

Professionals of the Financial  
Sector (PSF) in Luxembourg  
Overview and outlook  
of a resilient sector





# Foreword



**As we do every year since 2010, it is with pleasure that we present our analysis of Professionals of the Financial Sector (PSF) in Luxembourg.**

This 2013 issue, which also features interviews and articles on current trends and matters, provides an overview of PSF. It confirms the industry's importance in the Luxembourg economy and illustrates the various existing categories and their developments.

This year, for the first time since they were established, the number of PSF decreased, although the drop did not affect all PSF statuses. The number of licences held is stable.

Yet the situation is far from alarming - the PSF industry is still going strong and activity has increased over the past year. Balance sheets post an overall rise of 9%, with profits up by 3%. Between licences earned and withdrawn, company establishments, mergers and liquidations, the PSF sector remains dynamic. Hence the title of this brochure: 'Overview and outlook of a resilient sector'. Resilience indeed reflects the ability of PSF to adapt to a changing environment and to get back on track to growth after tackling the crisis head-on.

This year has also been one of abundant regulatory changes, impacting each PSF category. Circular 12/552 redefines the principle of governance and risk management for investment firms. For the very first time, support PSF were required to implement Circular 12/544, which defines the 'risk-based approach' concept and aims at improving the quality of service providers supporting the Luxembourg financial sector. The diligence expected of the registered company auditor in respect of the application of this circular is still to be defined.

The creation of new statuses confirms the lawmaker's interest in this sector whose horizons are broadening. First, Article 26-1: 'Professional custodians of assets other than financial instruments' allows PSF to be custodians of AIFM funds and thus creates a new source of revenue for the industry. Second, the Family Office status aims at establishing a specific label. We can also mention the progress made in the creation of another status under the law on electronic archives which will be a new driver of growth for support PSF.

We would like to thank Stéphanie Weisse, Henri de Crouy-Chanel, Johan Dejans and Thierry Seignert for their valuable contributions to this brochure. Their wide-ranging experiences in this industry provide great insight into the latest issues affecting PSF, as well as the outlook in the sector.

We hope you enjoy reading our publication.

**Stéphane Césari**  
Partner – PSF Leader

**Raphaël Charlier**  
Partner – Audit

# Introduction

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## PSF: essential players in the Luxembourg marketplace

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 *Commission de Surveillance du Secteur Financier* (CSSF), enjoy special access to the market in financial activities and fall within the highly-coveted sphere of professional secrecy of the banking sector.

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 on the financial sector\*.

By virtue of the demands of professional secrecy in the banking sector, many non-financial actors have made the necessary efforts, and sometimes 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

- **Support PSF** (Art. 29-1 to 29-4 of the Law)  
Support PSF act principally as subcontractors offering operational services on behalf of banks or other Professionals of the Financial Sector. These include:

1. Support PSF not involved in information technology, namely client communication agents (Art. 29-1) and financial sector administrative agents (Art. 29-2). The Law of 28 April 2011 extends the activities of these PSF to Specialised Investment Funds (SIF), SICAR (*Société d'Investissement en Capital à Risque* or Venture Capital Companies) and approved securitisation entities.
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).

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

Deloitte has for many years been developing expertise 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.

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

# Scope of PSF in the Luxembourg economy

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# An economic player with staying power

## 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 slowed in 2012. The Grand Duchy identified 316 PSF as at 31 December 2012, against 322 at the end of 2011.

The main category of PSF in 2012 remains specialised PSF accounting for almost 40% of entities in the industry with numbers constantly on the rise (+82% since 2007 and +4% in 2012).

Investment firms account for 34% of PSF. Initially in the majority, their progress has slowed since the financial crisis and decreased for the first time in 2012.

Numbers of support PSF have risen consistently since the creation of this status (+50% since 2007). However, in 2012, and for the first time ever, the number of support PSF dropped slightly. They represent 26% of PSF as at 31 December 2012.

**Although there has been a slight decline in the number of PSF in 2012, we note that:**

- At the time of writing this brochure, the trend has again reversed. The number of PSF totalled 319 at the end of October 2013
- The overall change in the number of PSF over the last nine years exceeds 92%

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

- 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 now mandatory
- 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

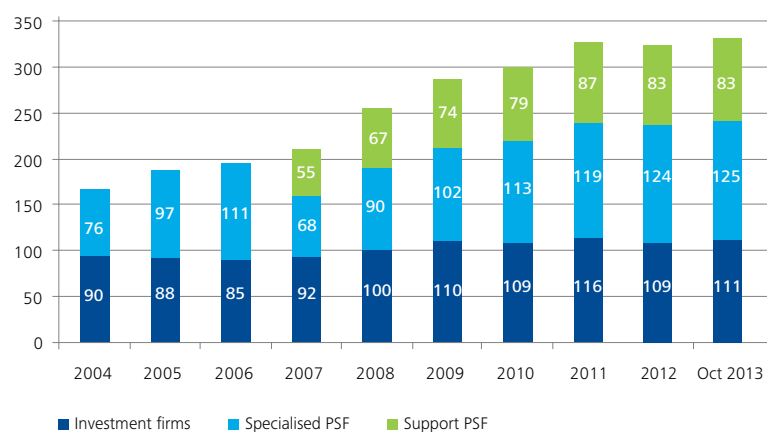
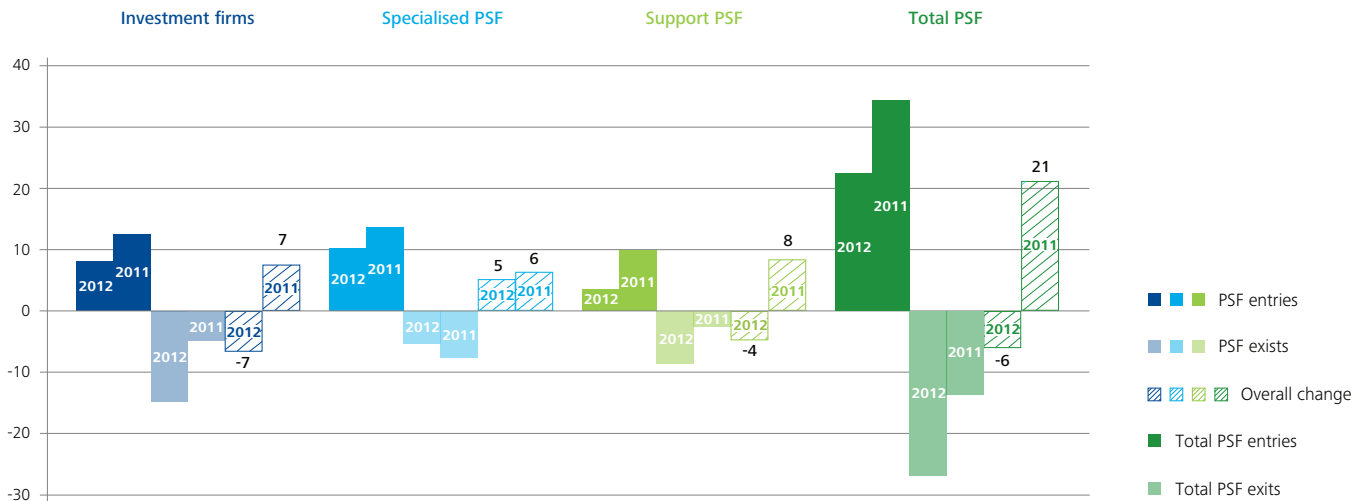


Figure 2: PSF change by category - entries and exits in 2012 and 2011



The gross annual change is that of a dynamic sector with numerous PSF being formed and disappearing.

The increase in the number of PSF reflects both company establishments and the conversion of existing companies into PSF. This is particularly the case of Swedbank and its transformation from a bank into a PSF.

The rise may also be due to a change of PSF category, even though it is infrequent. This is particularly the case of European Fund Administration (EFA), specialised PSF in 2011, which has become an investment firm with 'investment adviser' status.

Decreases are primarily due to the liquidation, merger/ take-over of certain entities or the abandonment of PSF status. For support PSF, abandonments mainly correspond to a better understanding of the Law which is not intended to regulate all financial sector support activities.

We note that there have been fewer PSF creations in 2012 overall particularly with regard to support PSF. However, there have been more withdrawals especially from investment firms. Only specialised PSF show an overall positive trend, but slightly lower than in 2011.

In 2012, 22 new entities were established indicating that - despite the lingering effects of the crisis - the sector still remains attractive and offers many opportunities for development.



### Place of PSF in the Luxembourg financial industry

An analysis of the study carried out by the *Haut Comité de la Place Financière* (HCPF) on the situation as at 31 December 2012 shows an overall decline in the financial industry in Luxembourg. And PSF have not escaped the trend. They nonetheless contribute 3% to national production. Note that this analysis does not take support PSF into account.

- Added value per employee (excluding support PSF) fell significantly (-35%) from 2010, when it was

clearly higher than in the banking sector (with a difference of almost 30% between the two sectors in 2010). 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, versus 8% in 2010
- PSF (excluding support PSF) account for 14% of jobs in the financial industry (and more than a third including all PSF), down very slightly from 2010

Figure 3: Summary of financial industry data as at 2012, compared to 2010

	2012 added value (€bn)	2010 added value (€bn)	2012 GDP (%)	2010 GDP (%)	2012 jobs (employees)	2010 jobs (employees)	2012 jobs (%)	2010 jobs (%)
Financial PSF (except Support PSF)	1.25	1.98	3%	5%	5,635	5,824	1.4%	1.6%
Banks	6.69	6,96	15%	17%	26,537	26,254	7%	7%
Insurance companies	2.48	2.49	6%	6%	4,133	4,668	1%	1%
Management companies	2.35	2.18	5%	5%	2,743	2,339	1%	1%
<b>Total financial industry</b>	<b>12.78</b>	<b>13.61</b>	<b>29%</b>	<b>33%</b>	<b>39,048</b>	<b>39,085</b>	<b>10%</b>	<b>11%</b>

	2012 added value/employee (€,000)	2010 added value/employee (€,000)	2012 taxes (€bn)	2010 taxes (€bn)	2012 tax revenues (%)	2010 tax revenues (%)
Financial PSF (except Support PSF)	222.36	339.97	0.13	0.14	1%	1%
Banks	252.25	265.10	0.94	1.00	8%	10%
Insurance companies	599.81	533.42	0.59	0.50	5%	5%
Management companies	857.09	932.02	0.36	0.33	3%	3%
<b>Total financial industry</b>	<b>327.21</b>	<b>348.22</b>	<b>2.01</b>	<b>1.97</b>	<b>17%</b>	<b>19%</b>



### Aggregated balance sheets and net result of PSF

The sum of the balance sheets of all PSF amounted to €14,080 million as at 31 December 2012, compared to €12,958 million a year earlier, i.e. a 9% rise in total balance sheets in one year. This trend can be seen across all PSF and does not stem from a limited number of players (unlike last year).

However, just like last year, the concentration of business remains high as at 31 December 2012. The three PSF with the highest balance sheet totals accounted for nearly 38% of the balance sheet total of all PSF (41% in 2011).

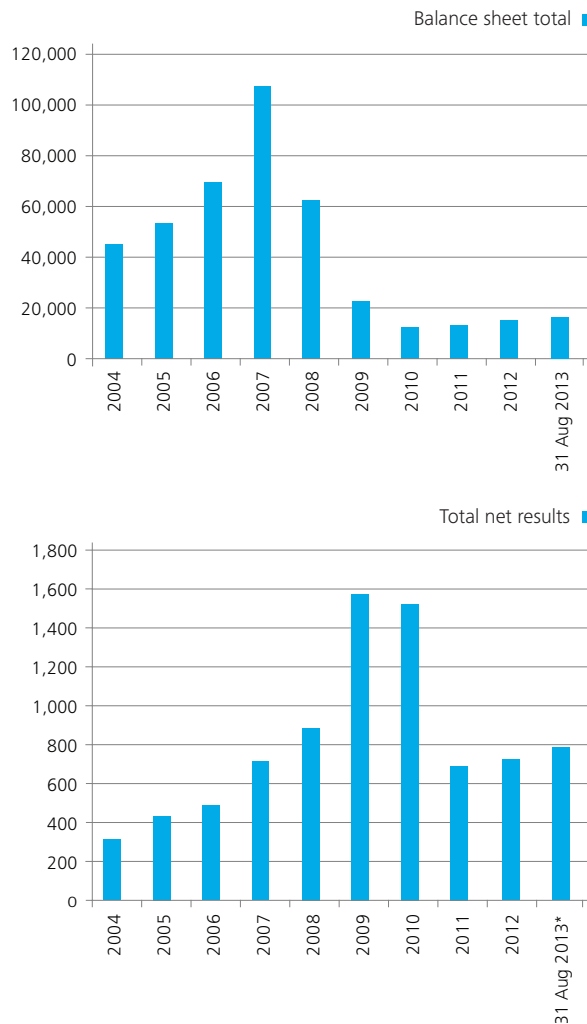
In view of the diverse range of players that the term PSF encompasses, we prefer to use net profit as the criterion rather than the balance sheet, as we believe it better reflects the strength and reality of the industry.

PSF post a slight increase of just over 3% in net profits in one year, with total net revenues increasing from €694 million as at 31 December 2011 to €715 million as at 31 December 2012. The variation in this overall result is mainly due to one investment PSF.

In terms of results, we also see that two PSF account for 60% of the sector's total (up from 57% in 2011).

