



Overview and outlook of a promising sector

Professionals of the Financial Sector
(PSF) in Luxembourg

November 2016

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Foreword

The Luxembourg marketplace reasserts its leading role in the global financial sector each year. The country's reputation for its quality services among clients coming to Luxembourg is built on the expertise and know-how of its Professionals of the Financial Sector.

The Professionals of the Financial Sector industry (PSF) in Luxembourg numbered 309 entities in 2015, compared to 316 for 2014. In terms of employment, the sector currently employs over 15,000 people. **PSF is still a promising market**, with an increase in employment despite the stable number of companies.

Competitiveness is inherent in all markets. In a constantly evolving legislative and technological environment, it is important to focus the company on its core business and adapt to the needs of tomorrow. Through our detailed analysis of the PSF market, we present **the key trends and changes in this industry**.

Integrating the latest PSF figures plus explanations, our brochure analyses changes in PSF and demonstrates their dynamic nature. It is enhanced with **interviews with key people in the marketplace** and articles on topical issues, written by industry-dedicated professionals.

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

The regulatory environment saw fewer changes in 2015 which was more a year of stability and assimilation. The shift in OECD paradigm, focusing resolutely on tax transparency, continues to produce its effects.

We kindly thank **Nico Binsfeld, Gabriel Ridone, Wim Ritz**, and **Denis Stoz** for their valuable contributions to this brochure. Their complementary experience in this industry provided us with an enlightened opinion of the latest PSF news and the sector's prospects.

We hope you will enjoy reading our publication.

Stéphane Césari
Partner – PSF Leader

Raphaël Charlier
Partner – Audit



Introduction

PSF: A considerable range of services in a secure environment



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

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

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

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

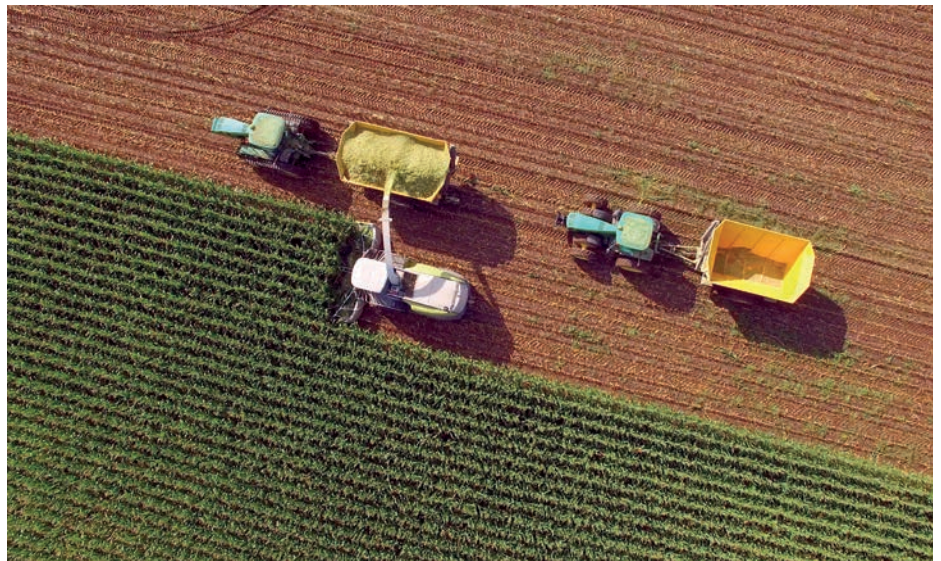
There are three types of PSF depending on the type of activity carried out and the nature of the services provided, namely:

- **Investment firms**

(Art. 24 to 24-9 of the Law)

They are defined as firms supplying or providing investment services to third parties on a professional and ongoing basis. These are mainly:

1. Investment advisers
2. Brokers in financial instruments
3. Commission agents
4. Private portfolio managers



- **Specialised PSF**

(Art. 25 to 28-11 of the Law)

Renamed as such by the Law of 28 April 2011, these are entities active in the financial sector but which do not offer investment services. They mainly include:

1. Corporate domiciliation agents
2. Registrar agents
3. Family Offices

- **Support PSF**

(Art. 29-1 to 29-6 of the Law)

Support PSF act principally as subcontractors offering operational services on behalf of credit institutions, PSF, payment institutions, electronic money institutions, insurance and re-insurance undertakings, pension funds and UCIs. They also act on behalf of Specialised Investment Funds (SIF), SICAR (Société d'Investissement en Capital à Risque or venture capital companies) and approved securitisation entities. They include:

1. Support PSF not involved in information technology, namely client communication agents (Art. 29-1) and administrative agents of the financial sector (Art. 29-2).

