014 compared to €28.5 thousand in 2013. Specialised PSF show highly variable profit figures per employee: between a loss of €178 thousand and a profit of €57 million per employee (for Cemex Global Funding). Without these two extremes, average profit per employee amounts to €116 thousand.

The significant rise in average profits per support PSF employee is due to an overall increase in results (+40%) while the workforce remained relatively stable.

Conversely, the 25% increase in the average profit per employee of investment firms is due more to the reduction in the number of employees (-7%) than to the slight increase in their profits (+3%).

Figure 16: Range and average net profit per employee as at 31 December 2014 and 31 December 2013 (in €,000)



Details of the support PSF workforce

We can see that employees of support PSF account for 61% of all PSF staff. Security and IT services are the activities that generate so many jobs. Thus:

- G4S et Brink's Security (dans le domaine du gardiennage et de la sécurité) emploient à elles seules presque 2.000 salariés
- Clearstream Services, Sogeti et IS4F (qui proposent des solutions et services IT) emploient ensemble presque 1.700 salariés

These five companies account for almost 25% of all PSF jobs.

Le taux d'emploi féminin en 2014 pour les PSF de support est de 21%.

It remains stable compared to previous years, but well below the rate in banks, which was 45,5% at the end of 2013. The nature of support PSF, which mainly focus on IT or protection, largely explains this situation.

Across all PSF, the rate of female employment is 32%:

- Investment firms: 42%
- Specialised PSF: 54%
- Support PSF: 21%

Without support PSF, this rate would be in line with – or higher than – the rate recorded in banks

Figure 17: Breakdown of jobs by employee category in support PSF

	2014	2013	2014/2013 change
Executives	578	586	(8)
Employees	8.465	8.385	80
Including part time	*887*	*850*	*37*
Total	**9.043**	**8.971**	**72**
Including men	7.122	7.067	55
Including women	1.921	1.904	17
Female employment rate	**21,2%**	**21,2%**	

Source : CSSF 2014 annual report

Employees of support PSF account for 61% of all PSF staff

2 Types of PSF

2.1 Licences in detail

The following table schematically sets out the various categories, as well as the different licence types of PSF.

Article Licence
Minimum capital or financial base

Authorised to act as

Investment firms

24
Investment advisers
€50,000

24-1
Brokers in financial instruments
€50,000

24-2
Commission agents
€125,000

24-3
Private portfolio managers
€125,000

24-4
Professionals acting for their own account
€730,000

24-5
Market makers
€730,000

24-6
Underwriters of financial instruments **€125,000** (**€730,000** if they carry out placements with a firm commitment)

24-7
Distributors of shares/units in UCIs
€50,000 (**€125,000** if they accept or make payments)

24-8
Financial intermediation firms
€125,000

24-9
Investment firms operating an MTF in Luxembourg
€730,000

Specialised PSF

25
Registrar agents
€125,000

26
Professional depositaries of financial instruments
€730,000

26-1
Professional depositaries of assets other than financial instruments
€500,000

27
Operators of a regulated market authorised in Luxembourg
€730,000

28-2
Currency exchange dealers
€50,000

28-3
Debt recovery

28-4
Professionals performing lending operations
€730,000

28-5
Professionals performing securities lending
€730,000

28-6
Family Offices
€50,000

28-7
Mutual savings fund administrators
€125,000

28-9
Corporate domiciliation agents
€125,000

28-10
Professionals providing company incorporation and management services
€125,000

28-11
Central account keepers
€730,000

Support PSF

29-1
Client communication agents
€50,000

29-2
Administrative agents of the financial sector
€125,000

29-3
Primary IT systems operators of the financial sector
€370,000

29-4
Secondary IT systems and communications networks operators of the financial sector
€50,000

29-5
Digitisation service providers
€50,000

29-6
E-archiving service providers
€125,000

The appendix to this brochure features the key information on PSF by type of licence, with the legal definition of the licence and products and services offered, the minimum required capital (or the capital base) and, where applicable, the amount of civil liability insurance required by law in order to carry out the activity.

Due to the high number of statuses that are mostly unrelated to one another, there are theoretically billions of possible combinations of licences. Yet, as at 31 December 2014, there were only 316 PSF. It is therefore interesting to look at the main combinations of licences that can be found.

Figure 18 opposite shows the licences by main category and the overlaps between categories as at 31 December 2013 and 31 December 2014. PSF have the option of combining several licences, but it is the principal licence of the PSF, allocated by the CSSF, which determines the PSF category.

An investment firm licence takes precedence over the other categories of specialised PSF or support PSF and is therefore the PSF's principal status. The PSF will thus be identified as an investment firm.

A specialised PSF licence takes precedence over a support PSF licence and will therefore be the PSF's principal status. The PSF will then be identified as a specialised PSF.

Accordingly, PSF that do not have investment firm or specialised PSF status are support PSF.

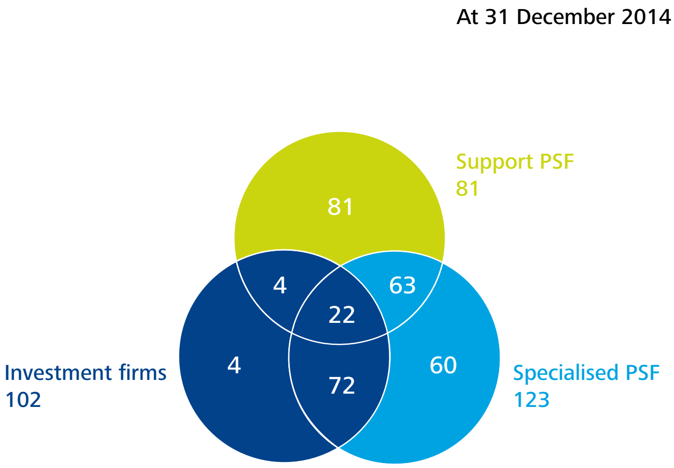
The total number of PSF included in this analysis as at 31 December 2014 was 307:

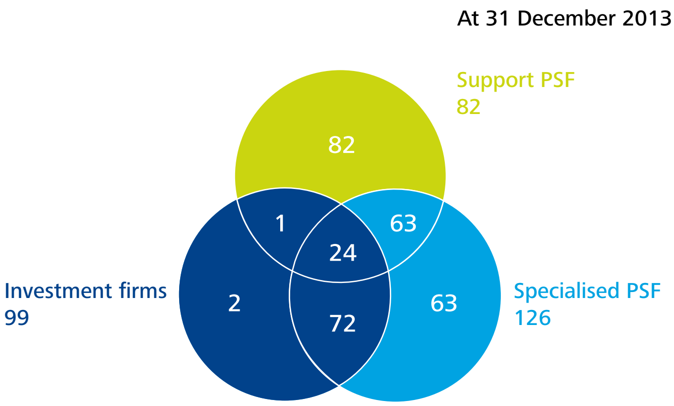
- 102 investment firms
- 123 specialised PSF (the 94 players with investment firm status have already been identified above and are therefore not counted as specialised PSF)
- 81 support PSF (the 91 players with investment firm and specialised PSF status have already been identified above and are therefore not counted as support PSF)

Entities with a status pursuant to Articles 24 to 24-9 have been classified as investment firms. Specialised PSF are entities with a licence under Articles 25 to 28-11. Support PSF are entities that only have licences under Articles 29-1 to 29-6.

Of the 316 PSF in existence as at 31 December 2014, the 10 PSF that are branches of European entities have been excluded from this analysis. They are part of foreign entities that are not subject to the Luxembourg Law of 5 April 1993, as amended.

Figure 18: Licences of PSF by category





2.2 Investment firms

As the only PSF category to have the European passport for the distribution of their products and services, investment firms can set up branches and freely provide services merely by filing a single notification to the authorities of other European Union Member States.

The number of investment firms included in the analysis as at 31 December 2013 was 102 compared to 99 as at 31 December 2014.

Nearly all the investment firm PSF have one or other, or even all of the following four licences:

- 98 hold an investment adviser licence (Art. 24)
- 95 have a licence as brokers in financial instruments (Art. 24-1)
- 88 have a licence as commission agents (Art. 24-2)
- 80 have a licence as private portfolio managers (Art. 24-3)

Only two investment firms do not have any of these four licences.
More than 75% of investment firm PSF have all four licences.

The other licence widely held in investment firms corresponds to the status of distributor of shares/units in UCIs (Art. 24-7), in one third of investment firms.

Many of these PSF also hold additional licences relating to other PSF categories. While all investment advisers have applied for the Family Office licence (Art. 28-6), half say that they do not (yet) carry on this activity as at 31 December 2014 (and in August 2015).

The other additional activities are quite uniform and primarily concern providers of company incorporation and management services (Art. 28-10), administrative or client communication agents (Art. 29-1 and 29-2), registrar agents (Art. 25) and corporate domiciliation (Art. 28-9) (Figure 19).

The licences held by investment firms remained relatively flat between 2013 and 2014 (see Figure 19), despite an overall increase in licences since 2009.

Figure 19: Licences granted to investment firms as at 31 December 2014

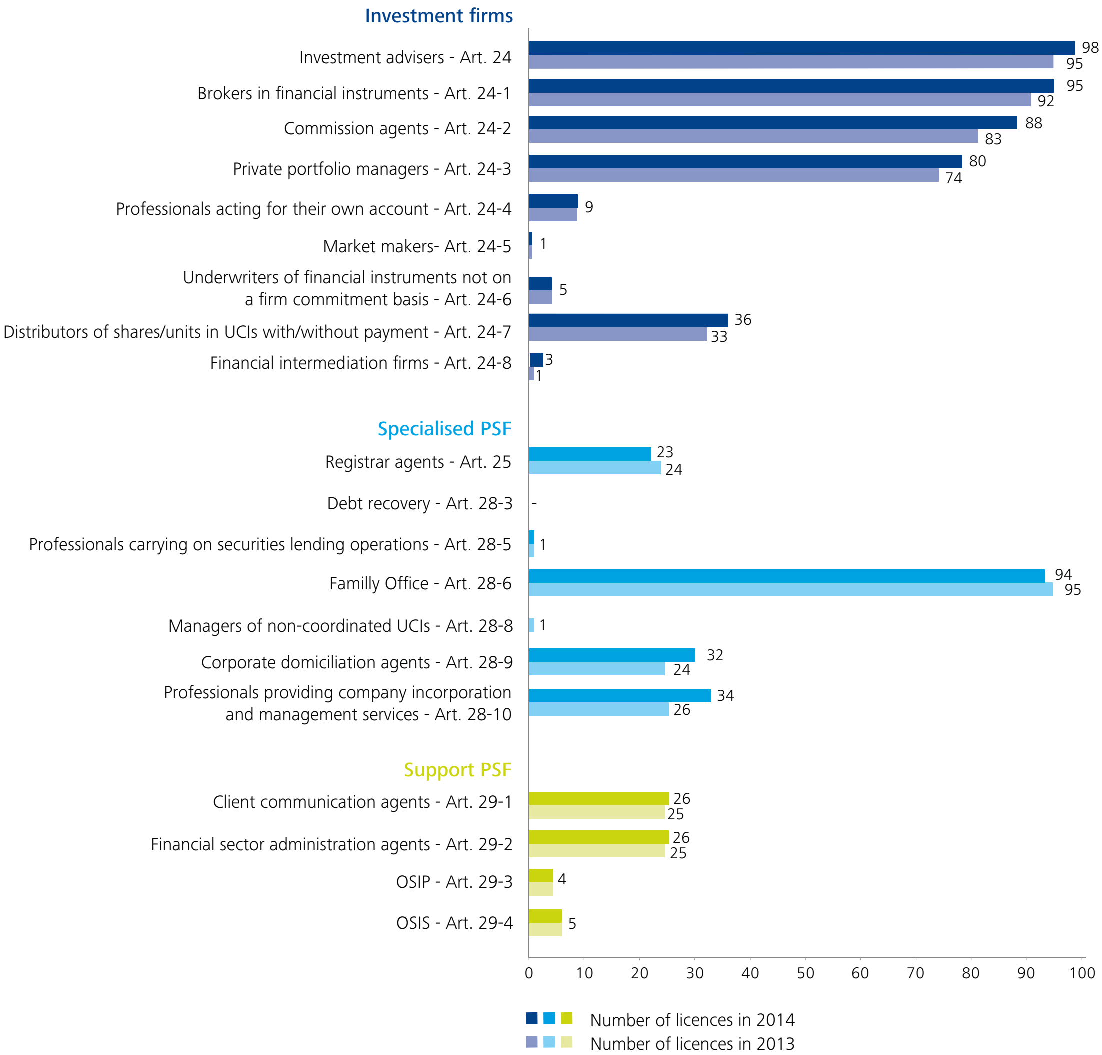
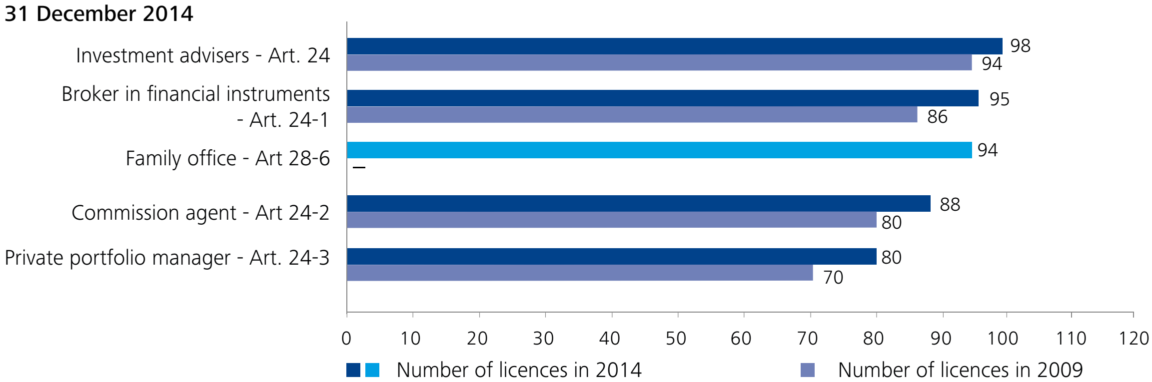