Note that according to CSSF data as at 31 August 2013, pro-rated over 12 months, PSF should generate more than €750 million in net revenues in 2013, i.e. an expected increase of 5% compared to 2012.

Figure 4: Total balance sheets and results of PSF (in €million)



**In 2012, balance sheets of the PSFs were up 9% and net result increased 3%**

Source: CSSF newsletter of October 2013, latest information dated 31 August 2013

\* For comparison purposes, profit as at 31 August 2013 has been pro-rated over 12 months

**An analysis of profits by category (figure 5) shows that:**

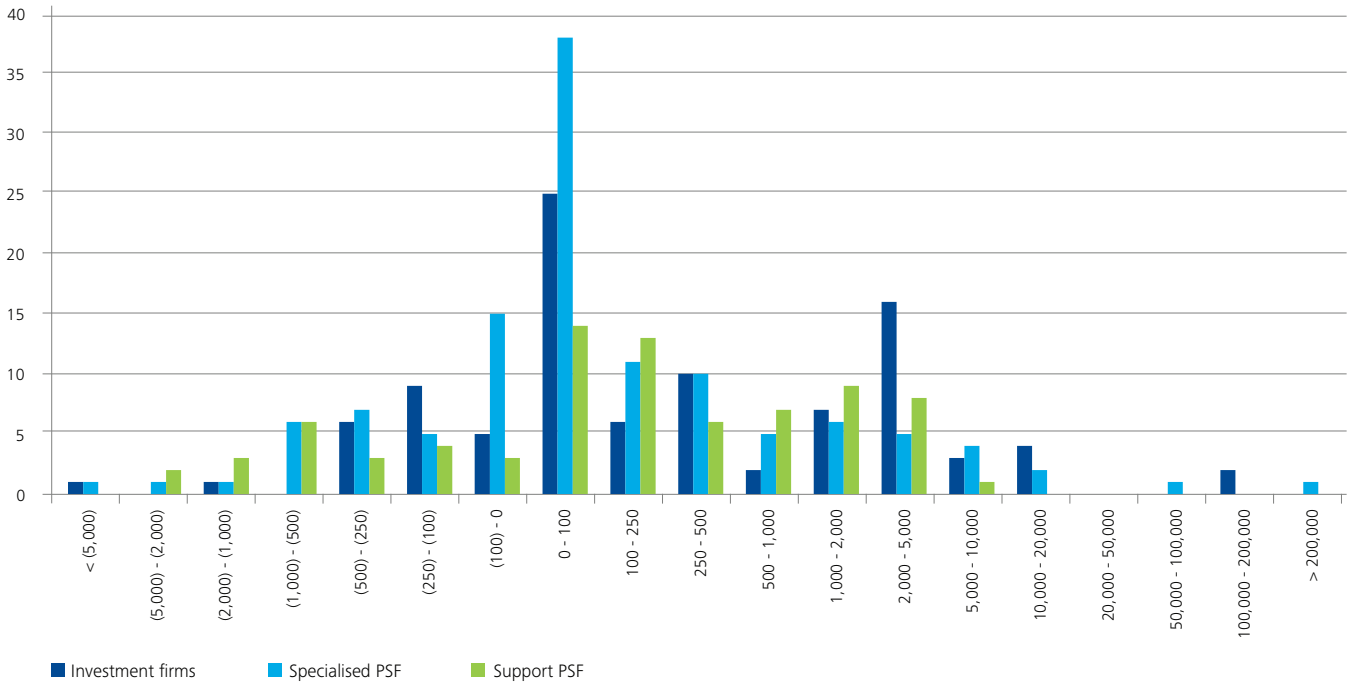
- 50% of net result is generated by specialised PSF (similar to 2011). The profits of specialised PSF had dropped sharply between 2009 and 2011 due to a decline in the results of a single PSF by nearly €950 million
- Net profits of investment firms account for almost 45% of the results of all PSF. With an increase of almost €23 million in 2012, they have a positive impact on the total profits of all PSF
- Compared to the size of the sector in terms of employment, the share of support PSF is relatively low and dropped by almost 20% this year, mainly as a result of a significant loss posted by one PSF

Figure 5: Breakdown of balance sheet totals and profits by PSF category

In €M	Balance sheet total						Net profits					
	2009		2011		2012		2009		2011		2012	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment firms	1,132	5%	2,629	20%	3,620	26%	171	11%	296	43%	319	45%
Specialised PSF	20,147	90%	9,419	73%	9,460	67%	1,377	87%	353	51%	360	50%
Support PSF	1,177	5%	910	7%	1,010	7%	30	2%	44	6%	36	5%
<b>Total</b>	<b>22,456</b>	<b>100%</b>	<b>12,958</b>	<b>100%</b>	<b>14,090</b>	<b>100%</b>	<b>1,577</b>	<b>100%</b>	<b>693</b>	<b>100%</b>	<b>715</b>	<b>100%</b>



Figure 6: Breakdown of PSF by net profit bracket as at 31 December 2012 (in €,000)



Following our analysis of the 2012 financial statements we received, we found that the most common profit bracket is between €0 and €100,000 all PSF categories considered. It would appear that the percentage of loss-generating entities is similar across all categories.

Extreme results (losses of more than €5 million or profits in excess of €200 million) are posted by Investment firms and Specialised PSF.

The distribution of results of support PSF is more concentrated, ranging from a loss of €1 million to €5 million in profit.

The average net profit of a PSF as at 31 December 2012 amounts to €2.9 million.

Owing to a few exceptional cases, investment firms and specialised PSF have high average profits, respectively €4.7 and €3.1 million. The average net profit of support PSF stands at €0.5 million.

Figure 7: Range and average net profit by PSF category as at 31 December 2012

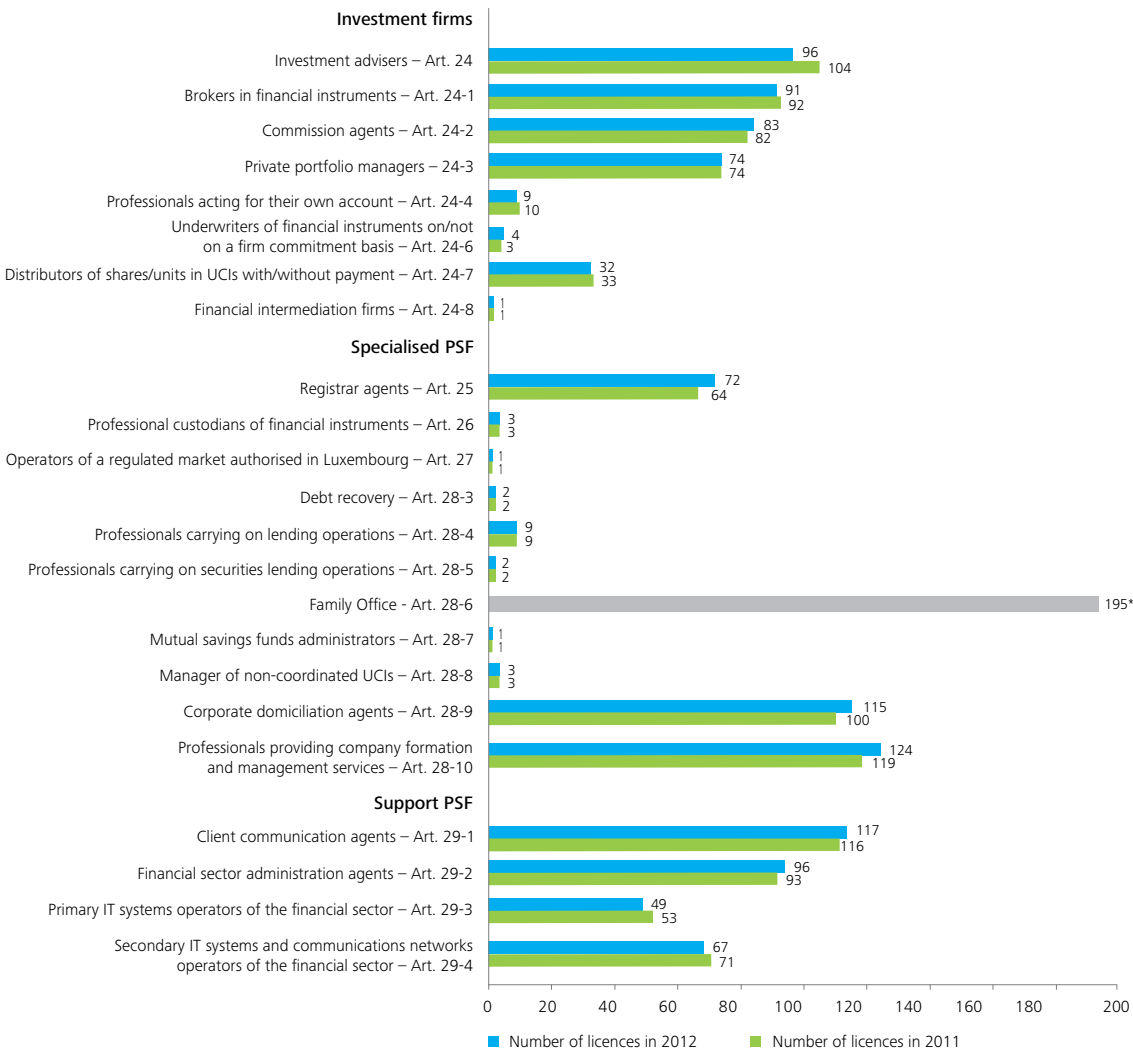


**Distribution of the number of licences**

In 2012, the most widely granted licences are those under Articles 28-9 ‘Corporate domiciliation agent’ and 28-10 ‘Professionals providing company formation and management services’, as well as Article 29-1 ‘Client communication agents’. These three articles account for over a third of licences granted as at 31 December 2012. Licence applications for these three activities increased by 27%, 36% and 34% respectively between 2009 and 2012 (see Figure 9).

The licence under Article 25 ‘Registrar agents’ has also risen sharply, going from 51 in 2009 to 72 in 2012, i.e. 41%, as has the licence under Article 29-2 ‘Financial sector administrative agents’ which went from 73 to 96 between 2009 and 2012, up 32%.

**Figure 8: Total number of PSF licences as at 31 December 2011 and 31 December 2012**



\* Family Office licence granted since 2013. To show the extent of this status, we have exceptionally included here the number of Family Office licences granted in October 2013 (rather than December 2012)

We can see that three of the licences have not been granted as at 31 December 2012.

**These are licences under articles:**

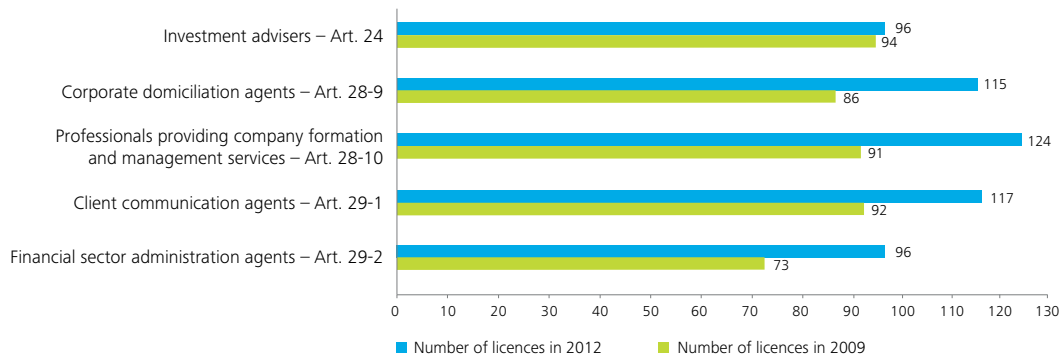
- 24-5 Market maker
- 24-9 Investment firm operating an MTF in Luxembourg
- 28-2 Person carrying out foreign exchange cash operations

**The new Article 28-6 Family Office status has been extremely popular in 2013, with 193 licences granted at the time of drafting our brochure:**

- 96% of investment firms hold the Family Office licence
- 77% of specialised PSF hold the Family Office licence. Almost all (99%) corporate domiciliation agents have been granted the Family Office status

While the majority of PSF hastened to acquire this licence, less than half actually carry on this activity.

**Figure 9: Change between 2009 and 2012 in the five most-granted PSF licences as at 31 December 2012**

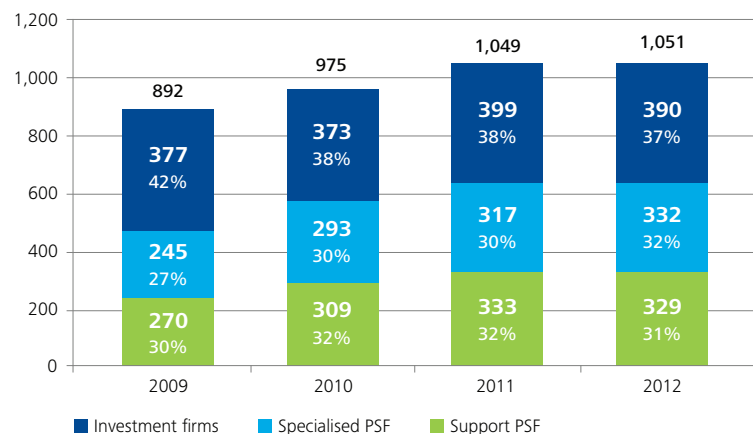


PSF often tend to apply for more licences than necessary when they are setting up. They thereby hope to avoid having to make a subsequent application to the CSSF to extend their licence, which would become necessary if they decided to expand their range of activities.