2. Support PSF involved in information technology, namely Primary IT Systems Operators of the financial sector (OSIP - Art. 29-3) and Secondary IT Systems and communication networks operators of the financial sector (OSIS - Art. 29-4).
3. Support PSF offering dematerialization or digital document conservation services (Art. 29-5 and 29-6).

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

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

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Scope of PSF in the Luxembourg economy

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1.1 A dynamic economic player

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

Market size

After posting steady growth close to 95% between 2004 and 2011, the number of PSF has since stabilised. The Grand Duchy identified 309 PSF¹ as at 31 December 2015, against 316 at year end 2014.

The main category of PSF in 2015 remains specialised PSF, accounting for 40% of PSF. Yet, despite a steady growth between 2007 and 2013 (+85%), the number of these PSF saw a slight downturn in 2014 (-3%). The trend was towards a slight increase in 2015 (+1%).

In 2015, investment firms account for 35% of PSF. Initially in the majority, their progress has been slowed by the financial crisis. After experiencing a downturn in 2012, their number has stabilised since.

Support PSF have displayed dynamic growth since their creation (+42% since 2007). The number has however been stabilising since 2012 and as at 31 December 2015, they accounted for 25% of the PSF population. However, we note that support PSF have risen from 78 as at 31 December 2015 to 82 in August 2016.

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

- The quest for cost reductions by pooling resources.
- Growth of the financial marketplace, particularly in investment funds and corporate domiciliation agents, which broadens the scope of services a PSF is able to offer.

- The growing number of financial and non-financial services for which approved PSF status is mandatory. In this respect, two new licences were created in 2015 in connection with dematerialization and digital document conservation services.
- Recognition of a quality label, as PSF are regulated by the CSSF.
- The attractiveness of Luxembourg. Since 2007, more than 50% of PSF created in Luxembourg have been of foreign origin and this figure is still rising.

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

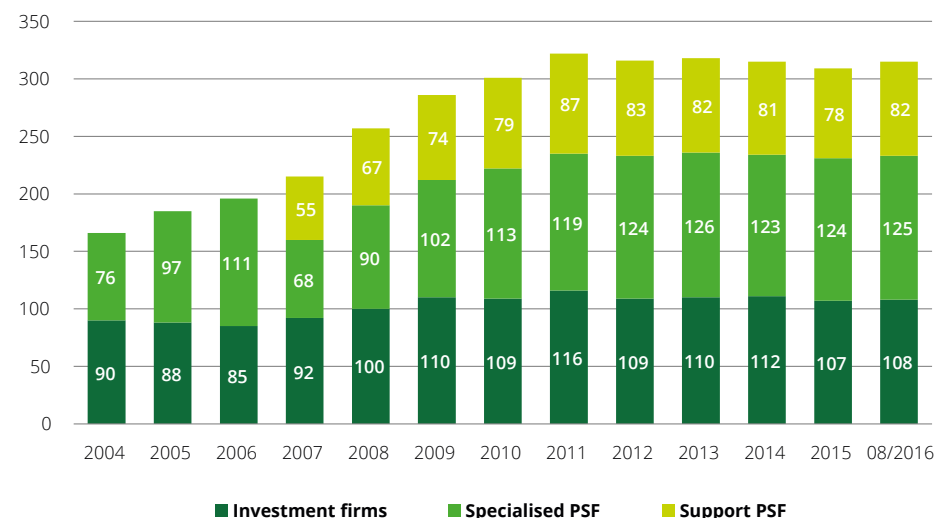
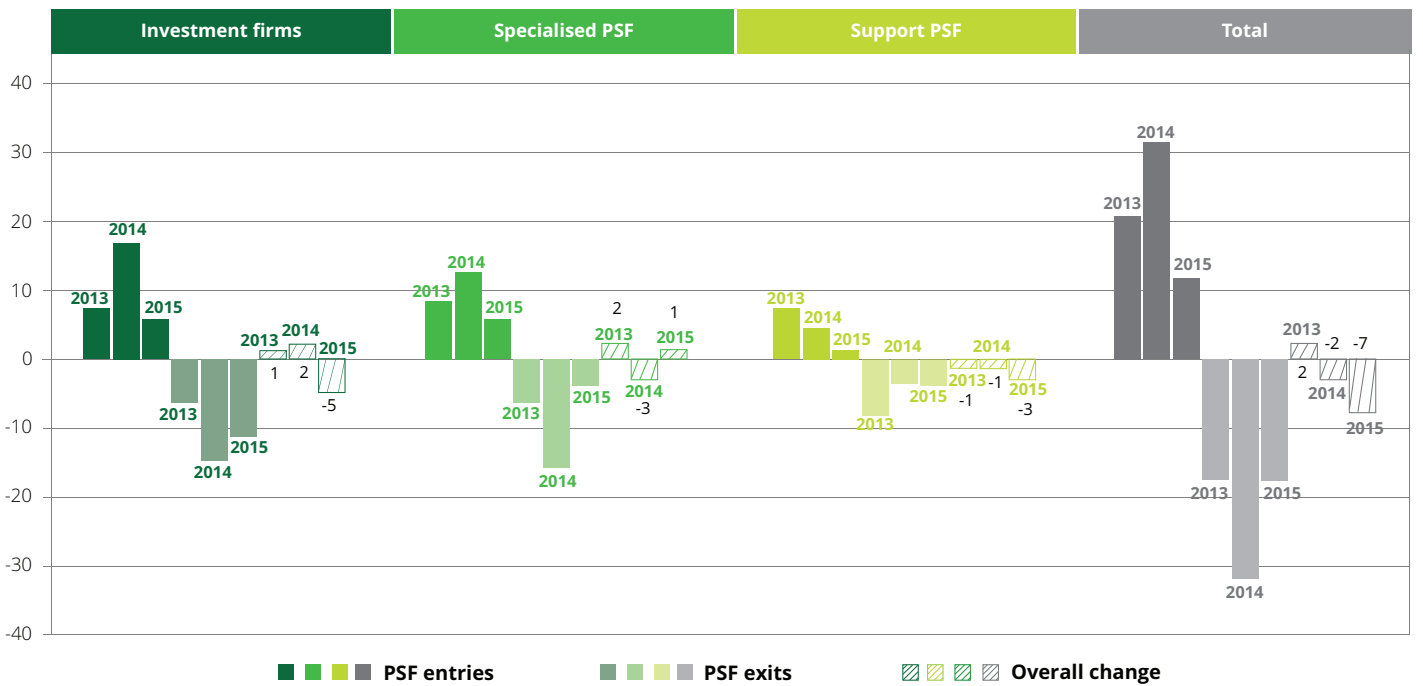