Figure 20: Change between 2014 and 2009 of the six licences held by the main investment firms as at 31 December 2014



Questions to Claude Eyschen

Managing Director of CapitalatWork – Foyer Group Luxembourg

How do you see the environment of private portfolio managers evolving in Luxembourg?

Private portfolio management in Luxembourg has been a popular subject of debate and very few observers viewed its future brightly. However, private portfolio managers are doing well today in Luxembourg. Obviously, the changes have been and will continue to be significant. Just like banks, private portfolio managers have lost many of their small European clients. But our total assets under management and the average size of our clients' portfolios have both increased considerably.

Our development strategy here is focused on Luxembourg residents and, today, the majority of our clients are residents in the Grand Duchy. For the rest, we particularly cater to European clients, especially those from the Benelux countries, who we serve either in Luxembourg, or via a subsidiary in Belgium or the Netherlands.

Other managers have focused on a non-European client base, and their strategy has apparently paid off.

What are the main challenges facing managers in Luxembourg?

Automatic exchange of information is a major milestone we must cross. Production costs are high, and they are fully borne by the managers themselves, because clients do not see this as a high value-added service. In the world of CRS, a client wishing to open an account outside his country of residence has more administrative hurdles to clear than if he opened it at home.

Luxembourg managers must find a real differentiating factor that sets them apart from local players in order to attract European clients, as proximity is obviously an advantage for the latter. That's why we have chosen to have local offices in our target countries, such as Brussels, Antwerp, Ghent and Breda, with another due to open soon in Courtrai. Luxembourg will have a role to play for Luxembourg residents and for businesses that are active internationally.

MiFID II and the end of certain retrocessions will impact the business model of some private portfolio managers. Several years ago already, CapitalatWork chose to limit its offer solely to discretionary management, by developing its analyses and products in-house, which makes us totally independent from retrocession models.

Another challenge lies in the emergence of index funds and so-called "passive" management. First we must deliver performances to prove to clients that active management creates real added value. But we must also prepare to cope with narrower margins, because when yields are low, the costs can swiftly reduce all index outperformance to nil.

Regulations remain a fundamental issue. There are probably more conferences and workshops in Luxembourg on MiFID II, CRS and other regulations than there are on investment opportunities or economic topics. We spend a lot of time thinking about regulatory implementation, when we should be focusing on improving services to clients. Like I said already about CRS, our new forms and procedures do not represent any great added value for clients and they could grow weary of our questions. We are truly in danger of turning our sales and management teams into administrative staff.

Are there still any opportunities for private portfolio managers in Luxembourg?

It all depends on whether you take an optimistic or pessimistic view and the comparison basis you use. Compared to our immediate neighbours, Luxembourg is in quite a good situation.

I still firmly believe that Luxembourg is capable of attracting new high-net-worth residents. Our client base comprises a growing number of residents who moved to Luxembourg in the past five years. Moving house is often an opportunity to put a number of things in order, particularly with one’s asset manager, and we have seen many clients changing bank or manager on arriving in Luxembourg. These new residents also form a small community, which communicates and can refer new clients to us, i.e. other people deciding to move to the country. Through their questions, we have also seen that real-estate remains a key concern. In recent years, we have indeed seen luxury homes springing up, particularly in the city, but large landed properties are rarely up for sale.

ARTICLE

Eric Centi
Partner
Global Financial
Deloitte Luxembourg

Dawn of a new fiscal era

Taxation has today become a topical issue that regularly makes headline news in the press and other media, reflecting its importance and the interest it arouses, well beyond the fiscal realm. It is now vital that economic players fully understand this fundamental trend to ensure good governance within their organisation. It is indeed crucial that a company director comprehend the fiscal changes taking place and anticipate the impacts they will have on the company's organisational model, while ensuring full compliance with new fiscal standards.

Overview of current tax issues from the Luxembourg perspective.

Once upon a time…

The financial crisis that began in 2007 with the subprime crisis, followed by the bankruptcy of US bank *Lehmann Brothers*, revealed the inter-connectivity between financial systems and the so-called real economy in our main industrialised countries. Although it hit the financial world first, the crisis swiftly stretched to the real economy, plunging numerous countries into widespread recession[1].

This crisis has significantly impacted the financial situation of many countries around the world, with debts and public deficits literally soaring. While restraint policies have been brought in here and there, mainly to control levels of public spending, many States have also sought to introduce tax measures to boost their revenues. While tax pressure has naturally grown with the introduction of new taxes and/or increases in existing ones, States have also adopted new strategies based on the principles of tax transparency, coordination and even harmonisation.

Below, we look at some of the international and European initiatives that reflect this underlying trend, and try to identify the lessons that Luxembourg can learn from them.

Towards greater tax transparency

Encourage…

Some countries have unilaterally launched vast clean-up campaigns to enable taxpayers who own non-declared assets overseas to sort out their personal tax situations at lower expense. To encourage taxpayers to take the plunge, penalties, fines and even criminal proceedings could be dropped depending on the case. While these campaigns have generally been successful - France should recover revenues of the order of €2.65 million for 2015 and the French Government is expecting €2.4 million for next year's budget -, the main drawback for the tax authorities is that they rely on voluntary participation.

…or demand exchange of information

However, taxpayers unwilling to come forward as part of these clean-up campaigns are not left in peace, since the move towards greater transparency has gradually led to the introduction of systems that oblige financial institutions to declare their clients' hidden assets.

The foundations were already laid with the European Savings Directive 2003/48, effective in July 2005, which introduced automatic exchange of information on interest income. Under the pretext of respecting banking secrecy and like other Member States such as Belgium and Austria, Luxembourg had, however, initially negotiated the application of a flat-rate withholding tax before yielding to the exchange of information on interest income on 1 January 2015.

1 *De la crise financière à la crise économique. L'impact des perturbations financières de 2007 et 2008 sur la croissance de sept pays industrialisés. Jean-Charles Bricongne, Jean-Marc Fournier, Vincent Lapègue, Olivier Monso. Economie et statistique, Année 2010, volume 438, numéro 1, pp. 44-77.*

The United States then launched a vast scheme under the now familiar acronym FATCA , primarily to secure annual exchanges of information about assets held outside the United States by American citizens. The scheme is distinctive in that it places the obligation to exchange information on the financial institutions holding the taxpayers' assets and in that this US legislation is, in general, imposed on their partners via intergovernmental agreements subsequently transposed into domestic law.

Drawing inspiration from the US model, the OECD decided to establish automatic exchange of information as a standard: the Common Reporting Standards (CRS) provide for the annual transmission of information concerning financial accounts, and particularly balances, interest, dividends and income from disposal of financial assets declared to the authorities by financial institutions, concerning accounts held by natural and legal persons. So far, almost a hundred countries have declared their support for the initiative and the first reports are expected in 2017. Like FATCA, the standards define the account information to be declared, the various types of accounts and taxpayers covered, and the due diligence procedures that financial institutions must follow.

To ensure harmonised exchange of information within the European Union, the Commission has proposed reproducing this OECD initiative in the form of a Directive[4] which was published in December 2014 and which Member States must transpose into their national law by the end of 2015. The objective is to capture information starting 1 January 2016 with a view to reporting it for the first time in 2017

For further details, we recommend consulting our website at:

http://www2.deloitte.com/lu/en/pages/tax/articles/automatic-exchange-of-information.html

The main thread of all these standards on exchange of information is that they require financial institutions to automatically report client information to the tax authorities, creating fears of a considerable volume of reports to be processed.

In parallel to this initial move towards greater transparency, another trend is emerging towards greater tax harmonization or, at least, greater fiscal coordination between States.

2 Of which the rate has gradually risen from 15% to 20%, and finally 35%.
3 Foreign Account Tax Compliance Act
4 « DAC2 » Directive (2014/107/EC)

Towards greater tax harmonization

An international trend…

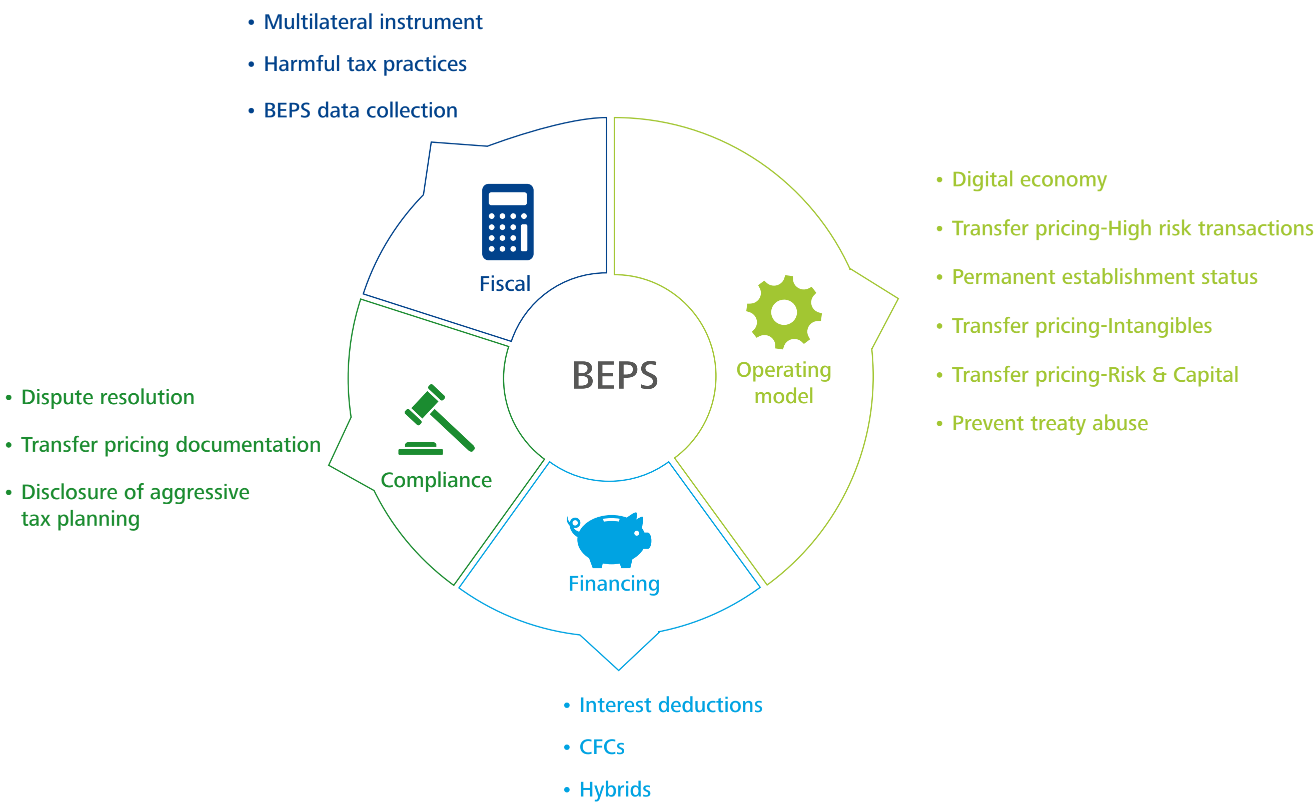
The principle of sovereignty so dear to States is at the heart of the debate aiming to promote greater harmonization of tax policies. Each State indeed intends to keep control over their budget and tax policy preparation, as a guarantee of their financial, and to some extent, political independence.