The number of PSF licences granted is steadily rising. However, in 2012, the increase was slower (1% in 2012 compared to 7% in 2011) and mainly concerns specialised PSF statuses.

The distribution of licences is becoming more balanced. The most common licences are still those of investment firms (accounting for more than 37% in 2012), although the number dropped during the year.

Figure 10: Change in and breakdown of licences since 2009



## In 2012, the main changes seen are mainly due to the creation and abandonment of PSF activities

Figure 11 shows the licences granted or withdrawn by the CSSF in 2011 and 2012.

### They relate to:

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

In 2012, the main changes seen are mainly due to the creation and abandonment of PSF activities. There was very little change in licences among existing PSF.

Figure 11: Change in PSF licences over 2011 and 2012

Source of increases and declines in licences	Investment firms		Specialised PSF		Support PSF	
	2011	2012	2011	2012	2011	2012
PSF created	19	22	34	21	34	18
Existing PSF	19	(1)	(1)	4	(2)	1
PSF withdrawals	(16)	(26)	(9)	(10)	(8)	(23)
<b>Total change in the number of licences</b>	<b>22</b>	<b>(5)</b>	<b>24</b>	<b>15</b>	<b>24</b>	<b>(4)</b>





Figure 12: Distribution of PSF by number of licences

Number of licences	Investment firms	Specialised PSF	Support PSF
1	2	26	27
2	6	44	40
3	4	5	4
4	36	2	12
5	17	47	
6	13		
7	5		
8	3		
9	8		
10	2		
11	3		

■ ■ ■ Number of the most represented licences

Investment firms mostly hold four licences (mainly Articles 24 to 24-3). This distribution is less clear-cut for specialised PSF: while most hold five licences, a significant number of specialised PSF hold only two (Articles 28-9 and 28-10). Lastly, a clear majority of support PSF have two licences (Articles 29-3 and 29-4).

# The PSF: a consistent and steady employer

PSF employ 14,730 people according to the latest CSSF estimates as at 31 December 2012; to compare, the banking sector employs 11,813 additional employees

## Employment in PSF

Based on the survey carried out by the 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 3).

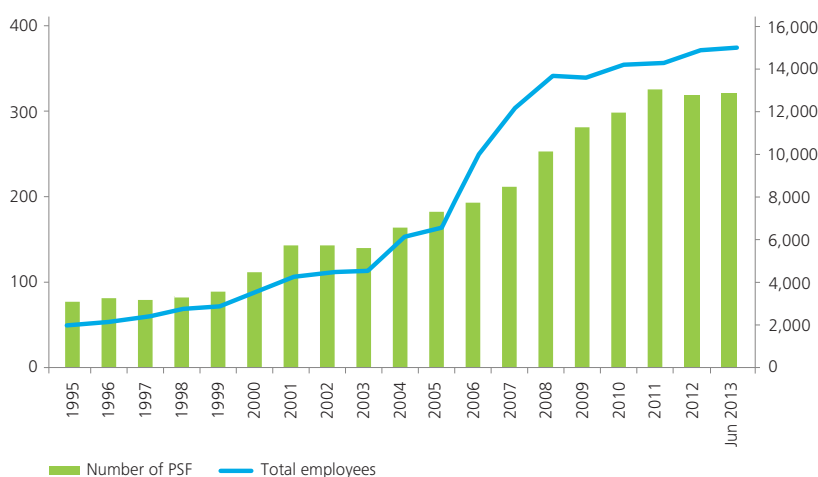
Employees number has grown almost non-stop in recent years (figure 7).

Between 2008 and 2012, employment in PSF rose by more than 8.2%, while employment in banks declined globally by almost 2.4% over the same period.

The breakdown of employees by category of PSF remains stable year over year. Support PSF are represented most. Their staff increased by 4% during the year (337 extra employees).

Year	Number of PSF	Total of employees
1995	78	1,827
1996	82	2,017
1997	80	2,323
1998	83	2,612
1999	90	2,788
2000	113	3,499
2001	145	4,176
2002	145	4,399
2003	142	4,455
2004	166	6,059
2005	185	6,547
2006	196	9,928
2007	215	12,174
2008	257	13,605
2009	286	13,485
2010	301	14,159
2011	322	14,219
2012	316	14,730
Jun 2013	319	14,839

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





The change in the number of employees for investment firms (+250) is mainly due to the change in status of EFA, from a specialised PSF in 2011 to investment firm status in 2012 (impact: more than 500 additional employees). This increase is offset by the change in status of the PSF UBS Fund Services, which went from investment firm status to the status of specialised PSF (impact: drop in the number of employees by over 200). Taken individually, hiring in other investment firms remained low during the year.

The change in the number of employees for specialised PSF (-81) is mainly due to the above-mentioned status changes of EFA and UBS Fund Services with a net effect of minus 300 employees. We also note major hiring initiatives by two PSF, representing more than 150 employees.

The change in the number of employees for support PSF (342) is mainly explained by two mergers (with an increase in the number of employees by more than 500). This increase does not correspond to the creation of jobs. It is reduced by the impact of two liquidations which cut the number of employees by 300 people.

The analysis that we conducted on the basis of PSF 2012 financial statements shows that many investment firms and specialised PSF employ between 0 and 25 people (most of them employ less than six employees).

The average number of employees per entity is 32.5 for investment firms and 27.8 for specialised PSF. This average remains quite high owing to EFA, UBS or SGG which alone employ nearly 1,000 people.

Support PSF mostly have between 25 and 50 employees. The average number of employees per support PSF is 120.5. This average is quite high thanks to six support PSF employing over 500 employees.

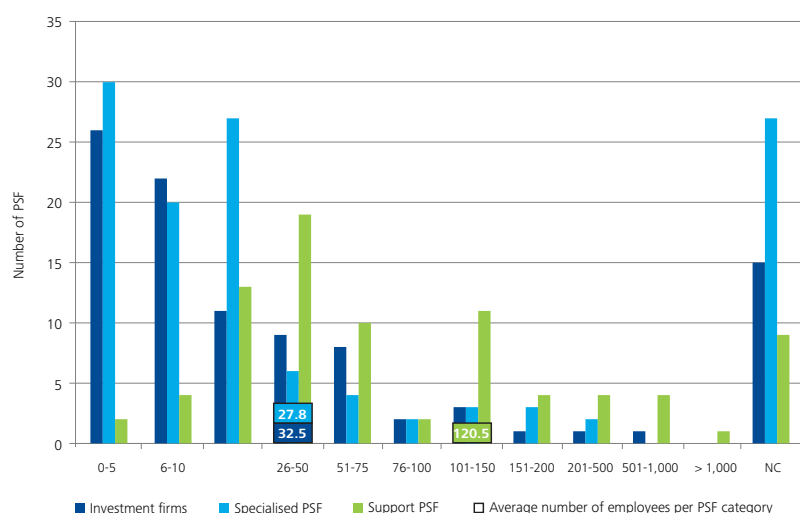
Figure 14: Changes in the number of employees by PSF category

	2011		2012		Change	
	Total	Part	Total	Part	Total	%
Investment undertakings	2,411	17%	2,661	18%	250	10%
Specialised PSF	3,127	22%	3,046	21%	(81)	-3%
Support PSF	8,681	61%	9,023	61%	342	4%
<b>Total</b>	<b>14,219</b>	<b>100%</b>	<b>14,730</b>	<b>100%</b>	<b>511</b>	<b>4%</b>

Source: CSSF statistics

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

Figure 15: Distribution of PSF by employee bracket



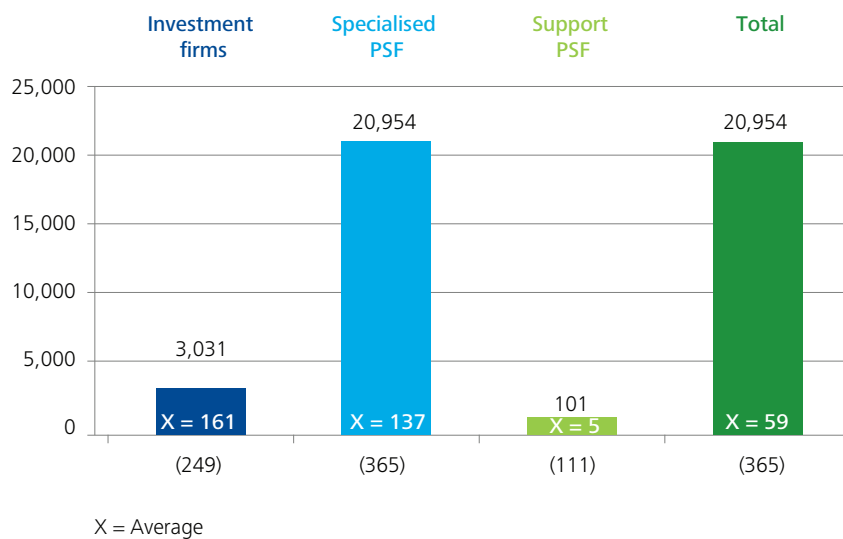
### Review of the results of PSFs per employee

Following our analysis of 2012 PSF financial statements, we were able to calculate the average profit per employee.

For all PSF, it amounts to €59,000. Specialised PSF show highly variable profit figures per employee (between -€365,000 and nearly €21 million per employee).

While the average profits of investment firms and specialised PSF are similar (€161,000 and €137,000), employees of support PSF have a relatively low average yield (approximately €5,000).

Figure 16: Range and average net profit per employee as at 31 December 2012



While the average profits of investment firms and specialised PSF are similar, employees of support PSF have a relatively low average yield

### Details of the support PSF workforce

We can see that employees account for 93% of support PSF staff. This data is similar to 2011.

The rate of female employment in 2012 was 21.7%. It remains stable compared to previous years, but well below the rate in banks, which was 46% at the end of 2012. The nature of support PSF, which mainly focus on IT or protection, largely explains this situation.

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

	2011	2012	2011/2012 change
Executives	616	588	(28)
Employees	8,065	8,435	370
Including part time	879	849	(30)
<b>Total</b>	<b>8,681</b>	<b>9,023</b>	<b>342</b>
<b>Including men</b>	<b>6,741</b>	<b>7,062</b>	<b>321</b>
<b>Including women</b>	<b>1,940</b>	<b>1,961</b>	<b>21</b>
Female employment rate	22.3%	21.7%	



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# 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 (APFS)*

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  
psfsupport@fedil.lu

### *Association Luxembourgeoise des Family Office (LAFO)*

This Luxembourg professional association has about thirty 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 not-for-profit association composed by over 100 independent companies established in Luxembourg, whose activities, complementary in nature, cover all services linked to financial and asset-related interests of an international client base consisting both of private investors and companies.

Tel: +352 27 85 87 77  
www.alpp.lu

### *Luxembourg International Management Services Association (LIMSA)*

Created in 2004, the purpose of this association is to promote the interests of company domiciliation agents based in the Grand Duchy of Luxembourg, in the broadest sense of the term, and to defend the professional interests of affiliated members. It organises seminars and other meetings and develops initiatives centrally that would be too costly or too difficult for a member to implement on its own. It promotes the missions of company domiciliation agents and defends their interests vis-à-vis the authorities, in particular by sitting on various consultation bodies and commissions, domestically as well as internationally. It maintains contacts with authorities, other professional organisations, professional Chambers and other corporate institutions.

Tel: +352 46 61 11-2609  
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 20,000 members in 50 countries, it is open to Facility managers to give them the skills necessary for their business.