Figure 2: PSF change by category - entries and exits 2015, 2014 and 2013





The overall change in the number of PSF over the last 10 years can be broken down into two phases.

Over the 2005 to 2011 period, a 74% increase was recorded, showing the considerable implementation of PSF in the marketplace. This significant growth peaked in 2011, marking a turning point in changes in the number of new PSF created each year. From 2011 to August 2016, it is interesting to note the stability over an almost five-year period, and the constancy in the total number of PSF and their distribution by category.

A point that calls for attention is 2007 with the appearance of support PSF. The creation of this new category brought a new distribution of PSF: initially 39% of specialised PSF in 2006 withdrew or turned to the support PSF activity and their number has almost doubled since 2007. It shall be noted that investment firms have remained relatively stable over the same period.

The number of PSF varied little between 31 December 2014 and 31 December 2015. The slight decrease is due to the drop in PSF creations in 2015 (13 new entities, i.e. almost 60% fewer creations than 2014), and the decrease in withdrawals (20 entities, i.e. 40% less than 2014), confirming the sector's stability.

The new PSF result from the creation of companies, but also from the conversion of existing entities into PSF. The variation in PSF numbers may also be due to a change of PSF category.

PSF withdrawals are mainly due to entities relinquishing their PSF status (this is the case for over 90% of withdrawals). Some entities refocused their activity and adapted their status accordingly, like UBS Luxembourg Financial Group Asset Management S.A., Iteram Investments S.A.,

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

or CBRE Global Investors Luxembourg S.à r.l. which opted for Management Company status or Alternative Investment Fund Manager status. The remainder mostly stems from mergers/takeovers between PSF.

At the time of writing this brochure, this trend would appear to be confirmed with already five status changes over the first eight months of 2016.

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

Overall, and from one category to the next, we note that PSF creations over 2015 are offset by exits. The final impact is quite balanced, since in 2015 the total number of PSF dropped by 2%.