However, globalization of the economy and growing internationalisation of the business of multinational firms seen in recent decades have prompted States to establish a web of bilateral international standards – tax treaties – which aim to address the disparities resulting from the application of different national systems. The pressure brought to weigh on budgets by the current recession revived the debate on the issue and the G20 Finance Ministers tasked the Organisation for Economic Cooperation and Development (OECD) with developing an action plan to deliver coordinated, global solutions to the problems of tax base erosion and profit shifting, aka BEPS[5].

Without going into the technical details of this initiative, the action plan includes 15 targeted actions aiming to meet the following goals:

- Ensure coherence of the corporate taxation system on an international scale;
- Realign tax rules on economic substance to restore the expected effects and benefits of international standards;
- Promote greater tax transparency.

BEPS action plan



5 *Base Erosion and Profit Shifting.*

The measures on which the OECD is working have gradually been published over recent months and a final package was released on 5 October 2015. A wide variety of issues are tackled including, for example, common rules to govern interest deduction[6], measures to ensure payment for transactions between affiliated companies based on value created[7], and a transfer pricing documentation requirement aiming to compel multinationals to disclose data about the global allocation of their income, their economic activity and the taxes paid in the various countries in which they operate[8].

For further details, we recommend consulting our website at:

http://www2.deloitte.com/lu/en/pages/tax/articles/base-erosion-and-profit-shifting-beps.html

…also reflected at European level
In Europe, the debate on tax harmonization is not outdone. Despite several reminders from the Court of Justice of the European Union that direct taxation[9] remains a prerogative of the Member States[10], in March 2011, the European Commission proposed a project to establish a Common Consolidated Corporate Tax Base[11] for companies operating in the European Union. Although at the time, the project came under fierce criticism from certain Member States, in June 2015, the Commission announced that a new proposal would be tabled in 2016 integrating the results of studies conducted in connection with the BEPS project, and asserted two key features of the future system:

- Firstly, the CCCTB would no longer be optional, as initially proposed in 2011, but mandatory, the Commission considering that an optional system would have little chance of being used by multinationals despite the declaratory advantages it would offer;
- Secondly, the Commission would favour a gradual approach for bringing in the CCCTB, believing it would facilitate Member States' agreement to a core set of rules.

While it has been relatively stable over the past decades, the international tax environment has been suddenly and exponentially reshaped in recent years due to the impact of recession and heightened pressure on budgets, as the two fundamental trends described above reflect.

What are the impacts for Luxembourg?
As an international financial marketplace, Luxembourg is inevitably at the centre of these transformations and is setting the example by changing its tax model.

Regarding tax transparency, Luxembourg signed an inter-governmental agreement with the United States in March 2014 which was transposed into domestic law this summer. It enables financial institutions established in Luxembourg to make the first FATCA declarations.

Luxembourg's next step will be the transposition of the December 2014 DAC2 Directive to provide financial institutions in Luxembourg with a national legislative framework and allow them to exchange information about assets owned by their foreign clients starting next January[12].

6 Action 4.
7 Actions 8, 9 et 10.
8 Action 13.
9 Regarding indirect taxation, however, EU provisions require Member States to find ways for harmonizing taxation. This is why value added tax (VAT) is governed by a Community Directive harmonizing the application of this tax within EU Member States.
10 The only limit being compliance with EU law, and particularly respect for the fundamental freedoms set forth in the Treaty on the Functioning of the European Union, such as freedom of establishment, freedom to provide services and free movement of persons and capital.
11 CCCTB.
12 As stated above, the first reporting is expected for 2017, but will concern assets held since 1 January 2016.

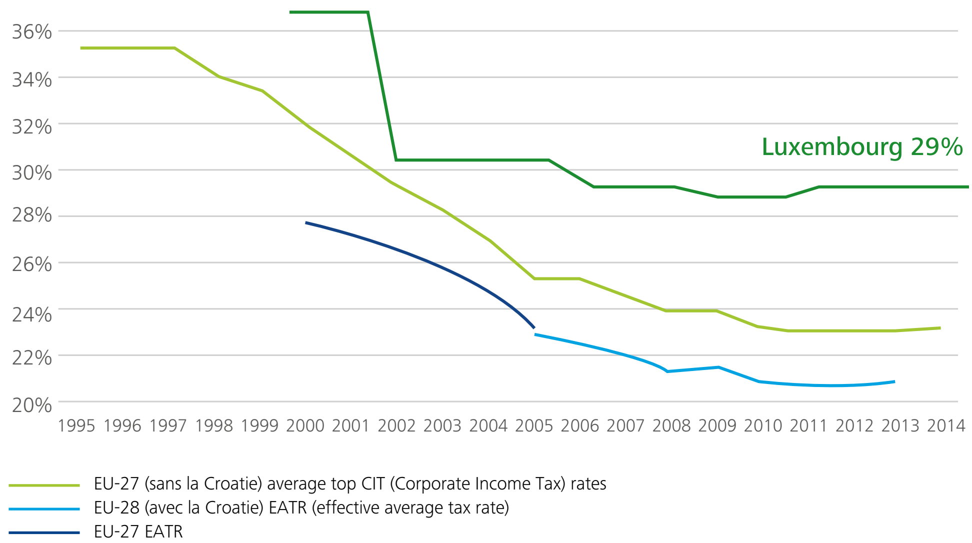
While this new tax framework can, to some extent, be regarded as an additional administrative burden, it is nonetheless a real opportunity to offer new services to private clients. As these clients must now comply with the tax requirements of their country of residence, financial sector players are in a position to offer their wealth and asset management services more extensively. In addition, these players will derive benefit from gathering and processing data about these clients, as they will be able to offer innovative services such as tax reporting, assisting clients with their personal tax returns, or even claiming back withholding taxes.

In terms of tax harmonization and coordination, Luxembourg is also involved in talks on the BEPS project. When he addressed the European Parliament this summer, Pierre Gramegna stated that if BEPS aims to develop a coherent approach and thus ensure transparency and a level playing field on a global scale, the European Union must make sure that everyone follows suit. In other words, no State must be left out of this movement and they must adhere to the project. The Luxembourg Minister of Finance also predicts that extensive efforts will be needed to translate some of the recommendations into EU legislation.

At the same time, Mr. Gramegna confirmed that the European Union Presidency was working to progress on a future draft Directive for a common corporate tax base, which is apparently not an easy concept to implement in practice.

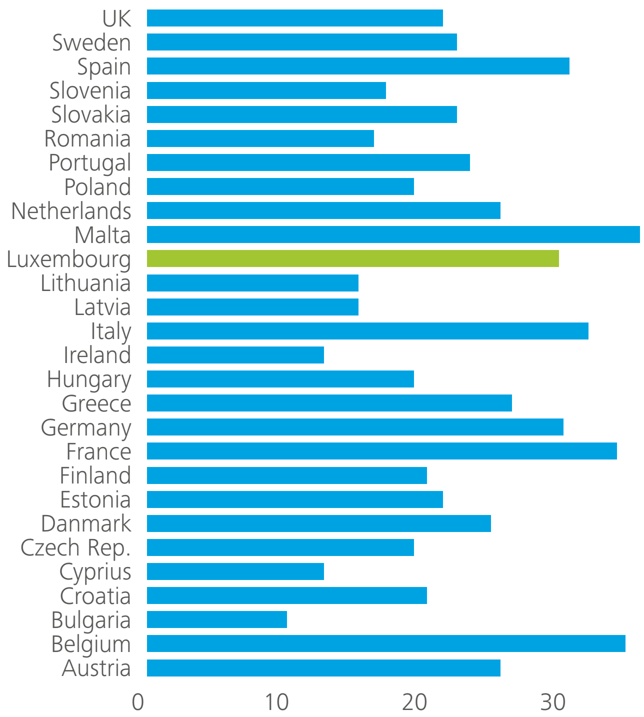
Lastly, Luxembourg's agenda includes a tax reform project announced a while ago and expected to come into force in 2017. Regarding corporate taxation, the flagship measure of this reform is a reduction in corporate income tax, currently at a cumulative rate of around 30%, well above the average in Europe. While talks on the future nominal tax rate of Luxembourg companies are progressing, nothing has filtered through yet and concrete announcements are expected in 2016 at the end of Luxembourg's Presidency of the European Union.

Corporate income tax rates across Europe



Source : EU Commission and Deloitte

Corporate income tax rates across Europe



Taxation is a lively topic and the changes seen in recent years do not refute the fact. It is not easy for company directors to keep up with all these developments, yet it is vital to ensure not only that their business complies with the new standards and to understand how the new tax environment affects their organisational model, but also to think about new services they can offer clients, a factor which may reconcile some people with the matter…

2.3 Specialised PSF

Unlike investment firms, specialised PSF do not benefit from the European passport, but may carry on financial activities in Luxembourg. There are 123 specialised PSF as at 31 December 2014, versus 126 in 2013.

This category covers three main sub-groups.

The first sub-group includes 95 Family Offices (Art. 28-6). We note that:

- They also hold licences under Art. 28-10 as professionals providing company incorporation and management services (with only one exception) and Art. 28-9 as corporate domiciliation agents (in 95% of cases)
- More than half of them hold licences as registrar agents (Art. 25), client communication agents and financial sector administrative agents (Art. 29-1 and 29-2.