Tel: +352 26 005 400  
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 86,000 members in over 160 countries, of which around 100 are in Luxembourg, 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 1969, 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.lu](http://www.isaca.lu)

#### **Other useful addresses**

##### *Administration des contributions directes*

Tel: +352 40 800-1  
[www.impotsdirects.public.lu](http://www.impotsdirects.public.lu)

##### *Administration de l'enregistrement et des domaines*

Tel: +352 44 905-1  
[www.aed.public.lu](http://www.aed.public.lu)

##### *Association des Banques et Banquiers, Luxembourg (ABBL)*

Tel: +352 46 36 60-1  
[www.abbl.lu](http://www.abbl.lu)

##### *Association Luxembourgeoise des Compliance Officers du Secteur Financier (ALCO)*

[www.alco.lu](http://www.alco.lu)

##### *Association Luxembourgeoise des Fonds d'Investissement (ALFI)*

Tel: +352 22 30 26-1  
[www.alfi.lu](http://www.alfi.lu)

##### *Association pour la Garantie des Dépôts, Luxembourg (AGDL)*

Tel: +352 46 36 60-1  
[www.agdl.lu](http://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](http://www.cc.lu)

##### *Commission de Surveillance du Secteur Financier (CSSF)*

Tel: +352 26 251-1  
[www.cssf.lu](http://www.cssf.lu)

##### *Fédération des professionnels du secteur financier, Luxembourg (PROFIL)*

Tel: +352 27 20 37-1  
[www.profil-luxembourg.lu](http://www.profil-luxembourg.lu)

##### *Institut des Auditeurs Internes Luxembourg (IIA Luxembourg)*

Tel: +352 26 27 09 04  
[www.iaa.lu](http://www.iaa.lu)

##### *Institut des Réviseurs d'Entreprises (IRE)*

Tel: +352 29 11 39-1  
[www.ire.lu](http://www.ire.lu)

##### *Institut Luxembourgeois des Administrateurs (ILA)*

Tel: +352 26 00 21 487  
[www.ila.lu](http://www.ila.lu)

##### *Luxembourg for Finance (LFF)*

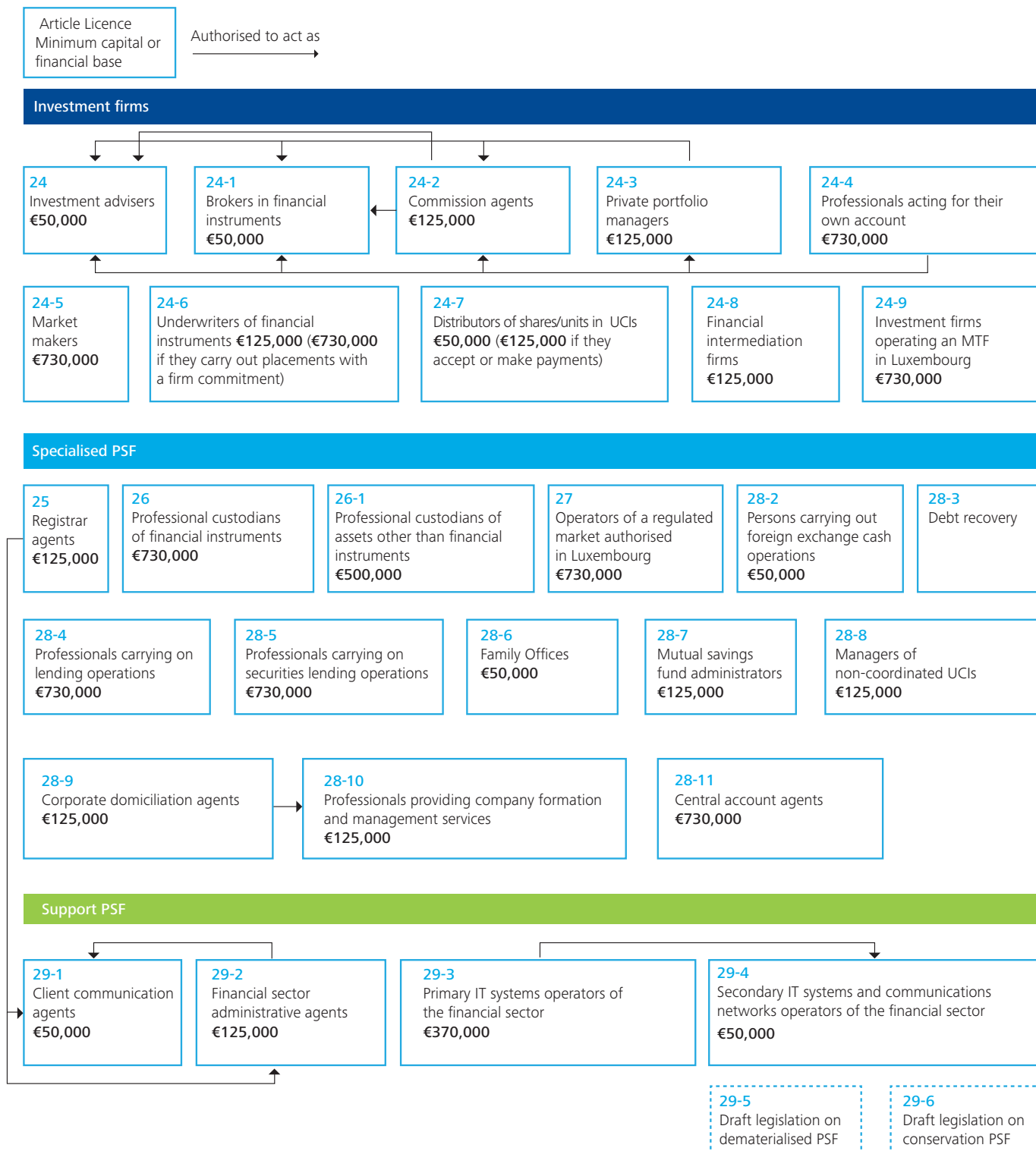
Tel: +352 27 20 21-1  
[www.luxembourgforfinance.lu](http://www.luxembourgforfinance.lu)

# Types of PSF

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# Licences in detail

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





The appendix includes a summary table of the key information on PSF by type of licence, the legal definition of the licence and products and services offered, the minimum required capital 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 largely unrelated to one another, there are theoretically billions of possible combinations of licences. Yet, as at 31 December 2012, there were only 316 PSF. It is therefore interesting to look at the main combinations of licences that these PSF hold.

Figure 18 opposite shows the licences by main category and the overlaps between categories as at 31 December 2011 and 31 December 2012. 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.

By deduction, support PSF do not have investment firm or specialised PSF status.

**The total number of PSF included in this analysis as at 31 December 2012 was 291:**

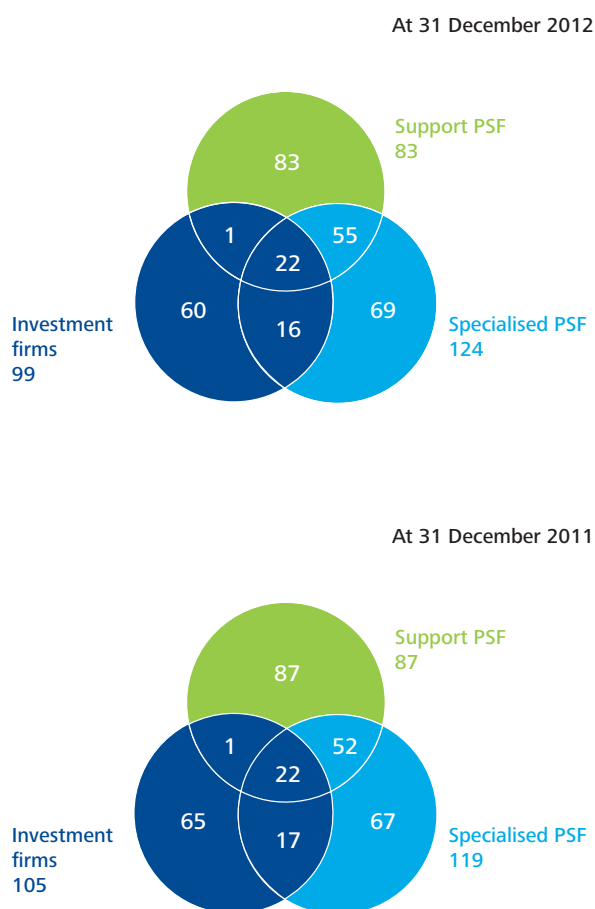
- 99 investment firms
- 124 specialised PSF (38 players with investment firm status have already been identified above and are therefore not counted as specialised PSF)
- 83 support PSF (78 players with investment firm and specialised PSF status have already been identified above and are therefore not 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 29-4.

Of the 316 PSF in existence at 31 December 2012, ten PSF that are branches of European entities have been excluded (versus 11 in 2011).

These branches are part of foreign entities that are not subject to the Luxembourg Law of 5 April 1993.

**Figure 18: Licences of PSF by category**



# Investment firms



Unlike the other two categories of PSF, investment firms have a European passport for the distribution of their products and services. They 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 2012 was 99 compared to 97 as at 31 December 2011.

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

- 95 hold an investment adviser licence (Art. 24)
- 91 have a licence as brokers in financial instruments (Art. 24-1)
- 83 have a licence as commission agents (Art. 24-2)

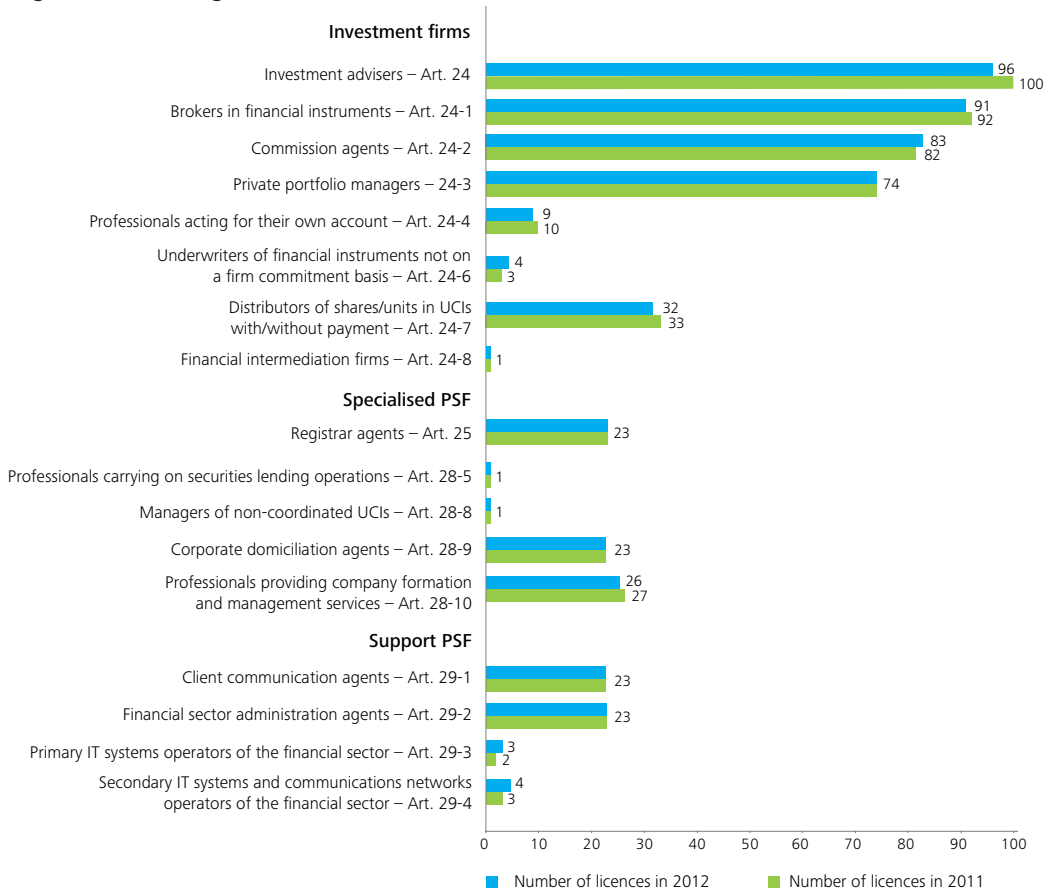
- 74 have a licence as private portfolio managers (Art. 24-3)
- 74% of investment firm PSF have all four licences

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. These additional activities are quite uniform and primarily concern providers of company formation 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).

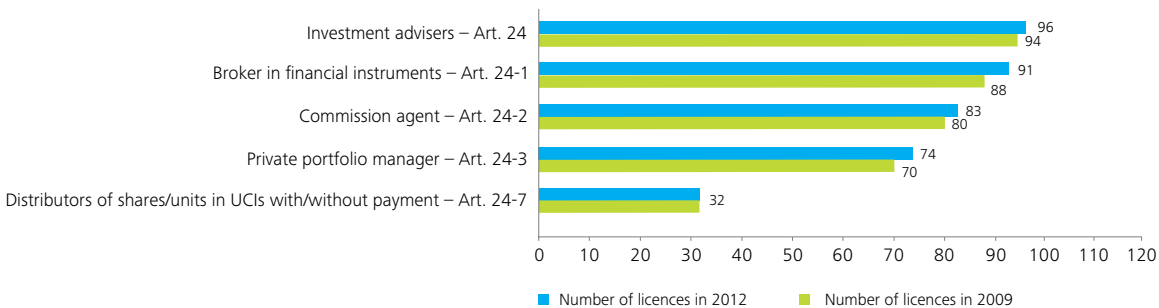
Investment firms have no licence for the following activities: Article 24-5 'Market maker', Article 26 'Professional custodian of financial instruments', Article 27 'Operator of a regulated market authorised in Luxembourg', Article 28-2 'Person carrying out foreign exchange cash operations', Article 28-4 'Professional carrying on lending operations' and Article 28-7 'Mutual savings fund administrator'.

Figure 19: Licences granted to investment firms



While the licences held by investment firms remained flat or even declined slightly between 2011 and 2012 (see Figure 19), we nonetheless saw an overall increase in licences between 2009 and 2012.

Figure 20: Change between 2009 and 2012 of the five licences held by the main investment firms as at 31 December 2012





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## Three questions to Stéphanie Weisse and Henri de Crouy-Chanel, Director General and Managing Director of Aurea Finance Company S.A

### ***What advantages does the Luxembourg marketplace currently offer PSF private portfolio manager?***

Traditional strengths are well known: multiculturalism, language proficiency, workforce quality, economic stability, 'AAA' country risk rating, and one of the most relevant advantages today, the relative fiscal stability of the Grand Duchy, or the recurring tax instability of our main neighbouring nations with retroactive effects being seen fairly regularly.

In addition to its traditional strengths, the growth of private portfolio managers stems, de facto, from banking sector inefficiency and complexity. Clients are increasingly knowledgeable in the financial markets, and are always seeking further explanations and direct contact with the decision-makers. These are two aspects that large organisations have had to limit for streamlining purposes.

Let us instead focus on the market's new advantages.

Ironically, requirements in terms of tax transparency are turning out to be sources of new opportunities. We are making considerable efforts with our clients to put their situation in order. This process naturally drives some clients away, but on the whole, such a thorough review is also an excellent opportunity to consolidate our clients' assets, often in Luxembourg.