Place of PSF in the Luxembourg financial industry

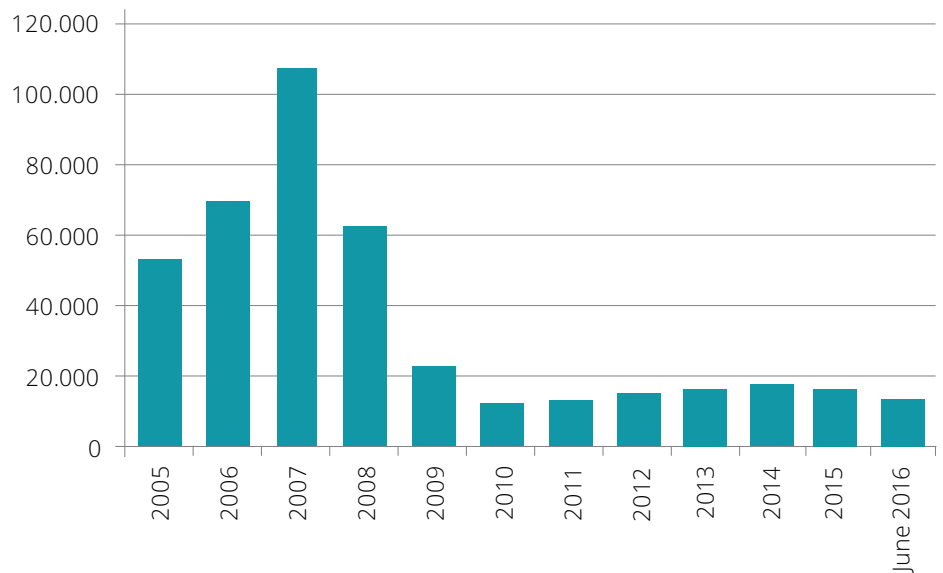
The latest available analysis carried out by the *Haut Comité de la Place Financière* (HCPF) on the situation as at 31 December 2012 showed that:

- Investment firms and specialised PSF contributed 3% to national production (this analysis did not take support PSF into account).
- The added value per employee of PSF remained 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 sector.
- PSF accounted for 1/3 of jobs in the financial industry. This representation has since been confirmed.

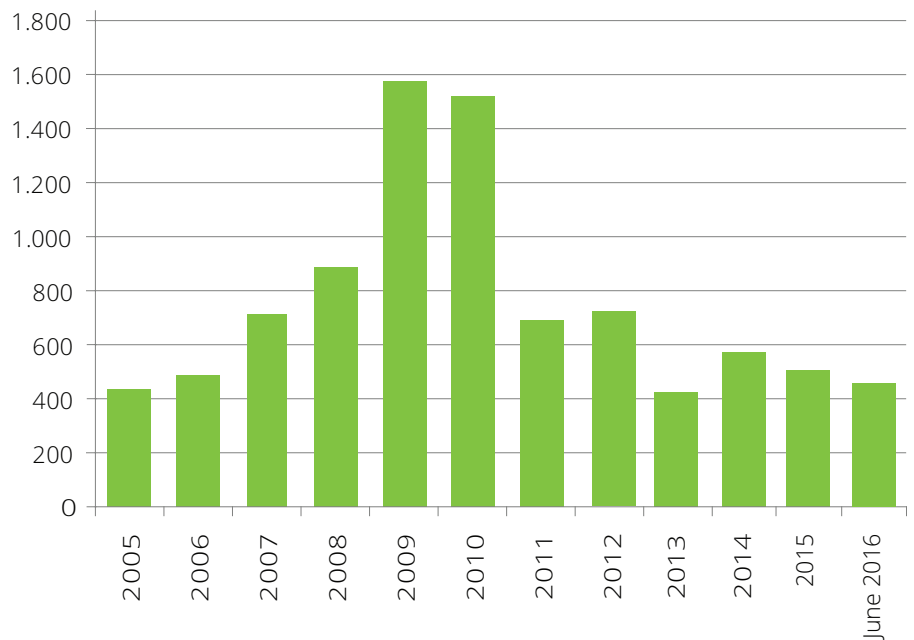
Aggregated balance sheets and net profits of PSF

The sum of the balance sheets of all PSF amounted to €14.5 billion as at 31 December 2015, compared to €15.6 billion as at 31 December 2014, i.e. an almost 7.2% drop in one year.

Figure 3: Evolution of total balance sheets and net results of PSF (in € million)



Total balance sheet ■



Total net results ■

Source: Statistics of the CSSF.

This variation is due to specialised PSF and investment firms which saw their balance sheet total respectively drop by 32%, i.e. about €3.44 billion, and increase by +65%, i.e. more than €2.35 billion. The balance sheet variation of specialised PSF is mainly due to the withdrawal of CEMEX (€3.9 billion), whereas that of investment firms is primarily linked to the arrival of Franklin Templeton Luxembourg (€2.9 billion). The balance sheet total of support PSF remains relatively stable (+5%).

The concentration of PSF business continues as at 31 December 2015. The four PSF with the largest balance sheet totals (two investment firms with €5.1 billion and 2 specialised PSF with a total of €2.3 billion) account for nearly 51% of the balance sheet total of all PSF, against 61% in 2014.

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

Thus, PSF post a drop of 8% in net profits in one year, with total net revenues going from €560 million as at 31 December 2014 to €515 million on 31 December 2015.

We note that two PSF (Franklin Templeton Luxembourg and Clearstream Services) account for 60% of total profits in the sector (compared to 44% in 2014), and the loss of one specialised PSF alone accounts for 20% of total results.

Note that according to CSSF data as at 30 June 2016, PSF overall have a provisional net profit of €479 million, a very positive trend which we hope to see confirmed over the second half of the year.