The second sub-group includes 57 registrar agents (Art. 25):

- All of them have the support PSF licences under Art. 29-1 and 29-2 respectively as client communication agents and financial sector administrative agents
- Almost all of them have the specialised PSF licences as Family Offices (Art. 28-6), corporate domiciliation agents (Art. 28-9) and professionals providing company incorporation and management services (Art. 28-10)
- Only one holds a licence as an IT systems operator (Art. 29-4)

Figure 21: Licences granted to specialised PSF as at 31 December 2014

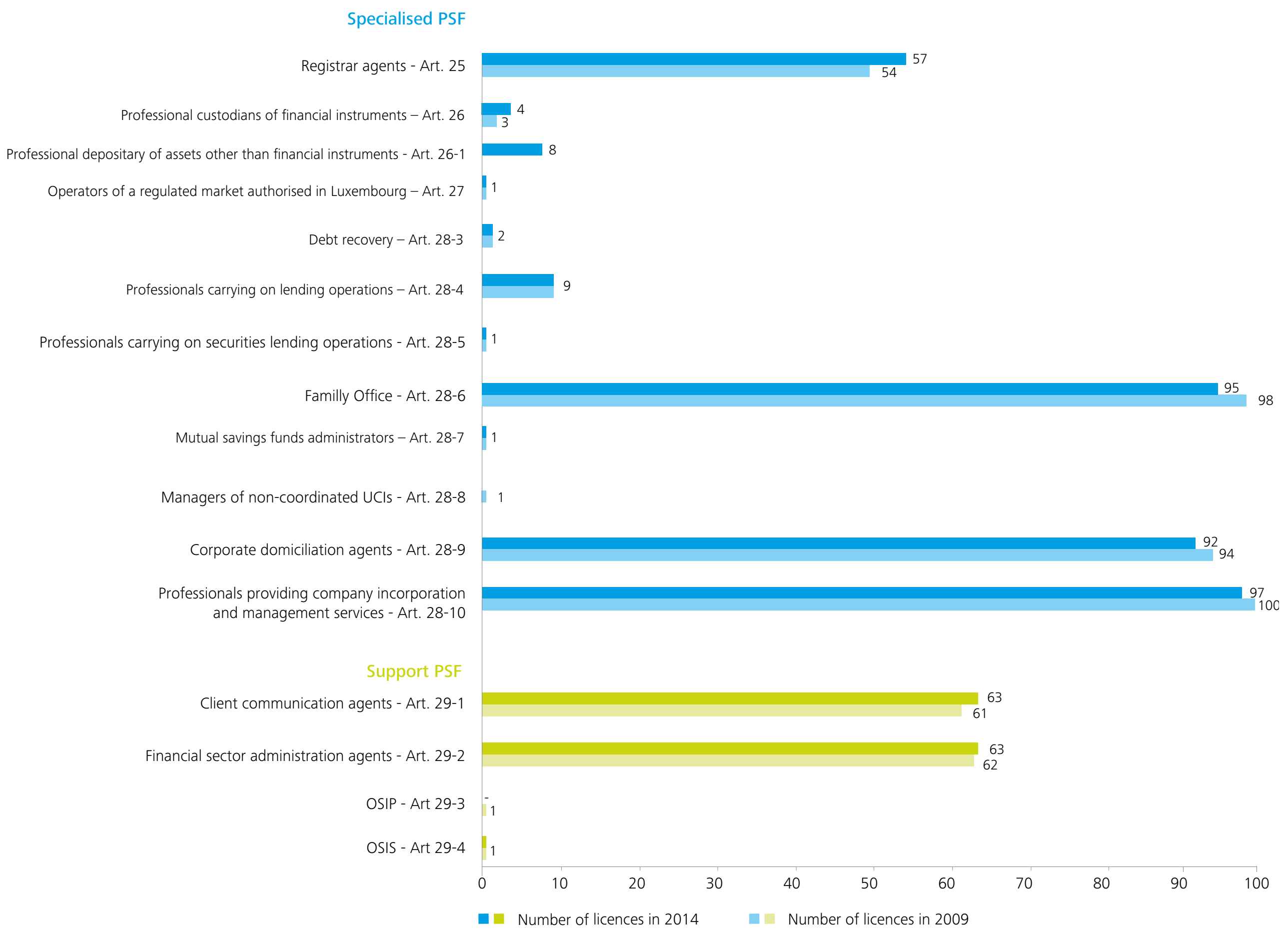
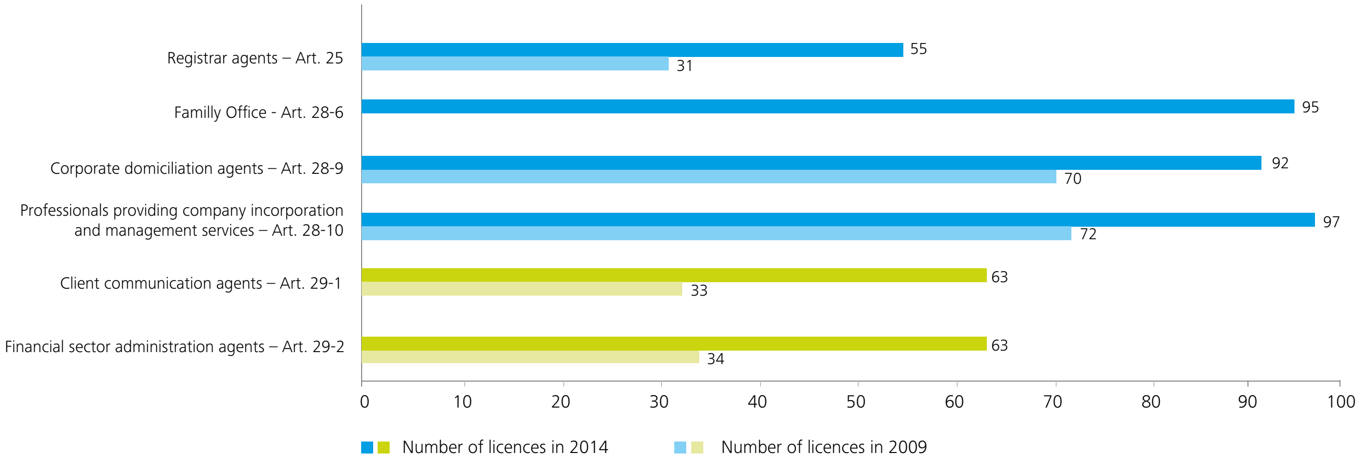


Figure 22: Change between 2014 and 2009 in the six licences held by the main specialised PSF, as at 31 December 2014



The third and last sub-group includes 9 professionals carrying on lending operations (Art. 28-4). This licence appears to be unique in that, apart from one case, it is not held together with any other status. These are mainly subsidiaries of banks such as BIL, ING or BNP, and also subsidiaries of international groups such as PK Airfinance and CEMEX. These entities carry on financial or operational leasing activities.

The number of licences held by specialised PSF increased from 489 in 2013 to 494 in 2014 (Figure 21).

Between 2009 and 2014, the number of specialised PSF licences rose from 255 to 494, which is a 94% growth over 5 years. Except for the Family Office licence launched in 2013, the most spectacular increase in specialised PSF licences over this period is that of licences specific to support PSF, under Art. 29-1 and 29-2 (+91 and +85% respectively).

Questions to Jean-Marie Bettinger

Managing Director of Experta Trust & Corporate Services S.A

How do you see domiciliation agents PSF evolving in the Luxembourg economy?

The sector has recorded fine growth for several years, and it looks set to continue. Recent regulatory developments have brought a change in clients and greater stability. The departure of many small-sized clients has been offset by the arrival of new larger ones, in search of more added value and expertise, particularly in cross-border matters. Economic opening and growth prompt investors to structure their investments on a global, rather than local, scale. It then becomes essential to have a network, either within a group or with independent partners.

As an illustration, a good example is that of investors from the Middle East, wishing to invest more in continental Europe. Due to geographical diversity, it is difficult for them to be aware of each country's requirements. So they either look for expertise in each country, which is a burdensome process, or they look for a marketplace that offers this cross-border expertise. Luxembourg has all the right tools for that, and it therefore serves as a hub to structure the entirety of assets.

Legal and regulatory requirements are increasingly stringent as regards deadlines for filing financial statements and tax returns. And this has demanded major efforts to put matters in order. But we now have the time and the resources to refocus on client needs, to develop new services and thus generate additional revenues.

The crisis that hit the sector and all of the economies, and which triggered these regulatory changes, has also opened up new prospects. We are seeing new opportunities for takeovers and international business development that can be managed out of Luxembourg thanks to the array of available tools. Some of them are currently in vogue, like the SCSp structure (*"société en commandite spéciale"*, a form of special partnership), which is very popular in Poland at the moment. Other existing or new ones will be used or reused more in future. In Luxembourg, we have always tried to fit regulations to investors' needs.

Based on these factors, I am truly positive about the sector's development in Luxembourg.

What are the real challenges facing the Luxembourg financial marketplace in the PSF business that you represent?

Developments in our client base bring many challenges, particularly in terms of resources. We need different competences and must therefore adjust our recruitment and training programmes. Firstly, some skills must be highly specialised to offer a very specific, value-added service, but we also need profiles with a broad, all-round understanding. It is difficult today to have all those skills in the same company, and I frequently apply the rule that "we should only sell what we can deliver". So, in addition to specialists, we need good all-rounders capable of understanding client needs and referring them to other experts, thus creating real marketplace dynamics.

Substance is a challenge we must tackle. The whole sector is aware that it is an increasingly decisive factor in today's environment and one we must adjust to in order to meet the ever-changing criteria in this area.

What advantages does Luxembourg offer the PSF that you represent?

The stir that the "Luxleaks" caused and the emergence of provisions relative to "BEPS" point to a real shift in paradigm. We are moving from a system where double exemptions were possible, to a system with more appropriate taxation. What might look like a challenge should be regarded as an advantage for Luxembourg. Clients are prepared to pay taxes provided they are reasonable and above all, not confiscatory. In this context, given the country's fiscal stability, Luxembourg is a prime choice for establishing the structures that international clients are looking for.

The key issue is no longer proving that we are not a tax haven, but offering solutions for international investors who live in a tax hell.

What are your expectations as regards improving the competitiveness of Luxembourg?

Firstly, Luxembourg can still expand its "toolkit". The *"fondation patrimoniale"* will be useful for certain clients, particularly those from Asia. There is currently no legislative framework for Trusts and such a framework could no doubt develop structures. But my greatest expectation concerns the "FIR" (Reserved Investment Fund); it could give us the same momentum and flexibility we had when the SIF was created, which is now far more harshly regulated than it was initially.

Secondly, as regards communication, we are seeing efforts by the Government to restore the country's image. The message could no doubt be more powerful and more extensive resources could be deployed to drive it home. We should avoid voicing the sometimes alarmist and counterproductive views. We can proudly assert our strengths and our abilities.

Questions to Christophe Lentschat

Managing Director of Jersey Trust Company (JTC)

How do you see administrative agents PSF evolving in the Luxembourg economy?

There are many players on the Luxembourg market and the sector is quite fragmented, with banks, domiciliation agents or trustees, local entities of varying size and international firms with offices in Luxembourg. Mergers have been less frequent in the administrative agents market than the domiciliation sector, perhaps because Private Equity operators have yet to turn their attentions to it, due to the tighter margins.

This sector is also being shaped by regulatory requirements weighing on investment funds, which make up our client base. To be competitive and economically viable, increasingly high asset levels are needed. Take the example of SIFs: many of those set up a few years ago with modest net assets could no longer be created today, not to mention "self-administered" SIFs, which are becoming almost impossible to set up. These regulatory requirements put constant pressure on margins, which shrink as a result. However, as depositary banks have ceased offering central administration services at low cost, and as the number of structures is growing, the consequences can be offset by a mass effect.

New opportunities are also arising in the sector, as status of regulated administrative agent is increasingly valued. Many clients setting up unregulated products, like partnerships or holdings, see an advantage in working with a regulated entity, be it central administration or AIFM. This is one of the reasons for administrative agents merging with domiciliation agents. In this regard, developments on the new "Reserved Investment Fund" (FIR) status are greatly awaited.

What are the real challenges facing the Luxembourg financial marketplace in the PSF business that you represent?

Regulatory impact is the most significant, at two levels. Firstly, for PSF themselves, the new CSSF requirements impose more structured and more extensively documented governance, while keeping the proportionality principle in mind, which is difficult to interpret for small entities. Secondly, in the investment fund industry, the AIFMD and UCITS V place greater responsibilities on depositary banks, particularly as regards supervising NAV calculation and monitoring liquidities. These banks will pass on those requirements by demanding additional, more extensive and more complex reporting, and they will also tighten their controls, via on-site audits or questionnaires. These demands burden the workload of administrative agents working with a large network of external banks.

Implementing these new requirements is also challenging, due to their financial impacts and the difficulty passing them on. Which additional non-standardised information must each player provide? Here, belonging to a group is important, as the costs incurred for these regulatory changes can then be pooled.