This transparency also attracts new clients who, now that their situation is clarified, are no longer afraid to circulate their financial assets by structuring them outside their home country, thereby optimising their tax situation.

### ***What are the major challenges facing PSF private portfolio manager?***

The main challenge for private portfolio managers is that of managing this transition to a new model based on complete transparency.

However, this transparency shows more bluntly that the underlying protectionism is highly inconsistent. European players are not on a fair 'playing field'. The example of withholding taxes on dividends from European securities is blatant. If they are received in Luxembourg, the client may be required to pay 30%, of which only a part can be recovered, while in the home country that tax may be 0%.

The rising number of regulations is also a source of concern. It generates excessive complexity and thus frustration. The frequently reiterated proportionality principle is often poorly understood.

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**The main challenge for private portfolio managers is that of managing this transition to a new model based on complete transparency**





Politically speaking, the marketplace will continue to come under criticism from neighbouring countries which do not want to see Luxembourg emerging as a leading onshore market. To a certain degree, the extent of such criticism reveals their esteem for Luxembourg's model. After all, the sometimes loud opinion of the man in the street is less important than our clients'.

***How do you see PSF private portfolio manager evolving in the Luxembourg economy?***

The political changes which took place in July 2013 with the Government's overthrow could affect the country's situation, since political stability was precisely one of our main advantages.

Two major trends are emerging:

- A confirmed rise in the volumes of Luxembourg investment funds
- A drop in the number of portfolios managed, offset by a substantial increase in size as a result of regularisation and fiscal transparency efforts

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## After all, the sometimes loud opinion of the man in the street is less important than our clients'

Growth of PSF private portfolio manager is consolidated in this context and underpinned by a broadening range of services (pre-completed tax return forms, more extensive administrative support, more complex tax optimisation). This consolidation should materialise, especially in these uncertain times, as Luxembourg can offer the security so vital to clients.



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## 'Fondation patrimoniale', will soon become a reality



### ARTICLE

**Pascal Rapallino**  
Partner - Private  
Wealth Services Leader  
Deloitte Luxembourg

On 22 July 2013, the Luxembourg government submitted to the Parliament a draft law introducing a new orphan tax structure (i.e. no members, shareholders or associates), called '*fondation patrimoniale*', aimed at broadening the range of investment vehicles at the disposal of high net worth individuals in Luxembourg. This draft law follows the legislative trend endorsed by the Luxembourg government towards the creation of an attractive location for Private Clients<sup>1</sup>.

The new investment vehicle would grant significant benefits to Private Clients willing to use Luxembourg as an investment platform. The Luxembourg '*fondations patrimoniales*' will allow for an asset and succession planning instrument which preserves the cohesion and integrity of the family wealth whilst granting, at the same time, flexible mechanisms to adapt the structure to the particular needs of the clients.

### General features

As it stands, the use of '*fondation patrimoniale*' is limited to individuals and patrimonial entities with the objective of managing private wealth (and with no involvement in any commercial, industrial, agricultural or liberal activity).

'*Fondation patrimoniale*' will have their own legal personality and will be able to hold movable or immovable properties, (including life insurance policies). In addition, '*fondation patrimoniale*' will be able to carry out holding activities, providing no managerial decisions are taken in relation to the held entities.

Similar to all Luxembourg entities, '*fondation patrimoniale*' will need to have a 'constituting deed' that will have to be signed off by a notary established in the Grand Duchy. In addition, an initial capital contribution of €50,000, paid in cash or in kind, will be required.

For your understanding we have illustrated the '*fondation patrimoniale*' functioning mechanism in the attached chart.

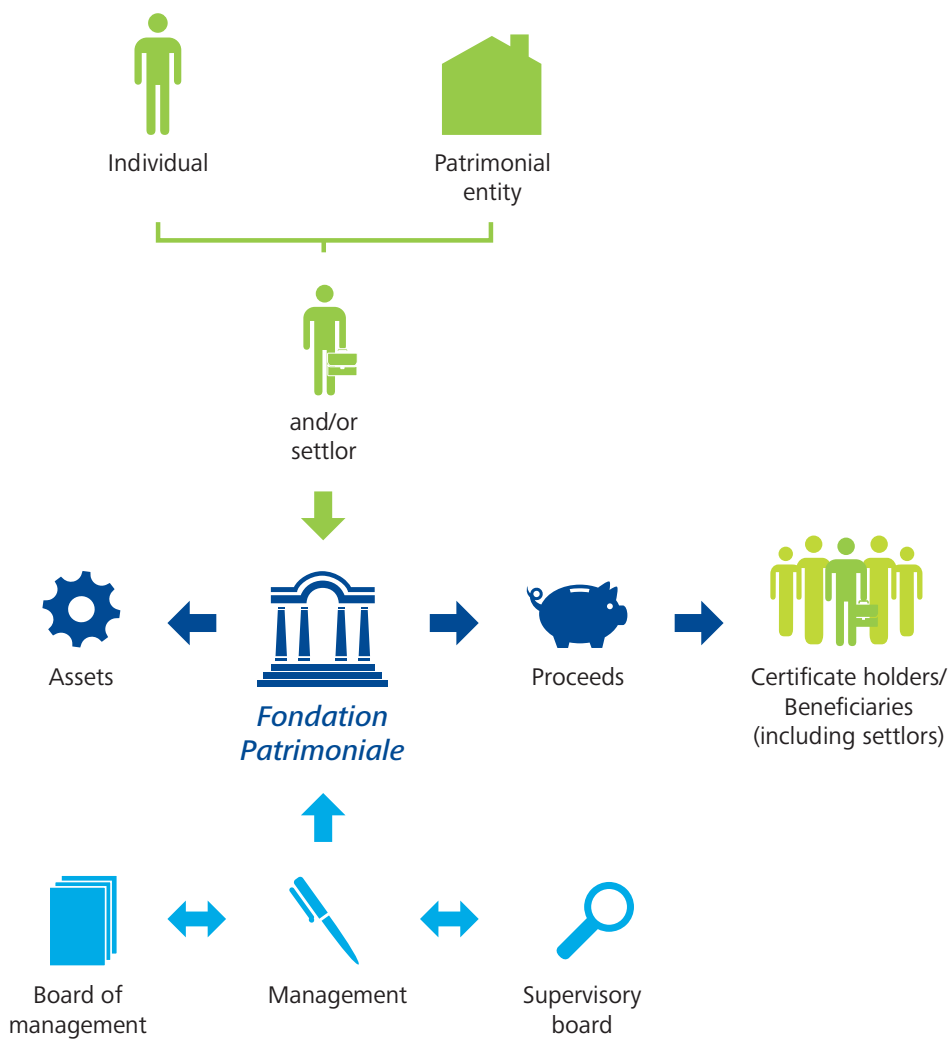
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## The '*fondation patrimoniale*' will be capable of insuring the participations' activities of detention under certain conditions

<sup>1</sup> In this regard, see the Law of 23 December 2005 ('Relibi Law') together with the Law of 21 December 2012 on the activity of Family Offices



Diagram showing the 'fondation patrimoniale' organisational structure



## Tax aspects

### Tax treatment of income

Tax	Tax treatment of the 'fondation patrimoniale'
<b>Income derived from securities</b> <ul style="list-style-type: none"><li>• Dividends, profit sharing, interest payments</li></ul>	<ul style="list-style-type: none"><li>• Tax exempt (not subject to CIT and MBT)</li></ul>
<b>Gains on the sale of assets generating exempt income</b>	<ul style="list-style-type: none"><li>• Tax exempt (not subject to CIT and MBT)</li></ul>
<b>Gains on the sale of movable property realised after a minimum holding period of 6 months</b>	<ul style="list-style-type: none"><li>• Tax exempt (not subject to CIT and MBT)</li></ul>
<b>Gains on the sale of immovable property</b>	<ul style="list-style-type: none"><li>• Taxable, subject to CIT and MBT</li></ul>
<b>Gains on the transfer of assets made in favour of:</b> <ul style="list-style-type: none"><li>• Beneficiaries;</li><li>• Certificate holders</li><li>• Settlers of the '<i>fondation patrimoniale</i>' or their successors</li></ul>	<ul style="list-style-type: none"><li>• Tax exempt (not subject to CIT and MBT)</li></ul>
<b>Capital and surrendered value of a personal insurance policy contracted for by the settlor and transferred to the foundation, covering:</b> <ul style="list-style-type: none"><li>• Life risk</li><li>• Invalidity risk</li><li>• Death risk</li></ul>	<ul style="list-style-type: none"><li>• Tax exempt (not subject CIT and MBT)</li></ul>
<b>Net Wealth Tax</b>	<ul style="list-style-type: none"><li>• Total tax exemption</li></ul>
<b>Withholding taxes on payments to certificate holder<sup>2</sup></b>	<ul style="list-style-type: none"><li>• Not applicable</li></ul>

<sup>2</sup> Income paid is not considered to be a dividend for the purposes of Luxembourg tax law





## Inheritance and gift tax (main rules)

Item	Indirect tax consequence at the level of the beneficiaries
<b>Allocation</b>	<ul style="list-style-type: none"> <li>Fixed Registration duty</li> <li>Asset is valued at fair market value</li> </ul>
<b>Transfer of an asset or a right from the foundation to a beneficiary (movable or immovable)</b> <ul style="list-style-type: none"> <li>The settlor is alive</li> </ul>	<ul style="list-style-type: none"> <li>Gift duty. Rate will depend on the kinship</li> <li>Foundation is liable to the payment</li> <li>Value of the asset/right is computed at the date of the effective transfer</li> </ul>
<b>Liquidation / dissolution of the foundation (transfer of an immovable asset/right to a beneficiary)</b> <ul style="list-style-type: none"> <li>The settlor is alive</li> </ul>	<ul style="list-style-type: none"> <li>Gift duty. Rate will depend on the kinship</li> <li>Beneficiary is liable to the payment</li> <li>Value of the immovable right/asset is computed at the date of the effective transfer</li> </ul>
<b>Death of the settlor</b> <ul style="list-style-type: none"> <li>Résident fiscal au Luxembourg</li> </ul>	<ul style="list-style-type: none"> <li>Registration duty depending on kinship (from 0% to 40%)</li> <li>Computed on the fair market value of the movable or immovable asset right</li> </ul>
<b>Death of the settlor</b> <ul style="list-style-type: none"> <li>Non tax resident in Luxembourg</li> </ul>	<ul style="list-style-type: none"> <li>Registration duty depending on kinship (from 0% to 40%) only for immovable assets/rights located in Luxembourg</li> <li>Computed on the fair market value of the immovable assets/rights in Luxembourg</li> </ul>
<b>Return of an asset or right to the settlor</b>	<ul style="list-style-type: none"> <li>Same as allocation</li> </ul>

## Luxembourg toolbox welcomes a new joiner

Finally, Luxembourg toolbox welcomes a new vehicle which can meet HNWI's expectations as it can offer:

- (i) A tax deferral effect
- (ii) A tax exemption on qualifying income
- (iii) An efficient estate planning scheme

<sup>3</sup> Depending on the residence of the settlors' beneficiaries

# Specialised PSF

Unlike investment firms, specialised PSF do not benefit from the European passport, but may carry on financial activities in Luxembourg. There are 124 specialised PSF as at 31 December 2012, versus 119 in 2011.

This category covers three main sub-groups.

**The first sub-group** consists of 49 registrar agents (Art. 25):

- Almost all of them have specialised PSF status as corporate domiciliation agents (Art. 28-9) and professionals providing company formation and management services (Art. 28-10)

- They also all have support PSF licences under Art. 29-1 and 29-2 respectively as client communication agents and financial sector administrative agents
- Lastly, only one has the IT systems operator licences, under Art. 29-3 and 29-4

**The second sub-group** consists of the nine professionals carrying on lending operations (Art. 28-4). This status is unique in that, apart from one case, it is not held together with any other status. These are mainly subsidiaries of banks such as Fortis, ING or BNP, and also subsidiaries of international groups such as PK Airfinance. These entities carry on financial or operational leasing activities.