Figure 4: Breakdown of balance sheet totals and net results totals by PSF category
Total balance sheet (in € million)

	2009		2014		2015		June 2016	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment firms	1.132	5%	3.643	23%	5.999	41%	5.740	40%
Specialised PSF	20.147	90%	10.842	70%	7.336	51%	7.400	52%
Support PSF	1.177	5%	1.053	7%	1.107	8%	1.055	8%
Total	22.456	100%	15.538	100%	14.442	100%	14.195	100%

Total net results (in € million)

	2009		2014		2015		June 2016	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment firms	171	11%	153	27%	253	49%	233	49%
Specialised PSF	1.377	87%	347	62%	194	38%	208	43%
Support PSF	30	2%	60	11%	68	13%	38	8%
Total	1.578	100%	560	100%	515	100%	479	100%

Source : CSSF statistics at June 2016.

An analysis of profits by category shows that:



- The net results of **specialised PSF** significantly decreased in 2015, down by 44%. Specialised PSF account for 38% of the profits of all PSF in 2015, compared to 62% in 2014.



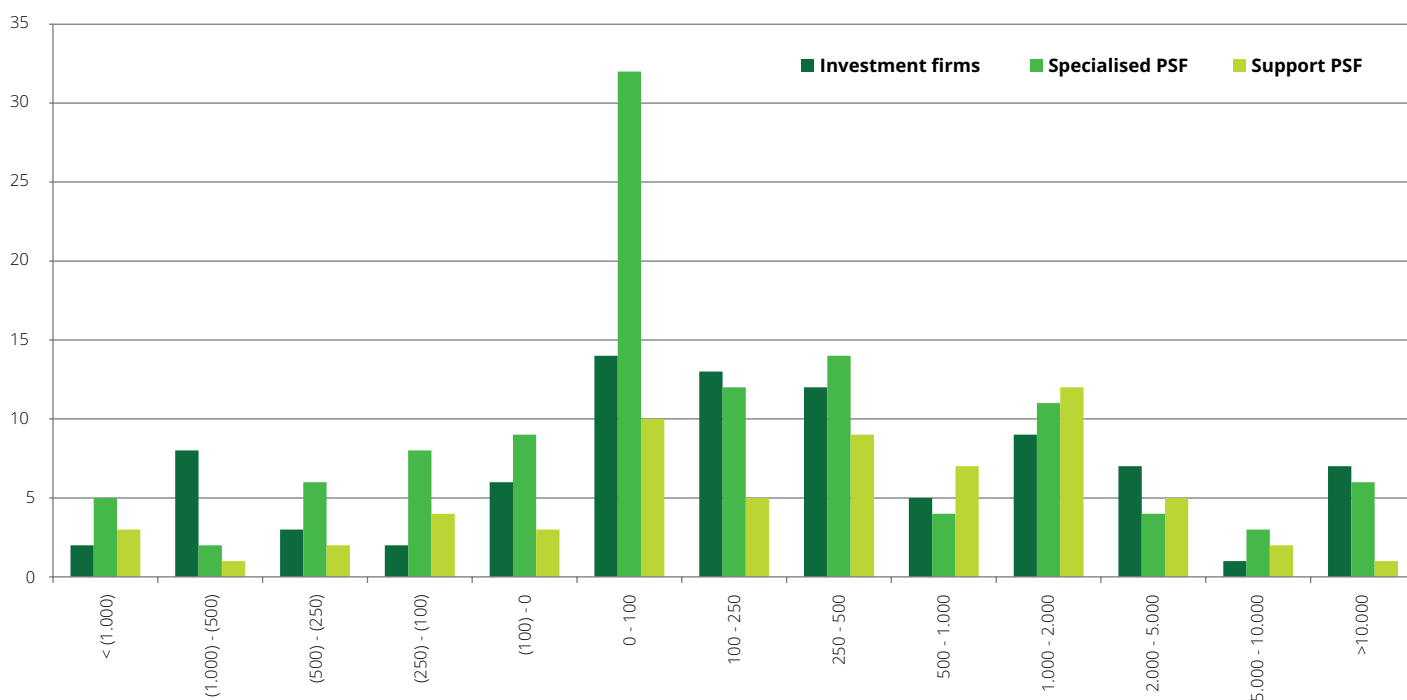
- The net results of **investment firms**, which increased in 2015, saw their relative share rise from 27% in 2014 to 49% in 2015 compared to the other categories of PSF.



- However, the relative share of net results of **support PSF** remained relatively stable between 2014 and 2015 at around 13%.

Figure 5.1: Breakdown of PSF by net result bracket as at 31 December 2015 (in € ,000)

Following our analysis of the financial statements, the structure of the main trends of net result is as follows:



The extreme results - a loss of €101 million and a profit of over €430 million - are carried out respectively by a specialised PSF and by an investment firm. The average net result of a PSF amounted to €2.9 million as at 31 December 2015 against €1.8 million as at 31 December 2014.