Outsourcing should also be mentioned. While costs must be reduced, it is also important to focus on activities in which we can offer expertise. In this context, we first need to identify non-core activities that can be outsourced. Then, if we opt for outsourcing, we must be sure that suppliers can demonstrate a sufficient level of control.

Regarding the possibility of outsourcing certain activities, one important factor concerns the AML and the existence of a "marketplace solution". It would allow efforts and costs to be shared and would be a real advantage for the financial centre. The opportunity of a marketplace solution for valuating complex, structured products would also be an interesting debate.

What advantages does Luxembourg offer the PSF that you represent?

Investors worldwide recognise "Luxembourg Funds", due above all to the premium given to the market leader, but also the marketplace's stability (in comparison with others like Dublin or Malta), the expertise available in this fund-centred market and the less volatile fiscal and regulatory changes.

I like to say that "Luxembourg is the smallest common denominator", even outside continental Europe. Luxembourg may not always be at the top of a list of potential locations, but it is always among an investor's first three choices. I have seen a major change in this respect in the past ten years. Whereas we once had to go out and find clients abroad, today Luxembourg has many more permanent entry points, which help to develop the client base.

Availability of human resources is another asset in Luxembourg, particularly as those resources have extensive expertise in investment funds. We have truly international profiles, capable of managing the problems inherent in this international environment, like FATCA, CRS, German reporting, etc.

I would also like to make one last point, which we tend to overlook. In Luxembourg today, there is a real entrepreneurial spirit that is boosting growth in our sector.

ARTICLE

Marco Lichtfous
Partner
Governance, Risk
& Compliance
Deloitte Luxembourg

PSFs in the Luxembourg financial ecosystem

In a time where the regulation of banks is becoming more complex every year, the Professionals of the Financial Sector (PSF) offer a lighter and more flexible way to provide specialized financial services. While the banking license granted in Luxembourg is indeed universal and therefore covers the whole range of banking activities, the PSF licenses each target a specific set of activities and allow a provision under a tailored, quality and effective regulatory regime. This structure enables entities to focus their resources on a core of key activities, benefiting from a license that only covers what they really need.

A vibrant financial centre at the heart of Europe
Luxembourg's financial centre was once again confirmed as the number one in the Eurozone by the Global Financial Center Index and appears today stronger than ever. But Luxembourg's advantage does not only lie in its financial expertise: its small size makes it naturally oriented toward cross-border service in which it has developed a strong expertise. This focus on cross-border services is further facilitated by the nature of its workforce, which is multilingual and international, with foreigners making up close to 70% of the population living in Luxembourg's capital.

Luxembourg's AAA status as well as its political and fiscal stability attracts banks, investors and their clients. Its business-friendly government is committed to maintaining a legal and regulatory framework that is stable and flexible enough to quickly adapt to an ever-changing environment and to allow businesses to pursue emerging opportunities.

Not so long ago, Luxembourg was the first member state to start offering the EU passport for investment funds, leading to the success story in the development of this industry: the country is now the second largest investment centre in the world and the leading one in Europe. This dynamism has started to expand well beyond the country's traditional core banking and funds activities, and Luxembourg is a pioneer in many emerging areas of growth. These new untapped areas represent many development opportunities for the PSF sector through innovative use of the existing licenses.

To name just a few, Le Freeport Luxembourg - first-of-its-kind in the European Union - is seen by many as a catalyst for new service offerings in the financial, logistics, ICT, and cultural sectors. The opportunities are indeed numerous, with storage facilities and associated activities allowing wealth managers, private bankers, and family officers to broaden the scope of their services. As for the ICT sector, the combination of the Freeport facilities together with state-of-the-art technological infrastructure unlocks new potential for online businesses such as online art marketplaces or online auctions.

Within the fund industry, Luxembourg is the largest European hub for Islamic Finance: Luxembourg ranks in the top three Islamic fund domiciles worldwide after Malaysia and Saudi Arabia with a total of US$5 billion of assets under management (AUM). To foster the development of Islamic finance in Luxembourg, the country was the first in the Eurozone to issue a sovereign *sukuk* in 2014. Previously, the Luxembourg stock exchange was the first in Europe to list such a product in 2002. This creates exciting opportunities for the PSFs that target traditional banking and funds activities to enter into a new market and diversify their service offerings.

Looking toward Asia, Luxembourg is now confirming itself as the new bridge between the Eurozone and China: the six largest Chinese banks already chose to base their European headquarters in Luxembourg, the country hosts its own RMB clearing bank and has been granted an overall RQFII quota of RMB 50 billion in April 2015. The proactive nature of the Luxembourg regulator (CSSF) also made it possible for the country to be a first-mover in terms of RMB investment funds by granting access to the UCITS passport to funds investing in Chinese assets. These developments will call for additional support services and yield new activities.

With its first-class infrastructure and telecommunications networks, together with a deep-rooted culture of trust and security, it is not a surprise that Luxembourg is already home to key actors in the e-business sector such as Amazon, PayPal, Rakuten and Skype. Luxembourg has seen the evolution of a dynamic FinTech sector over the past years: almost two-thirds of the FinTech companies established in Luxembourg have been created during the past three years. The number of e-money and e-payment institutions has also tripled over those last three years and the country welcomed international e-business actors leveraging on the EU passport to distribute services and products through the 31 other EEA countries. The PSFs share some key features with this new wave of financial activities: they are focused on a core set of activities and have the flexibility necessary to keep on with evolving market needs. For those reasons, they have the potential to be both a support and an actor of this change by embracing the internet revolution.

PSFs – key actors in the Luxembourg financial ecosystem

The PSF sector is composed of 28 types of actors, which makes this sector transversal to the whole Luxembourg economy, being particularly impacted by its development. As a consequence, this enables the PSFs to directly reap the benefits of its steadily growing economy. Although composed of multiple types of licenses, two categories of PSFs can nevertheless be distinguished – each of them offering specific advantages.

The first of them covers PSFs that supply or provide investment services to third parties on a professional and ongoing basis, and which therefore benefit from the so-called EU Passport. This passport grants investment firms established in an EU country the right to provide financial services within the EU, either via the establishment of branches or directly through a “free provision of services.” In Luxembourg, this right has been implemented through the creation of ten different subcategories of PSFs[1].

1 Investment advisers, brokers in financial instruments, commission agents, private portfolio managers, professionals acting for their own account, market makers, underwriters of financial instruments, distributors of units/shares in UCIs, financial intermediation firms, and investment firms operating an MTF in Luxembourg.

With more than 500 million consumers living across 28 countries, the European Union is a key market for international businesses: setting up this type of PSF allows investment entities to leverage on the flexibility offered by Luxembourg's PSF regime to tap into the whole EU market. At the heart of both the European Union and the Eurozone, Luxembourg is turning today into a vibrant international hub and is the ideal gateway to the European market.

For all the reasons described above, the financial sector in Luxembourg is thriving and has a vital need for specialists to support its growth and development. This is precisely what the twelve specialized[2] and the six support[3] PSFs, which together form the second category of PSFs, offer: their flexibility and broad coverage allows them to address specific clients' needs (i.e. family offices) and to offer the services required for the functioning of the Luxembourg financial ecosystem (i.e. Primary IT Systems Operators). As a key player in this ecosystem, they will directly benefit from the future developments of Luxembourg's financial centre.

The Luxembourg financial sector is evolving and diversifying toward new business opportunities. Le Freeport Luxembourg, the country's growing RMB activities, its Islamic-compliant products and service offerings, or its FinTech industry are just some illustrations of Luxembourg's first-mover strategy. The country leaves no stone unturned and is committed to ensuring that its financial centre remains a constantly evolving hub in the Eurozone and an ideal gateway to the EU single market. The services of financial services experts will be much needed in the future to support this development process, and investment firms will be able to leverage on this attractive situation to expand their activities within Europe through the EU passport.

In that context, the PSFs appear to offer the ideal structures to take advantage of such a fast-changing financial landscape: the quality of their regulatory regimes, tailored to their needs - together with the flexibility they offer - allow them to quickly respond to the emergence of new activities and needs.

2 Registrar agents, professional depositaries of financial instruments, professional depositaries of assets other than financial instruments, operators of a regulated market authorized in Luxembourg, currency exchange dealers, debt recovery, professionals performing lending operations, professionals performing securities lending, family offices, mutual savings fund administrators, corporate domiciliation agents, and professionals providing company incorporation and management services.

3 Client communication agents, administrative agents of the financial sector, primary IT systems operators of the financial sector, secondary IT systems and communication networks operators of the financial sector, dematerialization service providers, and conservation service providers

2.4 Support PSF

Just like specialised PSF, support PSF do not have the benefit of a European passport. More than a quarter of these entities are local and are not part of a group.

In a few isolated cases they belong to banks, but the majority belong to specialist IT groups (such as Xerox, IBM, HP, Tata, Atos, CSC).

Our analysis shows that two main licences co-exist in this category:

The first group includes client communication agents under Art. 29-1 (33 entities), coupled in 50% of cases with Art. 29-2 as financial sector administrative agents.

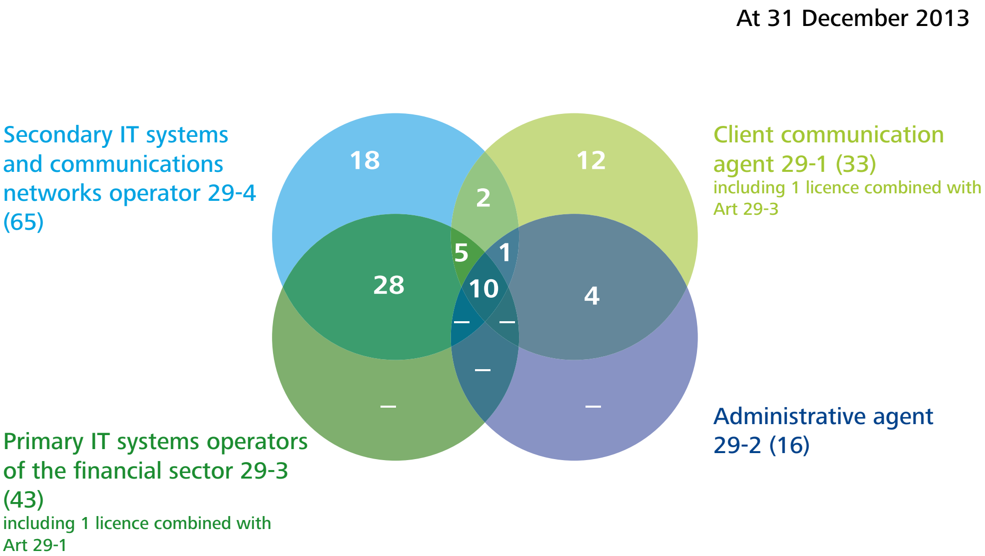
Remember that administrative agents are automatically authorised to carry on activities as client communication agents.

The second group includes 65 IT PSF under Art. 29-4 as OSIS which are supplemented:

- in 43 cases by OSIP licences (Art. 29-3). OSIP (Art. 29-3) are automatically authorised to carry on OSIS activities (Art. 29-4)
- in 17 cases by licences under Art. 29-1 and 12 cases by licences under Art. 29-2.

The Law of 5 April 1993 was amended by the law of 25 July 2015 on electronic archiving. Two new licences were created: providers of dematerialization (Art. 29-5) and conservation (Art. 29-6) services. In September 2015, these licences had not yet been obtained by any PSF.

Figure 23: Distribution of support PSF licences as at 31 December 2014



The number of licences held by support PSF decreased from 159 in 2013 to 157 in 2014 (figure 24).