Figure 21: Licences granted to specialised PSF

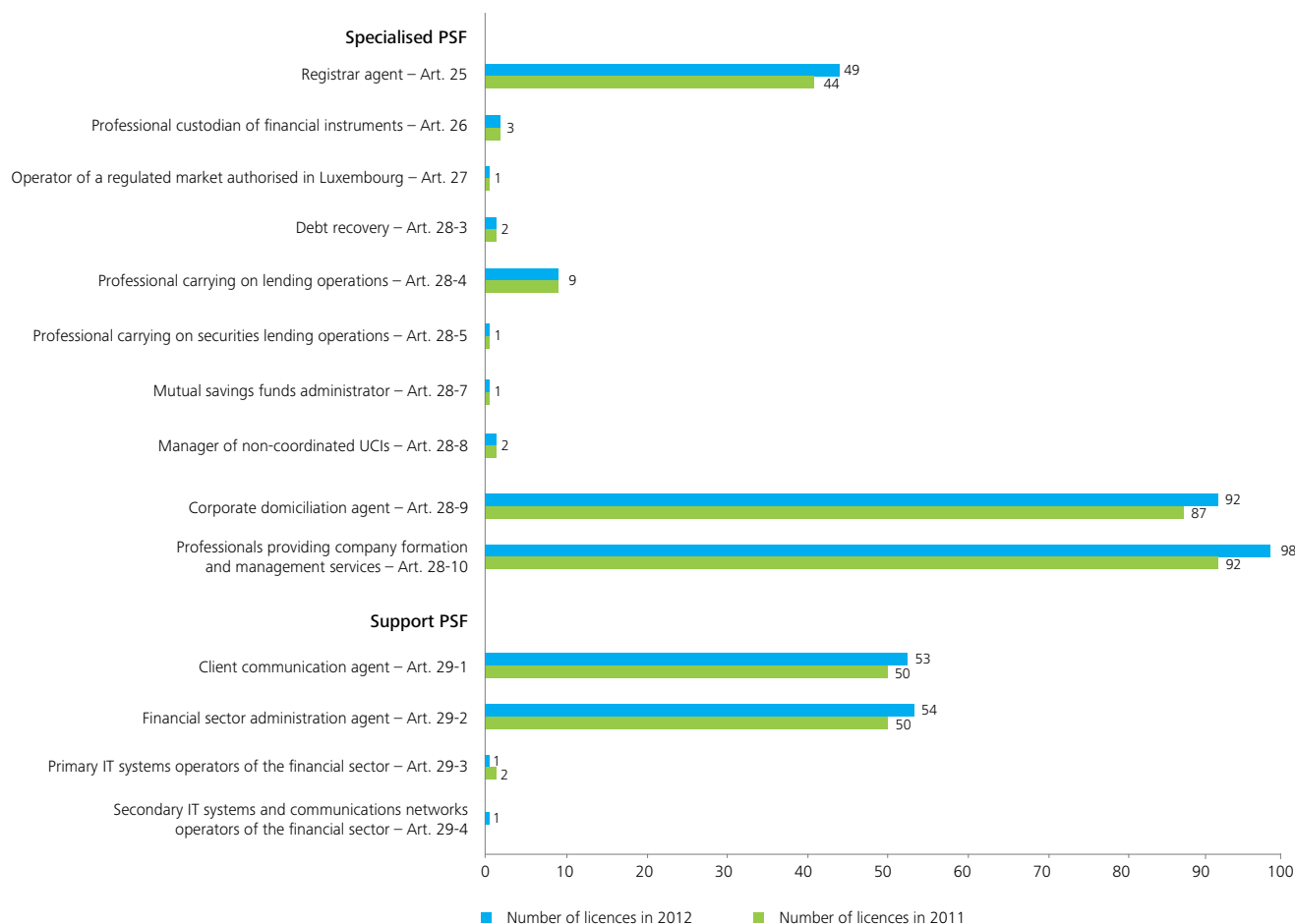
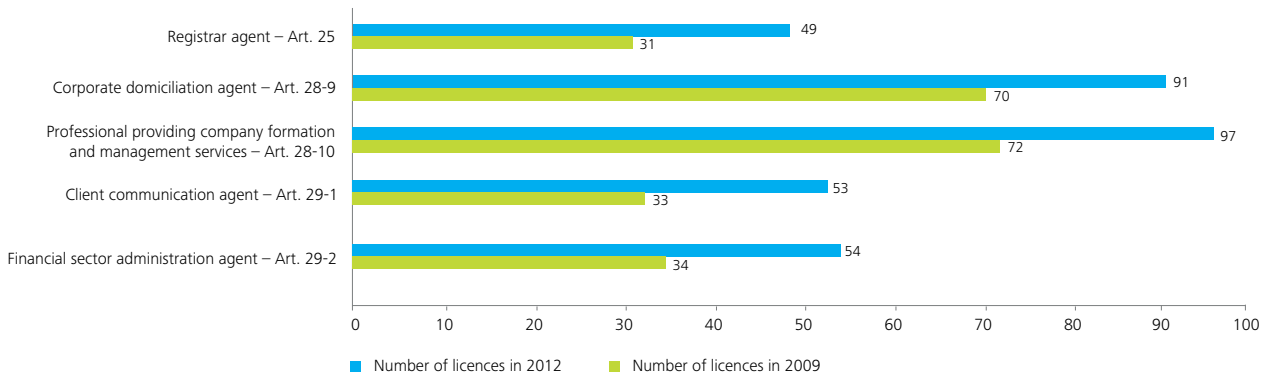


Figure 22: Change between 2009 and 2012 in the five licences held by the main specialised PSF, as at 31 December 2012



The last sub-group includes 91 corporate domiciliation agents (Art. 28-9), 45 of which have the status of 'Registrar Agent' (Art. 25). As regards the additional licences held by these corporate domiciliation agents, we note that:

- They also always have licences under Art. 28-10 as professionals providing company formation and management services
- When corporate domiciliation agents are both client communication agents (Art. 29-1) and financial sector administrative agents (Art. 29-2), which is the case of 45 PSF, they also almost always have the 'Registrar Agent' licence (Art. 25), except for two entities

The number of licences held by specialised PSF rose from 346 in 2011 to 367 in 2012 (figure 21). This 6% growth, recorded despite the financial crisis, is once again reflected in the increase in licences under Art. 28-9 and Art. 28-10 (+5 licences under Art. 28-9 and +6 licences under Art. 28-10). This increase resulted in 2012 from the establishment of eight new entities and from four entities giving up their PSF status.

Between 2009 and 2012, the number of specialised PSF licences rose from 255 to 367, which is a 44% growth over 3 years. The most spectacular increase in specialised PSF licences over this period is that of licences specific to support PSF, under Art. 29-2 and 29-1 (+61 and 59%).





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## Three questions to Johan Dejans, Managing Director of ATC Corporate Services (Luxembourg) S.à R.L.

### ***How do you see PSF corporate domiciliation agent evolving in the Luxembourg economy?***

I am always very positive when I see what has been achieved in Luxembourg over the past 10 years, despite a sometimes very tense macroeconomic environment.

It is clear that entrepreneurial spirit is in Luxembourg's DNA. This has been a necessity, given the size of the country and its dependence on foreign investors. Luxembourg has also earned international recognition and succeeded in attracting major international groups. In fact, some leading Anglo-Saxon law firms have recently opened up offices here to cater to these business corporations.

Luxembourg has turned 'threats' into opportunities and the progress made in private banking is a prime example. The 'all-in' customer base is changing; banks are rebuilding by targeting wealthier clients. The AIFMD is another good example. Not only has Luxembourg managed to create a service offering, but we have once again demonstrated our ability to get ready ahead of our neighbours. But why did we succeed? Because being one of the smallest, we always want to be top of the class. However, the most fundamental change in recent years is that we were once almost ashamed of our brochures about business in Luxembourg, whereas we now brandish them with pride. This is no doubt the result of a change of generation.

### ***What are the current opportunities and benefits of Luxembourg for corporate domiciliation agents?***

Luxembourg has an excellent track record of making a success of opportunities. If we imagine another country voting the same laws as Luxembourg, its chances of success would be slim.

Our proactive policy for increasing tax transparency is one considerable opportunity and we are ready to rise to the challenge. The position of the tax authorities and the possibility of making prior agreements are real advantages. Similar agreements are possible in other countries, often under bilateral double taxation treaties. However, careful attention must be paid to avoid creating double exemptions. The moral responsibility of players is at stake.

There are other more general assets, such as the standard of skill of our workforce, which has improved over the last few years, a stable economic and legal framework, attractive tax rates, a modern supervisory authority which understands business, and a multicultural environment covering not only Europe, but the rest of the world too.





### **What are the main challenges for the PSF business that you represent?**

As corporate domiciliation agents, we must provide proof of real added value and efficient administration: this covers the appointment of directors providing constant oversight and the development of multidisciplinary skills in risk management and compliance. Again, this should bring potential for growth. Take the Netherlands for instance, where studies on the effects of the trust industry have shown that it significantly impacts the economy by creating jobs and generating tax.

However, a major challenge facing the entire financial sector is the risk of 'over-regulation'. It is important for Luxembourg to adopt strict positions and to strengthen risk management and compliance to increase service quality and avoid scandals that can be extremely detrimental to its reputation. The regulatory authority, CSSF, plays a very important role in this respect, thus reinforcing the position and reputation of the financial marketplace. We must, however, make sure that the administrative costs incurred by PSF as a result of regulatory requirements do not undermine their competitive position in relation to foreign players.

We also face challenges specific to the labour market: the cost of labour which is still rising too fast; wage indexing which makes absolutely no sense for high salaries should be abolished; work flexibility which prevents us from attracting or retaining experienced staff, too expensive in times of recession; and the high pensions paid to State employees, which jeopardise the sustainability of the pension model.

Lastly, I would also mention more political challenges such as the question of giving more political influence to foreigners who have been actively contributing to Luxembourg's economy for years. Or the question of integrating people who now come from well beyond our neighbouring countries. And the ways in which we can convince entrepreneurs or highly skilled resources to come to Luxembourg for a few years when we cannot offer any affordable academic infrastructure to accommodate and teach their children in their native language.

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**Luxembourg has turned 'threats' into opportunities and the progress made in private banking is a prime example**

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# The Luxembourg Special Depositary: an opportunity?



## ARTICLE

**Benjamin Collette**  
Partner - Strategy  
& Corporate Finance  
Leader  
Deloitte Luxembourg

**Martin Bock**  
Directeur - Strategy  
& Corporate Finance  
Deloitte Luxembourg

The Alternative Investment Fund Managers Directive (AIFMD) has created an extensive set of requirements for depositaries of assets, relating to their duties and liability, among others. These considerably reinforce the conditions for delegating the safekeeping of AIF assets, the selection and monitoring of such delegation, and the supervision of assets with full liability for the depositary in the event that financial instruments held in custody are lost.

Furthermore, AIFMD gives Member States the option to allow certain Alternative Investment Funds to use a professional entity that does not necessarily qualify as a bank or investment firm as its depositary.

With the transposition of AIFMD into Luxembourg law through the law of 12 July 2013, Luxembourg has exercised this option by introducing a new specialised PFS (professional of the financial sector) category in the Financial Sector Act of 5 April 1993, called “*professional depositary of assets other than financial instruments*”, or more commonly known as “*special depositary*”. To this effect, a new article 26-1 has been introduced to the Financial Sector Act.

This new special depositary can either be appointed directly by the AIF, or act as a delegate of the AIF’s single depositary. It may however only be appointed as a special depositary of Specialised Investment Funds (SIF), Investment Companies in Risk Capital (SICAR), or other Luxembourg or foreign AIFs as per the AIFMD, provided that these have no redemption rights exercisable for at least five years after the date of the initial investment, and that they mainly invest in assets that cannot be held in custody or invest in issuers or non-listed companies as a means to acquire control thereof.

### The world of non-financial instruments

Some assets held by Alternative Investment Funds cannot be held in custody in the same manner as a financial instrument. In fact, they are not financial instruments.

The more obvious types of non-financial assets that can be held by an AIF are brick and mortar real estate or other types of infrastructure. But other examples of non-financial instruments are diamonds, life settlement policies, race horses, bottles of wine, antique weapons, musical instruments, photographs, rare books or manuscripts.

As diverse as these asset classes might appear, they have a shared set of requirements, which is where the Special Depositary comes into play—the requirement to ensure that the AIF has a clear title of ownership to them, that it is properly registered and documented and that, above all, these assets are placed in safekeeping in order to preserve them. Obviously, the task of preserving race horses is an entirely different affair to that of preserving bottles of wine, and a completely different understanding and infrastructure are needed in order to ensure the safekeeping of these assets, in accordance with legal requirements.

In fact, there are virtually no limitations on the scope of non-financial assets, as this is determined by investors’ appetite to invest in and hold such assets.



### Welcome to complexity

With the diversity of non-financial assets comes an increased, if not exponential, complexity in ensuring that the depositary knows at all times where the assets are, can ensure that the AIF has full ownership of them and that the assets are kept safe.

How do you buy a race horse and how is ownership evidenced securely? Which intermediaries are involved in the transaction and is there a central and public register that can withstand any court rulings? How does this differ from one country to another? How can one ensure that the race horse identified in the title deeds is actually the race horse standing in the stables? What is the best possible treatment for the race horse to keep its value? Which stables are best suited and offer the best protection for the horse, and how can the stable be monitored to ensure that the race horse does not disappear or become injured or sick? How is the value of a race horse determined, and which factors influence the value and hence call for its value to be re-evaluated?

An entire thinking, acquisition and recordkeeping process initially designed for financial products needs to be transposed to such an asset class. Ultimately, investors should benefit from an equivalent due care from the depositary irrespective of whether their assets are financial instruments or not.

Answers to these questions might sound obvious. They are not. On the contrary, addressing them in a professional manner across the entire value chain and in the spirit of a depositary of assets under AIFMD requires the thorough understanding of a highly specialised service provider, and strong processes that are entirely adapted to the specific needs of an asset class. Both large banks and small firms will face considerable operational challenges in order to meet special depositary requirements.

### Making a difference

Many AIFs are currently not required to appoint a depositary. This has now changed with the introduction of AIFMD on 22 July 2013, which has put a substantial number of funds under the focus of stringent regulations.

Although the AIFMD distinguishes between financial instruments and non-financial instruments held by an AIF, a single depositary can obviously hold both. However, given the complexity and need for specialisation that we have illustrated above, there is a considerable need for specialised providers. Furthermore, we expect that the single depositary appointed by an AIF will in most cases delegate the recordkeeping, monitoring and oversight of non-financial instruments to special depositaries with a tailor-made infrastructure catering specifically to these needs.

The broad framework provided by the Financial Sector Act actually allows a special depositary to combine other licenses, such as registrar and transfer agent, fund administration, domiciliary and corporate agent, or communication agent.