Figure 5.2: Comparison of breakdown of PSF by net result bracket in 2015 and in 2014 (in € ,000)

	Investment firms		Specialised PSF		Support PSF	
	2014	2015	2014	2015	2014	2015
Loss	26%	23%	28%	26%	19%	19%
Profit between 0 & 100	24%	16%	30%	27%	15%	16%
Profit between 100 & 1000	26%	34%	25%	26%	40%	33%
profit between 1000 & 5000	16%	18%	9%	13%	23%	27%
Profit > 5.000	8%	9%	8%	8%	3%	5%
	100%	100%	100%	100%	100%	100%

Investment Firms Category:

Net results of investment firms varied between a loss of €1.8 million and a profit of €433 million. The three highest figures were posted by Franklin Templeton Luxembourg S.A., Lombard Intermediation Services S.A. and Attrax S.A., for a total amount of €495 million. While average profit was €6.6 million, the median stands at €200 thousand and is up compared to the €100 thousand of 2014.

Specialised PSF Category:

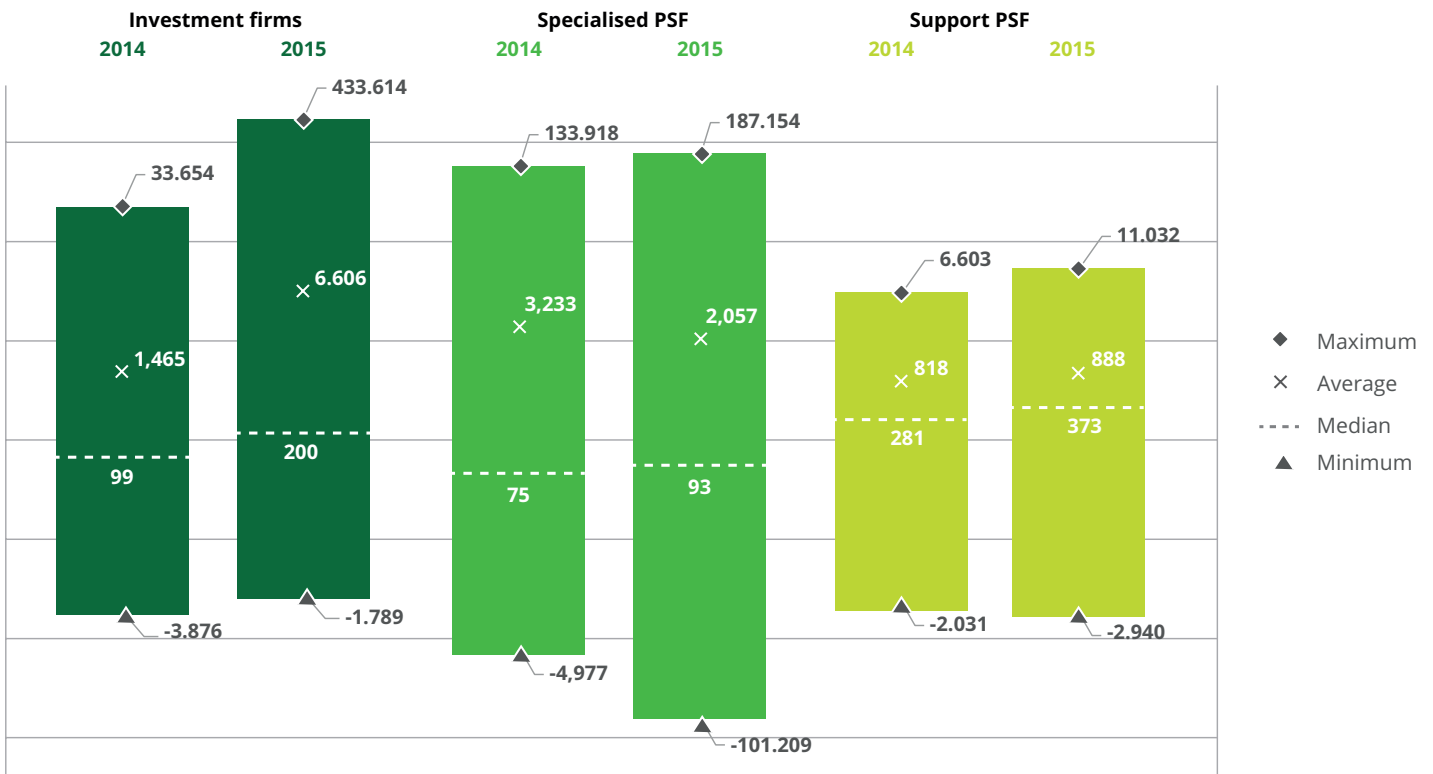
Net results of specialised PSF varied between a loss of €101 million and a profit of €187 million. Two PSF posted an extremely high profit compared to the other entities. They are Clearstream International S.A. and PK Airfinance S.à r.l., with €230 million in total. The other entities peaked at a profit of €21 million. This explains why, despite an average profit of €2 million, 80% of the specialised PSF generated profits below or equal to €1 million.