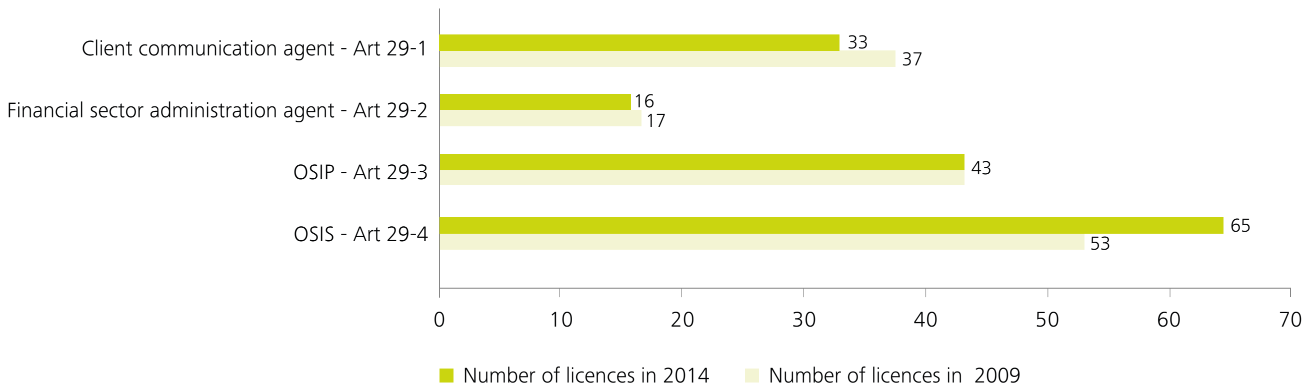
This change is due to a combination of:

- The creation of three support PSF in 2014 generating five new support PSF licences
- The withdrawal of four entities, holding five licences, which renounced their PSF status, as well as abandonments of two support PSF licences by entities continuing business

The overall change in licences between 2009 and 2014 remains positive with a 5% increase in the number over five years.

We also note the significant 23% increase in the licence under Art. 29-4 between 2009 and 2014.

Figure 24: Change between 2014 and 2009 of licences awarded to support PSF



Questions to Gérard Hoffmann

Chairman of the Board of Telindus Luxembourg, Proximus Group
Member of the board of *Association des PSF de support (APSFS)*
Chairman of ICTluxembourg

How do you view the environment of support PSF in Luxembourg?

I feel positive about the marketplace, even very positive. Our sector has indeed never known any crisis. The operational business did not suffer from the 2008 crisis, and many entities, including Telindus, have since expanded. There is a major trend among local players to turn to outsourcing, be it bankers, insurers, European institutions or others. The phenomenon is extensive and is changing the local market.

In addition to this change of mindset among local players, we are seeing international players come to Luxembourg with their data centers, often in the financial sector, to cater to a European clientele. These players have yet to gain sufficient substance in Luxembourg to run the technical support for their project and they need subcontractors.

The STATEC figures are clear and confirm the excellent growth in GDP and employment in the ICT sector, of which support PSF are a part. Naturally, our growth does not depend solely on our productivity gains but mainly on a transfer of activity from the financial sector to us, and on our ability to attract an influx of projects and labour.

I believe that the fundamentals are sound for the next ten years. I am truly optimistic due to the major digitisation trend, which is triggering a real industrial revolution. Nonetheless, Luxembourg will have to retain some unique differentiating factors.

What are the biggest challenges that Luxembourg support PSF must rise to?

I think that the legal and regulatory framework of support PSF attracts as much as it repels. My contacts in Switzerland, for example, greatly appreciate the way this framework clarifies the players' respective responsibilities.

On the other hand, it has to be said that the perceived complexity of this Luxembourg status, even though it is not wrong, has been greatly exaggerated in some international corporations to defend the specific, local interests of staff who have sometimes gone so far as to manipulate their international management. Some entities have gone too far and this is detrimental to us today. The problem lies in the narrow, rigid interpretation that employees and some players adopt, sometimes for their own protection, and often due to their lack of understanding of rules that are difficult to interpret in accordance with the principle of proportionality.

The other challenges are mainly the difficulty we have finding appropriate continuous training and offering young people in the Grande Région an education that meets our specific needs. Technology is not a problem in itself, as we can procure it, but finding competent human resources in Luxembourg is more complicated.

It is also a shame that it takes so, so long to change legislation.

What do you think of the Law of 25 July 2015 on PSDC?

I don't really know what to think of this law on Dematerialization and Conservation Service Providers. It was initiated in 2009 if I remember rightly, and I wonder if it hasn't come too late. It's no doubt a good solution for Luxembourg itself, but is it exportable?

Are there still some opportunities open to support PSF in Luxembourg?

To me, there are four major opportunities.

- The major tendency to outsource that I mentioned earlier will continue. It will be fuelled by the departments of international firms wishing to set up operations in Luxembourg with their infrastructures but which have yet to reach a certain critical mass. They therefore need support PSF all the more.
- Security and cyber-security are issues to which boards of directors are particularly sensitive today, so much so that price is not the key consideration when it comes to choosing the right solutions.
- Cloud computing, which is greatly linked to the first two points, ensures interconnectivity.
- Connectivity; WAN, LAN and telephony (land and mobile), with all the services involved in providing its technical solutions. This is still an attractive area despite some pressure on prices.

I am optimistic for the marketplace and very optimistic for support PSF. Admittedly, there will be an inevitable tendency towards concentration, given the costs of arranging quality outsourcing solutions, but there will also be new players.

The APSFS, behind ICTluxembourg, is pushing the government for an initiative it feels very strongly about. Can you tell us more about this?

It is true that lICTluxembourg met several eminent cabinet members on 30 July, namely the Prime Minister and Minister of Communications, Xavier Bettel, as well as Etienne Schneider and Pierre Gramegna, respectively Ministers of Economy and Finance.

We are considering a regulated entity status that is less complex than the current support PSF status, particularly to avoid the vicious circle of devolving responsibilities. We also want to offer moderate outsourcing within our international groups, while retaining central administration in Luxembourg.

But our main demand is strong support for promotion and visibility beyond our borders. We are placing great hopes on the "Nation Branding" project via a promotion agency "revived" for the whole country "Luxembourg for Business", an economic interest grouping that we are involved in with forces dedicated to "Luxembourg for ICT".

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Opportunities created by the new law on electronic archiving

ARTICLE

Roland Bastin
Partner
Informations & Technology Risk
Deloitte Luxembourg

The new law on electronic archiving: a pioneering legal framework…

Given that no other European country has a similar legal framework, the law on electronic archiving[1] passed on 25 July 2015 made Luxembourg a forerunner in this area.

This legal framework bestows the same probative value on a digital copy as the original document, provided that the copy is made by a dematerialization or conservation service provider respectively having PSDC-D and PSDC-C status as defined by the law.

This equivalent probative value means companies can take their paperless policy further, particularly by destroying the hard copies of their documents. Thanks to its underlying advantages, this new legal framework will encourage and expand the digital transformation of businesses. These advantages include:

- The efficiency of paperless processes,
- The reduction in costs of document archiving,
- A reduction in risks of losing paper documents.

... complementary to the eIDAS regulation…

This Luxembourg legal framework that speeds up and broadens the digital transformation process is completed at EU level by Regulation 910/2014[2] on electronic identification and trust services adopted in July 2014. The eIDAS Regulation gives digital trust services, such as electronic signature and time-stamping for example, European legal value.
The complementarity between the EU eIDAS framework and the Luxembourg law on electronic archiving helps to strengthen digital trust and legal cross-border recognition of electronic documents that are stored in accordance with technical regulation requirements and controls applicable for PSDC certification[3].

...and creating opportunities for the Luxembourg marketplace

These legal tools give companies in the Grand Duchy a great opportunity to set themselves apart by offering innovative digital services such as digital safe services for documents with legal value. As Europe continues its shift towards a digital economy, this new law further enhances the attractiveness of the Luxembourg marketplace for international businesses.

The PSF industry can benefit from the competitive advantages that this new legal framework brings. In addition, support PSF will be able to expand their range of services thanks to the PSDC status, and to satisfy demands from clients facing the digital transformation challenge, while retaining the probative value of paperless documents.

1 *http://www.legilux.public.lu/leg/a/archives/2015/0150/a150.pdf*
2 *http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.257.01.0073.01.ENG*
3 *http://www.portail-qualite.public.lu/fr/documentations/confiance-numerique/surveillance-psdc/regle-technique-psdc/index.html*

3 Deloitte's proposed services

Over many years, Deloitte has developed its competencies and services to support and advise all types of PSF over the various stages of their development, providing the following services before incorporation and throughout their existence and growth

Upon creation

Regulatory strategy	• Assistance in compiling licence application documents and submissions to the CSSF • Gap analysis and assistance in establishing a set of procedures covering all administrative aspects and internal controls
Strategy & Corporate finance	• Business plans services including reviews of different scenarios, possibilities of subcontracting administrative and accounting organisation, etc. This business plan is an integral part of the CSSF licence application file
Direct taxation & VAT	• Design an efficient and customized tax structure based on the business plan and the specific licences • Fiscal optimisation from the beneficiaries' perspective • Assistance in matters related to direct taxation & VAT • Due diligence
Technology & Entreprise application	• Design of the IT strategy (as part of the file to be submitted to the CSSF)
Business Risk	• Develop the feasibility study & market entry strategy • Draft the business case and initial organization, operations and high level IT capabilities assessment • Refine/confirm strategy including business model and commercial strategy (i.e. products, activities/ services and targeted clients) • Design governance structure • Draft the business plan (covering 5 years), including key financials, Opex and Capex, regulatory ratio calculation and scenario analysis • Analyse the compliance with regulatory requirements • Describe the products and services • Draft required policies (i.e. risk management, compliance, AML, internal audit) • Drat the IT & IT security section • Compile the application file and appendices to be submitted to the CSSF • Definition and implementation of policies and processes • Draft procedures (operational and regulatory) • HR recruitment • Implementation of IT systems • Propose our systems, such as uComply for AML checks • Accounting & regulatory reportings configuration • Introduction, selection, negotiation with third party providers

During the development stage

Regulatory strategy	• Administrative and accounting organisation, and review of the compliance of services offered to clients in line with the requirements of the CSSF, in particular review the compliance with CSSF circular 12/552 (gap analysis, training, implementation) • Procedures manual covering the following aspects: administrative, IT, accounting, internal controls, etc. • Proposing compliance tools such as U-Comply • Rules of conduct in line with the best practice of the financial centre and MiFID rules • Training in all the above areas • Assistance in relations with the authorities. Provision of a regulatory hotline • Within the framework of subcontracting, inventory of services to be provided and drafting of Service Level Agreements (SLA) • Support for regulatory intelligence
Governance, risks & compliance	• Subcontracting or co-sourcing of the internal audit function • Advisory services for the definition of relations with third parties and suppliers, and definition of the corresponding risks • ISAE 3402 and SSAE 16 • ISAE3000 • Regulatory Health Checks • Assistance on regulatory Compliance obligations • Assistance in developing internal control plans (Risk Management, Compliance Monitoring Programme) • Assistance in building the governance model • Compliance Risk Assessment (CRA) • Training in internal control functions
Forensic & AML	• Appropriate organisation to deal with money laundering and the financing of terrorism in terms of training and raising awareness, client knowledge, structuring and procedures • Assistance in selection and implementation of anti-fraud and AML systems • Targeted investigation and due diligence
Financial risks	• Calculation and optimisation of solvency ratio, production of CoREP reporting and regime relating to broad exposure • Advice, analysis and assistance regarding establishment of the ICAAP • Implementation of a framework for liquidity monitoring and monitoring of Basel regulations, in particular in respect of the advanced method relating to operational risk • Development of quantitative models relating to credit, market and operational risks • Provision of training in all the above areas