We see particular competitive advantage in crafting a holistic service proposal through the combination of several licenses, offering comprehensive solutions tailored to the needs of an AIF.

Luxembourg is a well-established financial centre for servicing investment funds. The presence of a wide array of custodian banks, fund administrations, consulting firms and support service providers creates a unique environment of excellence and know-how that combines multilingual staff with the expertise of servicing funds from all over the world and covering all asset classes.

# 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 and CSC.

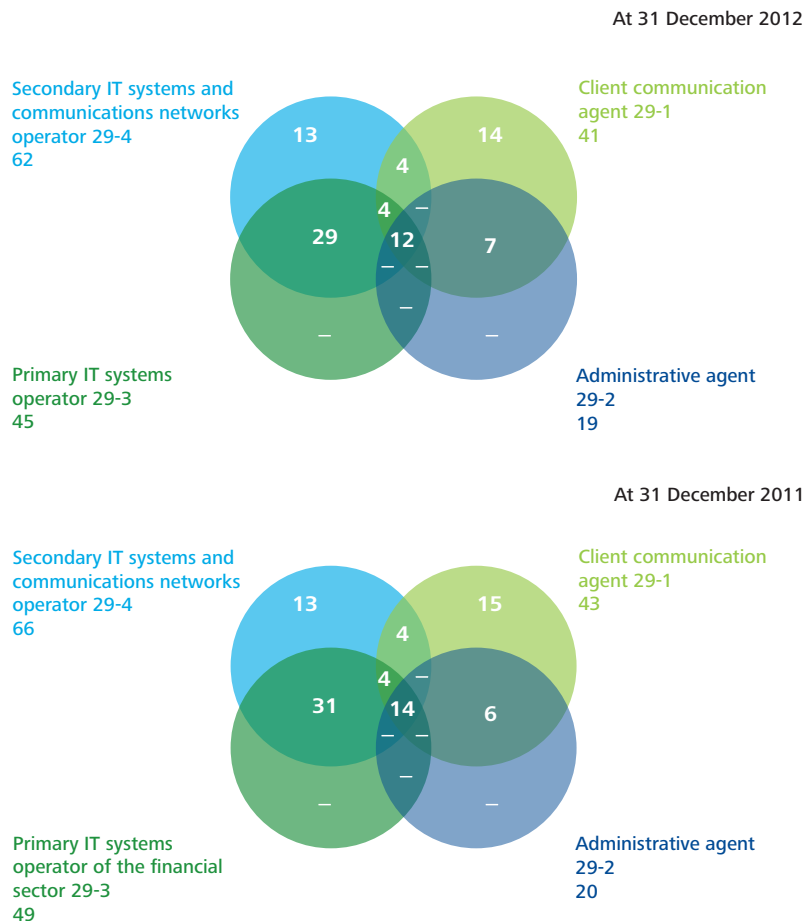
The analysis shows that two main licences co-exist in this category.

**The first group** consists of 41 entities which are purely administrative and/or communication agents, with only licences under Art. 29-1 as client communication

agents and/or under Art. 29-2 as financial sector administrative agents. Administrative agents (Art. 29-2) are automatically authorised to carry out client communication agent activities (Art. 29-1).

**The second group** consists of the 62 IT PSF (i.e. having licences under Art. 29-3 as OSIP and/or under Art. 29-4 as OSIS) and which are supplemented in 22 cases by licences under Articles 29-1 or 29-2. OSIPs (Art. 29-3) are also automatically authorised to carry on OSIS activities (Art. 29-4).

Figure 23: Distribution of support PSF licences



Source: Rapports CSSF du 31 décembre 2012 et du 31 décembre 2011



The number of licences held by support PSF went from 178 in 2011 to 167 in 2012 (figure 24).

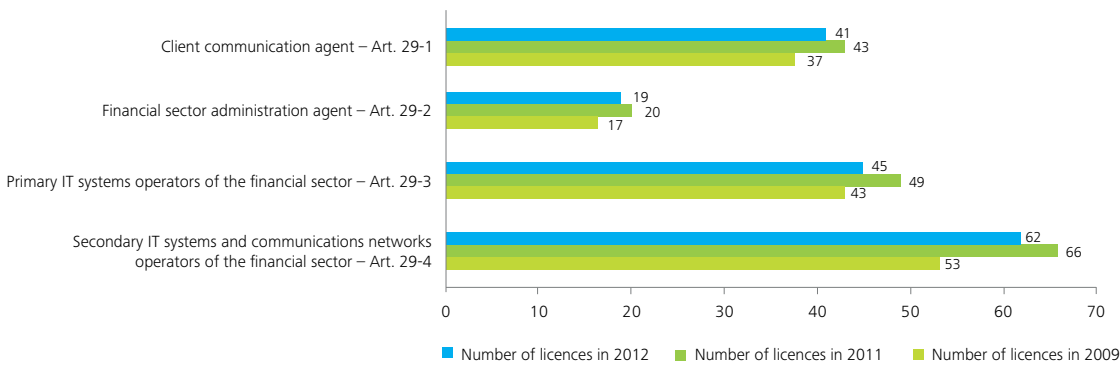
**This change is due to:**

- The creation of four support PSF in 2012 (local entities) generating eight new support PSF licences
- The withdrawal of eight entities who renounced their PSF status, as well as abandonments leading to the withdrawal of these entities' 16 support PSF

licences. Entities belonging to international groups have decided to give up their status, as this licence is not always necessary for the business they carry on

The overall change in licences between 2009 and 2012 remains positive with an 11% increase in the number over 3 years. We also note the significant 16% increase in the licence under Art. 29-4 between 2009 and 2012.

**Figure 24: Licences granted to support PSF**





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## Three questions to Thierry Seignert, President of the Association of Support PSF and Managing Director, IBM Services Financial Sector (ISFS)

***How do you see the support PSF that you represent evolving in the Luxembourg economy?***

Even though outsourcing is not yet the norm in all financial institutions in the marketplace, the Luxembourg market is intrinsically close to saturation and no longer allows any significant development in the support PSF cluster. As the current model in Luxembourg is already very competitive, developments will require growth outside our borders. We can expect to see some consolidation in the sector.

***What are the main challenges the PSF business that you represent is facing?***

International expansion is the main challenge, because we must now go abroad to continue to drive growth in the sector. This is possible thanks to Luxembourg's unique regulatory and supervisory framework. It has allowed a model to be built based on risk identification and control, and risks are thus limited or at least mitigated by clearly defined procedures.

This risk-based governance model is a real asset, a unique selling proposition, and something that we must promote and export; it allows us to offer customers assurance and peace of mind in the management of their data. This assurance is the added value, the differentiating factor that will allow us to sell our services abroad, even with higher cost bases, and to manage our international customers from Luxembourg.

Another challenge lies in expanding the coverage of this risk-based model to other areas in which management of sensitive data is important, such as legal or medical data for example. To give an example concerning ISFS, we manage the core IT systems of a neighbouring state where we have met very high security requirements. RAR is an essential tool in this development; it really must be regarded as added value and awareness of the tool must be raised.

One challenge, which is both personal and relevant to the Association of Support PSF, is that of speaking with one voice. The association encompasses many different activities but it does not yet cover all the activities carried on by support PSF, even though membership has increased in the last few years. I hope to have the opportunity to meet all the players at the start of my term to give the association new momentum and involve as many people as possible. ALFI is a success story which the ICT sector should take as an example.

The change in labour costs together with the search for skills are still factors affecting the competitiveness of our companies and areas in which adjustments must be made.

Lastly, I would like to mention current concerns in the financial sector regarding Luxembourg's position on the automatic exchange of information. It is difficult to know exactly what consequences these changes will have, even though we do know that there will be some, but again, the important thing is to leverage our expertise and know-how and create a positive image for Luxembourg.

***What advantages does Luxembourg offer the PSF that you represent?***

The same applies as for the previous question: *"We have a unique advantage: an excellent model to export and duplicate from Luxembourg. We must believe in ourselves!"*

Regarding infrastructure, Luxembourg boasts first-rate, top-quality facilities, thanks to Government support. And the nation still obviously has its historical advantages, namely a favourable tax environment, an attractive regulatory framework, economic stability, and a skilled and multicultural workforce, to mention but a few.



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**We have a unique advantage: an excellent model to export and duplicate from Luxembourg. We must believe in ourselves!**





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# Outlook and opportunities arising from the upcoming changes in e-archiving



## ARTICLE

### Roland Bastin

Partner - Informations  
& Technology Risk  
Deloitte Luxembourg

### Stéphane Hurtaud

Partner - Informations  
& Technology Risk  
Deloitte Luxembourg

## The change foreseen for the legal framework

There is already a legal framework concerning electronic archiving in place in Luxembourg. However, this framework does not provide sufficient legal guarantee regarding the destruction of an original document that had already been digitalised. To overcome this limitation, a team of experts was brought together to design a new legal framework based on a new law on electronic archiving and an update of other impacted laws (Civil code, Commercial code, Financial sector law) and of the related Grand-Ducal Regulation (RGD).

## The proposed legal framework puts forward three major considerations:

1. Creation of the dematerialisation and conservation service provider (defined as 'PSDC' in the draft law) status: the objective is to organise digitalisation and archiving activities and thus to build trust surrounding activities for service receiving companies, as well as for judges, ministries, administrations and courts. PSDCs will be monitored by the ILNAS with a specified accreditation scheme. An organisation can choose to become accredited for digitalisation and/or for archiving
2. Reversal of the charge of proof: in the case of a faithful copy of the original document produced and archived by a PSDC under conditions set forth in the RGD, it would be up to the charging party to prove that the copy is not a faithful or sustainable reproduction of the original document

3. Technical and organisational requirements: the RGD, and more specifically, the accreditation scheme will establish precise technical requirements, organisational constraints and implementation conditions

As of today, the draft bill, draft updates to impacted laws and draft updates to the RGD have been submitted to the Chamber of Deputies. At the same time, major parts of the accreditation scheme have been published by the ILNAS.

## Technical regulation requirements and measures

As part of the accreditation scheme, technical requirements have been published by the ILNAS. The framework is based on three layers. The first layer is the foundation and applies ISO/IEC 27001<sup>1</sup> and 27002<sup>2</sup>. The second layer offers further detail regarding a number of ISO/IEC 27002 controls and tailors them to reflect digitalisation/archiving activities. The accreditation scheme also includes documents related to the supervision of PSDCs and audit guidelines.

## What if digitalisation and archiving services are provided to financial institutions?

Whenever digitalisation/archiving services are provided to financial institutions, all PSDCs are required to obtain a PSF status. Two new Support PSF statuses (Articles 29-5 and 29-6) are expected to be added to the law of 5 April 1993 on the financial sector. Conditions set forth for the PSF status include forecasted share capital of €50,000 for digitalisation service providers (PSF/PSDC-D) and €125,000 for archiving service providers (PSF/PSDC-C).

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## Get rid of paper!

<sup>1</sup> ISO/IEC 27001:2005, part of the growing ISO/IEC 27000 family of standards, is an information security management system (ISMS) standard published in October 2005 by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). As of July 2013, a new version is in draft: ISO/IEC 27001:2013

<sup>2</sup> ISO/IEC 27002 provides best practice recommendations on information security management for use by those responsible for initiating, implementing or maintaining information security management systems (ISMS)



Consequently, the PSDC will be supervised by both the ILNAS for its PSDC status and by the CSSF for its PSF status. As of yet, other than those circulars already applicable to Support PSF, no regulation/circulars specific to PSF/PSDCs have been published by the CSSF.

#### Opportunities and business cases

Many organisations are already digitalising their documents but have not yet made the decision to destroy their hard copies. While there is a real business case for the digitalisation process, the general mind-set of both individuals and businesses with regard to destroying or archiving documents still needs to evolve. The overall objective of the foreseen change is to place more trust in companies that specialise in digitalisation and archiving. This trust will be achieved through greater supervision of digitalisation/archiving companies and by guaranteeing financial stability, as well as through process transparency and documentation, archiving sustainability and the document restoration obligation.

A good example is the account opening process used in banks. The account opening process for a new customer usually consists of the following steps: the new customer provides specific documents to identify him or herself to the banker at the branch (e.g. ID, pay slip) and then signs a contract. This information is then registered in the banking system. The documents are subsequently sent to the customer maintenance department in the central office for confirmation of the account opening. Finally, documents are archived centrally, usually in another location.

The current process, which is based on the use of hard copies, presents three main drawbacks: operational risk (i.e. loss of the original document), inefficiency (i.e. time to transport to central office or time to retrieve documents from the central archive) and the cost of transporting and storing hard copies (i.e. renting buildings for paper archives).

In-branch digitalisation of documents offers a solution to these three drawbacks. It would ensure optimisation of the process and thus reduce the time it takes to open an account; minimise the overall operational risk and finally reduce or even eliminate the costs of transport and storage. Indeed, major banks have already set up, or are in the process of setting up 'SCAN TO PROCESS'. Digitalisation of legal archives, which means going a step further than 'SCAN TO ARCHIVE', will make the transport/storage of the original document redundant and will necessitate the archiving of these digitalised documents with a legal value.

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**Many organisations are already digitalising their documents but have not yet made the decision to destroy their hard copies**



### What is the business case for archiving after digitalising?

What about the scope and return on investment? For which documents are we required to ensure reversal of the charge of proof? In which jurisdiction outside of Luxembourg will the electronic archive be accepted? What is the cost of storing paper versus the cost of the IT infrastructure, the cost of ensuring integrity and sustainability of the electronic archive and the cost of maintaining a PSDC accreditation, including audits? Are we really going to destroy the original document?