Support PSF Category:

Net results of support PSF varied between a loss of €3 million and a profit of €11 million. The concentration of profit is higher than for the two other PSF categories. This is confirmed by an average profit of €885 thousand, close to a median figure of €373 thousand.

Although the tendency in the sector is towards a higher concentration of profits, a handful of companies continue to drive the average net profit upwards. The increase in median amounts for the three types of PSF is a positive sign confirming the potential of the entire industry.

Figure 6: Range and average net results by PSF category as at 31 December 2015 (in €,000)



Main expenses of PSF

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

- staff costs,
- external expenses and other operating expenses,
- financial expenses,
- taxes.

Year over year, the distribution of these expenses remains quite stable. However, they do not all carry the same weight from one PSF category to another.

For **investment firms**, external expenses and other operating expenses account for more than half of identified expenses, whereas personnel costs account for less than 30%.

For **specialised PSF**, external expenses and other operating expenses and personnel costs are equivalent and account for 69% of identified costs. The significant portion of interest paid (25%) is due to one PSF, Reluxco International, whose interest

amounts to €173 million, which represents 95% of interest. Without this extreme, the share of these expenses would amount to 2% of identified expenses.

Within **support PSF**, personnel costs rank first and account for slightly more than half of identified expenses. They are followed by external expenses and other operating expenses for 40% in 2015.

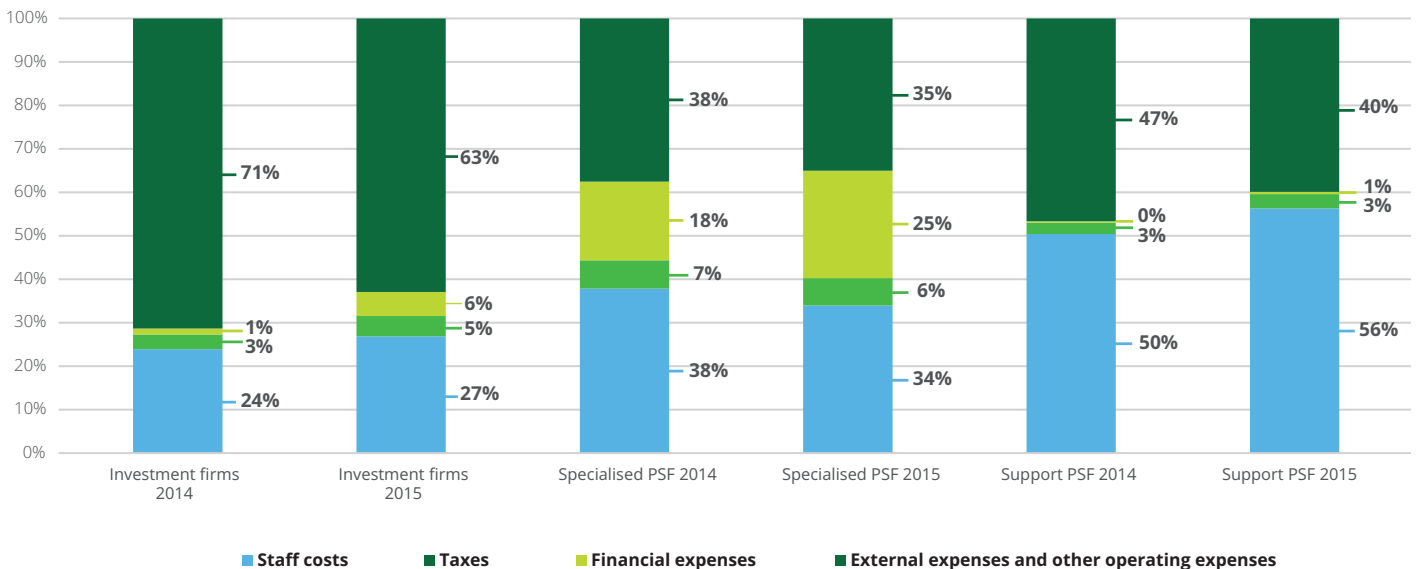
We have calculated the average cost of an employee for each PSF category in €,000:

- for investment firms: 125 (131 in 2014)
- for specialised PSF: 88 (91 in 2014)
- for support PSF: 74 (71 in 2014)