IT risks (Information Technology)	• One-off advice on long-term implementation, support in terms of IT strategy, review of IT architecture, implementing solutions, IT integration and optimisation • Assistance with all IT projects in terms of banking secrecy, relations with authorities and subcontracting • Business Continuity Plan and Disaster Recovery Plan • Projects and assistance in IT security (Security governance, risk management, ISO27001 implementation and cyber-security) • IT audits and IT investigations Forensic, eDiscovery and Data Analytics • Assistance on compliance with the data protection law
Strategy & Corporate finance	• Assistance in terms of external growth (merger, acquisition, strategic alliance) • Due diligence • Evaluation of PSF • Business Model optimisation • Client and market strategy review • Executive search and coaching
Capital markets and financial assets	• Valuation review and independent valuation of complex financial instruments • Coverage of current applicable valuation procedures • Examination of the valuation model used • Review of market data input into the valuation model
Human resources	• Organisational transformation of the HR function • Definition of HR TOM (Target Operating Model) • Career and succession plan management and development • Performance management and compensation system modelling • Recruitment and skills assessment of specialised profiles • Implementation of HR information systems and portals • Change management
IMS *(Investment Management services)*	• Modular assistance in all issues relating to cross-border financial product distribution networks (registrations; tax reporting, risk, solvency, etc.) • Investment policy: review of monitoring systems for investment policies and valuation, support for complex financial instruments, assistance in designing new products and investment strategies, as well as advice and assistance in implementing UCITS V or AIFMD • Corporate governance: advisory services for setting up a code of conduct and assistance with the selection of service providers and domiciles

Accounting	• Accounting, regulatory reporting and Group reporting • Accounting and finance function outsourcing • Supply of experienced employees
Direct taxation & VAT	• Assistance with tax returns (IRC [corporate income tax], ICC [municipal business tax], IF [wealth tax], withholding tax, VAT) • Ad hoc tax advice on direct taxation and VAT • Customized fiscal assistance and optimisation analyses when creating the operational structure • Assistance with the tax aspects to consider in the context of operating procedures and assistance in introducing manuals of procedures taking account of the applicable tax framework and its evolution • Assistance in respect of transfer pricing • Verification of practical aspects of tax residence • Optimisation of profit distribution to shareholders • Operational assistance (also in respect of problems linked to the EU Savings directive, FATCA, the exchange of tax information (CRS), tax treatment of investors, QI etc.) • Tax reclaim for private clients • Evaluation of the fiscal structures of the clients • Due diligence • Personalised training and tax hotlines • Assistance on tax optimisation of the salary package of directors • Evaluation of the impact of BEPS on the client portfolio
Business Risk	• Training on regulatory requirements • IA outsourcing • Hot line on risk, regulatory, etc..subject • HR support • Opening of branches (only applicable to Investment firms PFS type) • Ongoing Corporate, VAT and personal Tax consulting • Any other support they would need, depending on the specific case
Private Wealth Services and Family Office	• Support and implementation of customised financial structures for private clients (sales of companies, international transfer of assets, transfers of residence, etc.) • Family and corporate governance • Financial strategy and compliance • Development of specific vehicles and products (philanthropy, art funds, Islamic finance, etc.)
Technology & Entreprise application	• Define a director plan • Implement the director plan • Define and establish an IT governance • Design a sourcing strategy • Selection of packages • Application development and maintenance • Define and implement analytical solutions
External audit	• Audit of company accounts • Review of compliance of with circulars and preparation either of analytical audit reports (for investment firms), or compliance reports (for specialised and support PSF) • Consultation on regulatory and accounting issues, conversion to IFRS, agreed procedures, etc. • Support relating to requests made by the CSSF • Certification of continuous training records in order to obtain related subsidies

Until the termination of operations

Forensic & AML: Liquidation services	• Assistance in setting up liquidation plans
Direct taxation and VAT	• Tax advice and assistance in connection with a liquidation, merger, demerger or transfer • Fiscal assistance with regards to the beneficiaries • Communication with the tax authorities
Business Risk	• General support during the withdraw process and in particular in analysing the technical subjects addressing the specific requirements in terms of: – Human resources; – Regulatory aspects (e.g. capital, governance, IT security etc..); – IT & Operations; – M&A and valuation; – Tax & VAT
Technologie & Entreprise application	• IT transition management

4 Useful addresses

4.1 Organisations representing PSF

Expanding representation across professional associations

PSF are subject to the supervisory authority of the CSSF. Holding the PSF status is subject to a licence granted by the Minister of Finance, in consideration of the opinion given by the CSSF. The conditions for granting such a licence include in particular initial capitalisation, credit standing, the competence of the management and adequate governance, relying on a central administrative office based in Luxembourg.

The professional associations set out below are the most representative in terms of defending the interests of PSF:

Association des PSF de Support (APSFS)

This association, formed in 2007, currently combines over 50 companies providing services to financial institutions. The mission of the association's platform is to inform its members about changes in prospects for the professions in question, synergy between players with a view to securing for Luxembourg projects with an international dimension. It also proactively handles current topics related directly to support PSF.
Tel : +352 43 53 66 – 1
www.supportpsf.lu

Association Luxembourgeoise des Family Office (LAFO)

This Luxembourg professional association has about fifty members and is specialised in Family Offices. The Family Officer serves as a service provider for 'families and asset entities', i.e. it coordinates, controls and supervises all professionals involved in the provision of services to its clients (asset management, attorneys, tax advisers, banks, trustees, notaries, etc.).
Tel: +352 621 349 636
www.lafo.lu

Association Luxembourgeoise des Professionnels du Patrimoine (ALPP)

A non-profit organisation including over 100 independent companies, established in Luxembourg, whose interaction with each other covers the entire range of financial and asset-management services for an international clientele.
Tel : +352 26 26 491
www.alpp.lu

Luxembourg International Management Services Association (LIMSA)

Created in 2004, the purpose of this association is to promote the Luxembourg trust industry and the representation of the professional interests of its members. It organises seminars and other meetings and develops initiatives on a central level, which would be too costly or difficult for individual members. It safeguards the promotion of the commercial interests of trust companies and defend their interests with the authorities, in particular by participating in commissions and working groups. It enters into and maintains contacts with government bodies, professional organisations and Chambers of Commerce.
Tel : +352 466 111-2749
www.limsa.lu

Numerous other organisations pertain to PSF, including the following:

The International Facility Management Association (IFMA)

IFMA Luxembourg is the local branch of this international association. With over 24,000 members in 94 countries, it is open to facility managers to give them the skills necessary for their business.
Tel : +352 26 65 08 30
www.ifma.lu

Fédération de l'IML - Information Lifecycle Management, du Stockage et de l'Archivage (FedISA)

Established on 26 March 2010, FedISA Luxembourg is a not-for-profit association serving innovation in matters of dematerialisation and electronic archiving. Its aim is to bring together the players in the Luxembourg market experts, users and suppliers of information lifecycle management, dematerialisation, electronic archiving and storage products and services, such as OSIPs and OSISs (support PSF).
www.fedisa.lu

ISACA

With more than 115,000 members in over 200 countries, ISACA is a major global provider of knowledge, certifications, exchange, sponsorship and training in terms of security and assurance of information systems, corporate governance concerning information technologies, IT risk control and conformity. Founded in 1967, ISACA sponsors international conferences, publishes a review, and develops international auditing and control standards for IT systems. The institution is open to IT auditors likely to be involved with PSF.
www.isaca.org

Other useful addresses

Administration des contributions directes
Tel. : +352 40 800-1
www.impotsdirects.public.lu

Administration de l'enregistrement et des domaines
Tel. : +352 44 905-1
www.aed.public.lu

Association des Banques et Banquiers, Luxembourg (ABBL)
Tel. : +352 46 36 60-1
www.abbl.lu

Association Luxembourgeoise des Compliance Officers du Secteur Financier (ALCO)
www.alco.lu

Association Luxembourgeoise des Fonds d'Investissement (ALFI)
Tel. : +352 22 30 26-1
www.alfi.lu

Association Luxembourgeoise du Risk Management (ALRIM)
Tel. : +352 26 94 59 97
www.alrim.lu

Association pour la Garantie des Dépôts, Luxembourg (AGDL)
Tel. : +352 46 36 60-1
www.agdl.lu

Cellule de Renseignement Financier
Tel. : +352 47 59 81-447

Chambre de Commerce du Grand-Duché de Luxembourg
Tel. : +352 42 39 39-1
www.cc.lu

Commission de Surveillance du Secteur Financier (CSSF)
Tel. : +352 26 251-1
www.cssf.lu

Fédération des professionnels du secteur financier Luxembourg (PROFIL)
Tel. : +352 27 20 37-1
www.profil-luxembourg.lu

Institut des Auditeurs Internes Luxembourg (IIA Luxembourg)
Tel. : +352 26 27 09 04
www.iia.lu

Institut des Réviseurs d'Entreprises (IRE)
Tel. : +352 29 11 39-1
www.ire.lu

Institut Luxembourgeois des Administrateurs (ILA)
Tel. : +352 26 00 21 487
www.ila.lu

Luxembourg for Finance (LFF)
Tel. : +352 27 20 21-1
www.luxembourgforfinance.com

Luxembourg Private Equity and Venture Capital Association (LPEA)
Tel. : +352 40 78 78 483
www.lpea.lu

5 Annexes

5.1 PSF in a nutshell

Investment firms				
PSF	**Article**	**Minimum capital or capital base (€)**	**Professional indemnity insurance (€)**	**Activity covered by the status**
Investment advisers	24	€50,000	€1,000,000 per claim and an aggregate of €1,500,000 per year	Investment advisers shall be professionals engaged in the business of providing personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments. Investment advisers shall not be authorised to intervene directly or indirectly in the execution of the advice they provide. The simple provision of information is not covered by this Law.
Brokers financial instruments	24-1	€50,000	€1,000,000 per claim and an aggregate of €1,500,000 per year	Brokers in financial instruments are professionals whose activity consists in receiving or transmitting orders in relation to one or more financial instruments, without holding funds or financial instruments of the clients. This activity includes bringing two or more parties together with a view to the conclusion of a transaction between the parties.
Commission agents	24-2	€125,000		Commission agents are professionals whose activity consists in the execution on behalf of clients of orders in relation to one or more financial instruments. Execution of orders on behalf of clients means acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients.
Private portfolio managers	24-3	€125,000		Private portfolio managers are professionals whose activity consists in managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.
Professionals acting for their own account	24-4	€730,000		Professionals acting for their own account are professionals whose business is in trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments where they also provide investment services or perform in addition other investment activities or deal on own account outside a regulated market or an MTF on an organised, frequent and systematic basis, by providing a system accessible to third parties in order to engage in dealings with those third parties.
Market makers	24-5	€730,000		Market makers are professionals engaged in the business of presenting themselves on the financial markets and on a continuous basis as being willing to deal for their own account by buying and selling financial instruments against their proprietary capital at prices defined by them.
Underwriters of financial instruments	24-6	€125,000 (or €730,000 if they carry out placements with underwriting)		Underwriters of financial instruments are professionals whose business is to underwrite financial instruments and/or place financial instruments with or without a firm commitment.
Distributors of shares/ units in UCIs	24-7	€50,000 (or €125,000 if they accept or make payments)		Distributors of shares/units in UCIs are professionals engaged in the business of the distribution of the shares/units of Undertakings for Collective Investment licensed for distribution in Luxembourg.
Financial intermediation firms	24-8	€125,000	€2,000,000 per claim and an aggregate of €3,000,000 per year	Financial intermediation companies are professionals engaged in the business of: a. Providing personal recommendations to a client, either upon its request or at their own initiative, in respect of one or more transactions relating to financial instruments or insurance products b. Accepting and transmitting, on behalf of clients, orders relating to one or more financial instrument or insurance products without holding any clients funds or financial products. Such activity shall also include bringing together two or more parties thereby bringing about a transaction between those parties c. Performing, on behalf of associated investment advisers or brokers in financial instruments and/or assurance products, under a sub-contracting contract, the administrative and client reporting services inherent to the professional activities of these associates
Investment firm operating an MTF in Luxembourg	24-9	€730,000		Investment firms operating an MTF in Luxembourg are professionals engaged in the business of operating an MTF in Luxembourg apart from professionals who are market operators within the meaning of the Law on Markets in Financial instruments.