Archiving a small proportion of digitalised documents with a legal value internally may not prove a profitable solution for organisations/institutions. The investment and maintenance costs incurred by these few legal electronic archives will not be lower than the costs of transporting and storing hard copies. As such, organisations/institutions will most probably outsource this activity to service providers. We believe there is a business case for service providers in the legal archiving business, mainly because they will be able to pool costs.

Legal archiving is a cross-functional matter that presents a challenge for various dimensions of an organisation. We have identified key challenges for service providers through four key dimensions, namely organisational, standardisation, regulatory and technical dimensions:

- PSDC becoming PSF
- PSF becoming PSDC through PSDC readiness audits and assistance
- Implementing policies and procedures
- Ensuring proper electronic signatures
- Establishing a risk analysis report and descriptive report
- Supporting digitalisation/archiving software providers in tailoring their software so that it fulfils PSDC technical requirements

# 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

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| <b>Regulatory strategy</b> | <ul style="list-style-type: none"> <li>• Assistance in compiling licence application documents and submissions to the CSSF</li> <li>• Gap analysis and assistance in establishing a set of procedures covering all administrative aspects and internal controls</li> </ul> |
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| <b>Corporate finance</b> | <ul style="list-style-type: none"> <li>• 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</li> </ul> |
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| <b>Human resources</b> | <ul style="list-style-type: none"> <li>• Support in relation to change such as a transfer from another entity, recruitment of specialist employees</li> </ul> |
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| <b>Direct taxation and VAT</b> | <ul style="list-style-type: none"> <li>• Tax advice and assistance, structural implementation</li> <li>• Due diligence</li> </ul> |
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#### During the development stage

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| <b>Regulatory strategy</b> | <ul style="list-style-type: none"> <li>• 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)</li> <li>• Procedures manual covering the following aspects: administrative, IT, accounting, internal controls, etc.</li> <li>• Proposing compliance tools such as U-Comply</li> <li>• Rules of conduct in line with the best practice of the financial centre and MIFID rules</li> <li>• Training in all the above areas</li> <li>• Assistance in relations with the authorities. Provision of a regulatory hotline</li> <li>• Within the framework of subcontracting, inventory of services to be provided and drafting of Service Level Agreements (SLA)</li> </ul> |
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| <b>Operational risk management and internal audit</b> | <ul style="list-style-type: none"> <li>• Subcontracting or co-sourcing of the internal audit function</li> <li>• Advisory services for the definition of relations with third parties and suppliers, and definition of the corresponding risks</li> <li>• ISAE 3402 and SSAE 16 (assistance in compliance with and certification)</li> </ul> |
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| <b>Financial risks</b> | <ul style="list-style-type: none"> <li>• Calculation and optimisation of solvency ratio, production of CoREP reporting and regime relating to broad exposure</li> <li>• Advice, analysis and assistance regarding establishment of the ICAAP</li> <li>• Implementation of a framework for liquidity monitoring and monitoring of Basel II, in particular in respect of the advanced method relating to operational risk</li> <li>• Development of quantitative models relating to credit, market and operational risks.</li> <li>• Provision of training in all the above areas</li> </ul> |
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| <b>Payment Services Directive (PSD)</b> | <ul style="list-style-type: none"> <li>• Training, comparative analysis and project management</li> </ul> |
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| <b>IT risks (Information Technology)</b> | <ul style="list-style-type: none"> <li>• One-off advice on long-term implementation, support in terms of IT strategy, review of IT architecture, implementing solutions, IT integration and optimisation</li> <li>• Assistance with all IT projects in terms of banking secrecy, relations with authorities and subcontracting</li> <li>• Business Continuity Plan and Disaster Recovery Plan</li> </ul> |
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<b>Corporate finance</b>	<ul style="list-style-type: none"> <li>• Assistance in terms of external growth (merger, acquisition, strategic alliance)</li> <li>• Due diligence</li> <li>• Evaluation of PSF</li> </ul>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>• HR policies, development of HR function, evaluation, development and training, recruitment of employees with specialised experience</li> </ul>
<b>Capital markets and financial assets</b>	<ul style="list-style-type: none"> <li>• Valuation review and independent valuation of complex financial instruments</li> <li>• Coverage of current applicable valuation procedures</li> <li>• Examination of the valuation model used</li> <li>• Review of market data input into tariffication models</li> </ul>
<b>Anti-money laundering, anti-terrorist financing and fraud prevention, detection and investigation</b>	<ul style="list-style-type: none"> <li>• Appropriate organisation to deal with money laundering and the financing of terrorism in terms of training and raising awareness, client knowledge, structuring and procedures</li> <li>• Assistance in selection and implementation of anti-fraud and AML systems</li> <li>• Targeted investigation and due diligence</li> </ul>
<b>IMS (Investment Management Services)</b>	<ul style="list-style-type: none"> <li>• Modular assistance in all issues relating to distribution networks for financial products (cross-border, marketing, regulatory, registration)</li> <li>• 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 IV</li> <li>• Corporate governance: advisory services for setting up a code of conduct and assistance with the selection of service providers and domiciles</li> </ul>
<b>Accounting</b>	<ul style="list-style-type: none"> <li>• Assistance in setting up accounting procedures, regulatory reporting and all work in relation to accounting</li> </ul>
<b>Direct taxation &amp; VAT</b>	<ul style="list-style-type: none"> <li>• Fiscal optimisation</li> <li>• Due diligence</li> <li>• Operational assistance (also in respect of problems linked to the EU Savings directive, Qualified Intermediary and FATCA, the exchange of tax information, tax treatment of investors, etc.)</li> <li>• Assistance with tax returns (IRC [corporate income tax], ICC [municipal business income tax], IF [wealth tax], withholding tax, VAT)</li> <li>• Assistance in respect of transfer pricing</li> <li>• Tax impact of IFRS</li> <li>• Creation of automated VAT procedures and specific management tools (e.g. VeriVAT)</li> <li>• Personalised training and tax hotlines</li> </ul>



<b>Family Office Services</b>	<ul style="list-style-type: none"> <li>• Support and implementation of customised tax structures for private clients (sales of companies, international transfer of assets, transfers of residence etc.)</li> <li>• Family and corporate governance</li> <li>• Financial strategy and compliance</li> <li>• Development of specific vehicles and products (philanthropy, art funds, Islamic finance etc.)</li> </ul>
<b>External audit</b>	<ul style="list-style-type: none"> <li>• Audit of company accounts</li> <li>• Review of compliance of with circulars and preparation either of analytical audit reports (for investment firms), or compliance reports (for specialised and support PSF)</li> <li>• Consultation on regulatory and accounting issues, conversion to IFRS, agreed procedures, etc.</li> <li>• Support relating to requests made by the CSSF</li> <li>• Certification of continuous training records in order to obtain related subsidies</li> </ul>
<b>Until the termination of operations</b>	
<b>Liquidation services</b>	<ul style="list-style-type: none"> <li>• Assistance in setting up liquidation plans</li> </ul>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>• Support in relation to change in connection with the transfer to another entity and within the framework of a liquidation</li> </ul>
<b>Direct taxation and VAT</b>	<ul style="list-style-type: none"> <li>• Tax advice and assistance in connection with a liquidation, merger, demerger or transfer</li> <li>• Communication with the tax authorities</li> </ul>

# Appendice

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: <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>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</li> </ul>
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 custodians of financial instruments	26	€730,000		Professional custodians of financial instruments are professionals engaged in the business of receiving deposits of financial instruments, solely from financial service professionals, for the purpose of safe-keeping, administration (including holding and ancillary services) and facilitating their onward transmission.
Professional custodians of assets other than financial instruments	26-1	€500,000		Professional custodians of assets other than financial instruments are professionals who act as custodian for: <ul style="list-style-type: none"> <li>• Specialised investment funds referred to in the law of 13 February 2007, as amended</li> <li>• Undertakings within the meaning of the law of 15 June 2004, as amended, relating to the investment company in risk capital</li> <li>• Alternative Investment Funds within the meaning of Directive 2011/61/EU, which have no redemption rights exercisable during a period of five years from the date of the initial investments and which, in accordance with their core investment policy, generally do not invest in assets that must be held in custody in accordance with paragraph (8), point a) of article 19 of the law of 12 July 2013 on alternative investment fund managers, or generally invest in issuers or non-listed companies in order to potentially acquire control over such companies in accordance with article 24 of the law of 12 July 2013 on alternative investment fund managers</li> </ul>
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.
Persons carrying out foreign exchange cash operations	28-2	€50,000		Persons carrying out foreign exchange cash operations 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 carrying on lending operations	28-4	€730,000		Professionals carrying on lending operations are professionals engaging in the business of granting loans to the public for their own account.
Professionals carrying on securities lending operations	28-5	€730,000		Professionals carrying on securities lending operations 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.

Specialised PSF				
PSF	Article	Minimum capital or capital base (€)	Professional indemnity insurance (€)	Activity covered by the status
Managers of non co-ordinated UCIs	28-8	€125,000		Managers of non co-ordinated UCIs are professionals engaged in the business of managing undertakings for collective investment other than UCIs established in Luxembourg or UCITS authorised in accordance with Directive 85/611/EEC as amended by Directive 2001/107/EC. Managers of non co-ordinated UCIs may engage in the provision of central administration services for entities managed by them.
Corporate domiciliation 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 formation and management services	28-10	€125,000		Professionals providing company formation 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 agents	28-11	€730,000		Central account agents are professionals holding issue 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		<p>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 (<i>Sociétés d'Investissement en Capital à Risque</i>) and authorised securitisation undertakings established under Luxembourg law or foreign law, of one or more of the following services:</p> <ul style="list-style-type: none"> <li>• 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, 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</li> <li>• The maintenance or destruction of documents referred to in the previous indent</li> <li>• 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</li> <li>• The management of mail giving access to confidential data by persons referred to in the first indent</li> <li>• 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</li> </ul>
Financial sector administrative agents	29-2	€125,000		<p>Financial sector administrative agents are professionals who engage in the provision, on behalf of credit institutions, PSF, payment 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.</p>
Primary IT systems operators of the financial sector	29-3	€370,000		<p>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, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.</p>
Secondary IT systems and communications networks operators of the financial sector	29-4	€50,000		<p>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, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.</p>



# Contacts

## PSF



**Stéphane Césari**  
Partner - PSF Leader  
+352 451 452 487  
scsari@deloitte.lu

## Audit



**Raphaël Charlier**  
Partner - Audit  
+352 451 452 258  
rcharlier@deloitte.lu

## Investment Management



**Vincent Gouverneur**  
Partner - EMEA Investment Management Leader  
+352 451 452 451  
vgouverneur@deloitte.lu

## Tax



**Michel Guilluy**  
Partner - Global Financial Services Industry Tax Leader  
+352 451 454 256  
mguilluy@deloitte.lu



**Jacques Linon**  
Partner - Global Financial Services Industry Tax  
+352 451 452 175  
jlinon@deloitte.lu



**Raphaël Glohr**  
Partner - Indirect Tax-VAT  
+352 451 452 665  
rglohr@deloitte.lu



**Pascal Rapallino**  
Partner - Private Wealth Services Leader  
+352 451 452 846  
prapallino@deloitte.lu

## Accounting



**Jean-Philippe Foury**  
Partner - Accounting Leader  
+352 451 452 418  
jpfoury@deloitte.lu

## Family Office Services



**Ruth Bültmann**  
Partner - Family Office Services Leader  
+352 451 452 115  
rbueltmann@deloitte.lu

## Deloitte Luxembourg

560 rue de Neudorf  
L-2220 Luxembourg  
Grand Duchy of Luxembourg

Tel.: +352 451 451  
Fax: +352 451 452 401  
www.deloitte.lu

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## Advisory & Consulting

### Risk, Compliance & Attest



**Roland Bastin**  
Partner - Information & Technology Risk  
+352 451 452 213  
rbastin@deloitte.lu



**Stéphane Hurtaud**  
Partner - Information & Technology Risk  
+352 451 454 434  
shurtaud@deloitte.lu



**Laurent Berliner**  
Partner - Business Risk  
+352 451 452 328  
lberliner@deloitte.lu



**Michael JJ Martin**  
Partner - Forensic & Dispute Services  
+352 451 452 449  
michamartin@deloitte.lu



**Xavier Zaegel**  
Partner - Capital Markets/Financial Risk  
+352 451 452 748  
xzaegel@deloitte.lu

### Strategy & Corporate Finance



**Benjamin Collette**  
Partner - Strategy & Corporate Finance Leader  
+352 451 452 809  
bcollette@deloitte.lu



**Pierre Masset**  
Partner - Corporate Finance  
+352 451 452 756  
pmasset@deloitte.lu

### Technology & Enterprise Application



**Patrick Laurent**  
Partner - Strategy & Operations/Technology  
+352 451 454 170  
palaurent@deloitte.lu

### Operations & Human Capital



**Basil Sommerfeld**  
Partner - Operations & Human Capital Leader  
+352 451 452 646  
bsommerfeld@deloitte.lu



**Filip Gilbert**  
Partner - Human Capital Advisory/  
Transformation  
+352 451 452 743  
fgilbert@deloitte.lu

### Outsourced Solutions



**Lou Kiesch**  
Partner - Regulatory Strategy  
+352 451 452 456  
lkiesch@deloitte.lu