Specialised PSF				
PSF	**Article**	**Minimum capital or capital base (€)**	**Professional indemnity insurance (€)**	**Activity covered by the status**
Registrar agents	25	€125,000		Registrar agents are professionals whose business is to maintain the register of one or more financial instruments. The maintaining of the register includes the reception and execution of orders relating to such financial instruments, of which they are the necessary accessory.
Professional depositaries of financial instruments	26	€730,000		Professional depositaries of financial instruments are professionals who engage in the receipt into custody of financial instruments exclusively from the professionals of the financial sector, and who are entrusted with the safekeeping and administration thereof, including custodianship and related services, and with the task of facilitating their circulation.
Professional depositaries of assets other than financial instruments	26-1	€500,000		Professional depositaries of assets other than financial instruments are professionals whose activity consists in acting as depositary for: • Specialised investment funds within the meaning of the law of 13 February 2007, as amended • Investment companies in risk capital within the meaning of the law of 15 June 2004, as amended • Alternative investment funds within the meaning of Directive 2011/61/EU, which have no redemption rights that can be exercised during five years as from the date of the initial investments and which, pursuant to their main investment policy, generally do not invest in assets which shall be held in custody pursuant to article 19(8) of the law of 12 July 2013 on alternative investment fund managers or which generally invest in issuers or non-listed companies in order to potentially acquire control thereof in accordance with article 24 of the law of 12 July 2013 on alternative investment fund managers
Operators of a regulated market authorised in Luxembourg	27	€730,000		Market operators operating an MTF in Luxembourg are those persons managing or operating an MTF in Luxembourg authorised in Luxembourg apart from investment firms operating an MTF in Luxembourg.
Currency exchange dealers	28-2	€50,000		Currency exchange dealers are professionals who carry out operations involving the purchase or sale of foreign currencies in cash.
Debt recovery	28-3			The recovery of debts owed to third parties, to the extent that it is not reserved by law to certificated bailiffs, shall be authorised only with the assent of the Minister of Justice.
Professionals performing lending operations	28-4	€730,000		Professionals performing lending operations are professionals engaging in the business of granting loans to the public for their own account. The following, in particular, shall be regarded as lending operations for the purposes of this article: (a) financial leasing operations involving the leasing of moveable or immoveable property specifically purchased with a view to such leasing by the professional, who remains the owner thereof, where the contract reserves unto the lessee the right to acquire, either during the course of or at the end of the term of the lease, ownership of all or any part of the property leased in return for payment of a sum specified in the contract; (b) factoring operations, either with or without recourse, whereby the professional purchases commercial debts and proceeds to collect them for his own account "when he makes the funds available to the transferor before maturity or before payment of the transferred debts". This article shall not apply to persons engaging in the granting of consumer credit, including financial leasing operations as defined in paragraph (a) above, where that activity is incidental to the pursuit of any activity covered by the law of 28 December 1988 on the right of establishment. This article shall not apply to persons engaging in securitisation operations.

Specialised PSF				
PSF	**Article**	**Minimum capital or capital base (€)**	**Professional indemnity insurance (€)**	**Activity covered by the status**
Professionals performing securities lending	28-5	€730,000		Professionals performing securities lending are professionals engaging in the business of lending or borrowing securities for their own account.
Family Offices	28-6	€50,000		Those persons carrying out the activity of Family Office within the meaning of the law of 21 December 2012 relating to the Family Office activity and not registered in one of the other regulated professions listed under Article 2 of the above-mentioned law are Family Offices and regarded as carrying on a business activity in the financial sector. Family Office activity within the meaning of the law of 21 December 2012 consists in providing, as a professional, patrimony advice or services to physical persons, families or patrimony entities belonging to physical persons or families or founded by them or from which they are beneficiaries.
Mutual savings fund administrators	28-7	€125,000		Mutual savings fund administrators are natural or legal persons engaging in the administration of one or more mutual savings funds. No person other than a mutual savings fund administrator may carry on, even in an incidental capacity, the business of administering mutual savings funds. For the purposes of this article, 'mutual savings fund' means any undivided fund of cash deposits administered for the account of joint savers numbering not less than 20 persons with a view to securing more favourable financial terms.
Managers of non co-ordinated UCIs	*28-8*			*repealed*
Corporate domiciliaton agents	28-9	€125,000		Corporate domiciliation agents, who are by their nature regarded as carrying on a business activity in the financial sector, are natural and legal persons who agree to the establishment at their address by one or more companies of a seat and who provide services of any kind connected with that activity.
Professionals providing company incorporation and management services	28-10	€125,000		Professionals providing company incorporation and management services are natural and legal persons engaging in the provision of services relating to the formation or management of one or more companies.
Central account keepers	28-11	€730,000		Central account keepers are persons whose activity is to keep issuing accounts for dematerialised securities.

Support PSF				
PSF	**Article**	**Minimum capital or capital base (€)**	**Professional indemnity insurance (€)**	**Activity covered by the status**
Client communication agents	29-1	€50,000		Client communication agents are professionals engaging in the provision, on behalf of credit institutions, PSF, payment institutions, insurance undertakings, reinsurance undertakings, pension funds, UCIs, SIFs, investment companies in risk capital (*sociétés d'investissement en capital à risque*) and authorised securitisation undertakings established under Luxembourg law or foreign law, of one or more of the following services: • The production, in tangible form or in the form of electronic data, of confidential documents intended for the personal attention of clients of credit institutions, PSF, payment institutions, electronic money institutions, insurance undertakings, reinsurance undertakings, contributors, members or beneficiaries of pension funds and investors in UCIs, SIFs, investment companies in risk capital and authorised securitisation undertakings • The maintenance or destruction of documents referred to in the previous indent • The communication to persons referred to in the first indent, of documents or information relating to their assets and to the services offered by the professional in question • The management of mail giving access to confidential data by persons referred to in the first indent • The consolidation, pursuant to an express mandate given by the persons referred to in the first indent, of positions which the latter hold with diverse financial professionals
Administrative agents of the financial sector	29-2	€125,000		Administrative agents of the financial sector are professionals who engage in the provision, on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, investment companies in risk capital, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law, pursuant to a sub-contract, of administration services forming an integral part of the business activities of the originator.
Primary IT systems operators of the financial sector	29-3	€370,000		Primary IT systems operators of the financial sector are those professionals who are responsible for the operation of IT systems allowing to draw up accounts and financial statements that are part of the IT systems belonging to credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.
Secondary IT systems and communications networks operators of the financial sector	29-4	€50,000		Secondary IT systems and communication networks operators of the financial sector are those professionals who are responsible for the operation of IT systems other than those allowing to draw up accounts and financial statements and of communication networks that are part of the IT systems belonging to credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.
Digitisation service providers	29-5	€50,000		Digitisation service providers according to the law of 25 July 2015 on electronic archiving are professionals responsible for the digitisation of Luxembourg and non-Luxembourg credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, investment companies in risk capital, pension funds, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law
E-archiving service providers	29-6	€125,000		E-archiving service providers according to the law of 25 July 2015 on electronic archiving are professionals responsible for the e-archiving of Luxembourg and non-Luxembourg credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, investment companies in risk capital, pension funds, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law

5.2 Summary of main regulations and circulars applicable to PSF

Circular/Regulation	Topic	Investment firms	Special-ised PSF	Support PSF
Organisation and internal control				
91/78	**Segregation of assets for private portfolio managers**	X (1)		
91/80 and 96/124	Staff numbers	X	X	X
93/95 and 11/515	Licence requirements	X	X	X
93/102	**Activities of brokers or commission agents**	X (2)		
95/120	**Central administration**		X	X
96/126	**Administrative and accounting organisation**		X	X
98/143	**Internal control**		X	X
00/17	**Investor compensation schemes**	X (3)		
04/146	**Protection of undertakings for collective investment and their investors against Late Trading and Market Timing practices**	X (3)	X (3)	X (3)
05/178 and 06/240 as amended by 13/568	**IT outsourcing**		X	X
06/257 and 07/280 as amended by 07/323	Market abuse	X	X	X
07/307 as amended by 13/560, 13/568 and 14/585	**MiFID: Conduct of business rules in the financial sector**	X		
07/325 and 07/326 as amended by 10/442 and 13/568	Branches in Luxembourg or activities exercised in Luxembourg by way of free provision of services; Branches in another Member State or activities exercised in another Member State by way of free provision of services	X (3)		
09/392	Prudential assessment of acquisitions and increases in holdings in the financial sector	X	X	X
12/536	Guidelines of the European Securities and Markets Authority on systems and controls in an automated trading environment	X (3)		
12/538	**Lending in foreign currencies**	X	X (4)	
12/552 as amended by 13/563, 14/597 and 13/574	**Central administration, internal governance and risk management**	X	X (5)	
13/554	**Evolution of the usage and control of the tools for managing IT resources and the management access to these resources**	X	X	X
Reg. 13-02 and 14/589	Out-of-court resolution of complaints	X	X	X
15/611	Managing the risks related to the outsourcing of systems that allow the compilation, distribution and consultation of management board/strategic documents	X	X	X
Regs G-D of 25 July 2015	Dematerialization and conservation of documents / Electronic archiving			X (3)

Circular/Regulation	Topic	Investment firms	Specialised PSF	Support PSF
Remuneration				
10/437	**Remuneration policies in the financial sector**	X	X	X
Section 16 of 10/497 and 15/601	**Supervisory review of remuneration policies**	X		
Fight against money laundering and terrorist financing				
Reg. 12-02 10/495, 15/609, 15/616	**Fight against money laundering and terrorist financing**	X	X	X
11/528	Abolition of the transmission to the CSSF of suspicious transaction reports	X	X	X
11/529	Risk analysis regarding the fight against money laundering and terrorist financing	X	X	X
Prudential ratios				
06/260 **07/290 as amended by 10/451, 10/483, 10/497 and 13/568** **07/301 as amended by 08/338, 09/403, 11/506 and 13/568** 10/494 11/501 11/505 12/535 13/572	**Capital adequacy ratios/large exposures; assessment process**	X		
Regs 14-01, 15-01 and 15-02 and 13/575, 14/582, 14/583, 15/606 and 15/618 as well as Regulation (EU) No 575/2013, ad hoc Commission Delegated Regulations (EU) and ad hoc Commission Implementing Regulations (EU)	**Supervisory reporting requirements (CRR/CRD IV/FINREP)**	X (3)		
09/403	**Sound liquidity risk management**	X		
11/506	**Principles of a sound stress testing programme**	X		
Reporting				
05/187 completed by 10/433	Financial information to be submitted to the CSSF on a periodic basis	X	X	X
07/302, 07/306 and 08/365	Reporting on transactions in financial instruments	X (3)		
08/334 and 08/344	Encryption specifications for reporting firms to the CSSF	X	X	X
08/364	**Financial information to be submitted to the CSSF on a quarterly basis by the support PSF**			X
08/369	Prudential reporting	X	X	X
10/457	Electronic transmission to the CSSF of the long-form report and of the management letter	X		

Circular/Regulation	Topic	Investment firms	Specialised PSF	Support PSF
11/503	Transmission and publication of financial information and relating deadlines	X	X	X
11/504	Frauds and incidents due to external computer attacks	X	X	X
13/577	Table "Responsible persons for certain functions and activities"	X		
Domiciliation				
01/28, 01/29, 01/47 and 02/65	Domiciliation		X (6)	
Supervision				
00/22	Supervision of investment firms on a consolidated basis	X (3)		
08/350 as amended by 13/568	Prudential supervisory procedures for support PSF			X
12/544	Optimisation of the supervision exercised on the support PSF by a risk-based approach			X
External audit				
03/113 and 13/571	Practical rules concerning the mission of external auditors of investment firms	X		

(1) Applicable only to private portfolio managers (art. 24-3)
(2) Applicable only to brokers in financial instruments (art. 24-1) and commission agents (art. 24-2)
(3) Depending on the activity of the PSF
(4) Applicable only to professionals performing lending operations (art. 28-4)
(5) Applicable only to professionals performing lending operations (art. 28-4) and only chapter 3 of part III of the circular is applicable
(6) Applicable only to PSF providing domiciliation activities

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