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

- Investment firms: 22.4% (20.0% in 2014)
- Specialised PSF: 22.3% (18.5% in 2014)
- Support PSF: 21.4% (17.5% in 2014)

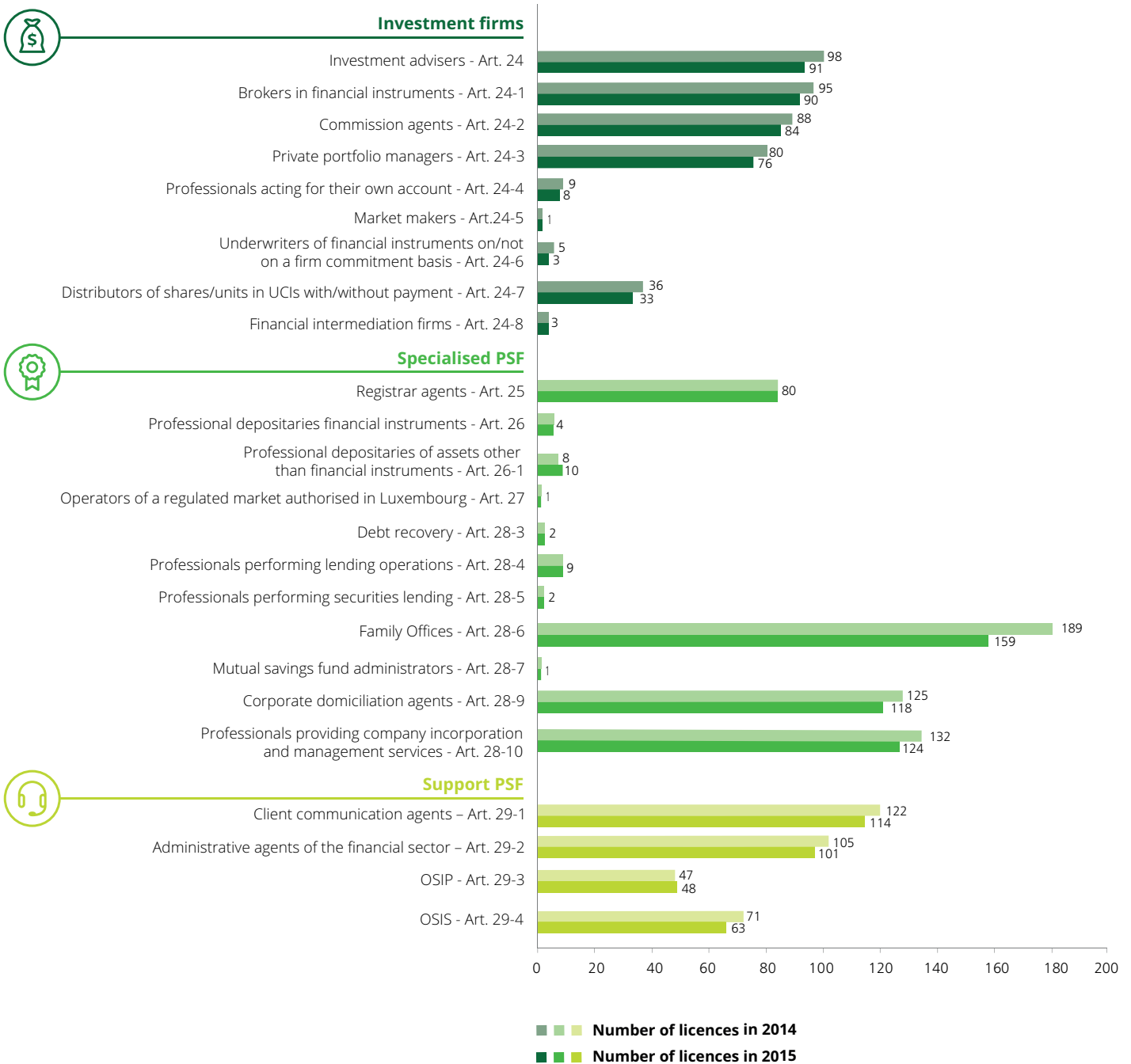
Figure 7: Breakdown of the main expenses per PSF category as at 31 December 2015 and as at 31 December 2014 (in %)



Among investment firms, external expenses and other operating expenses rank first and account for more than half of identified expenses. They are followed by personnel expenses representing 27%.



Figure 8: Total number of PSF licences as at 31 December 2015 and 31 December 2014





Distribution of the number of licences

As at 31 December 2015, the most widely granted licence is still Article 28-6 “Family Office”. Created in 2013, this licence met with great success as soon as it was published. It has been granted to almost 51% of PSF: 78% of investment firms and 62% of specialised PSF (including 95% of corporate domiciliation agents). It alone represents more than 13% of licences as at 31 December 2015.

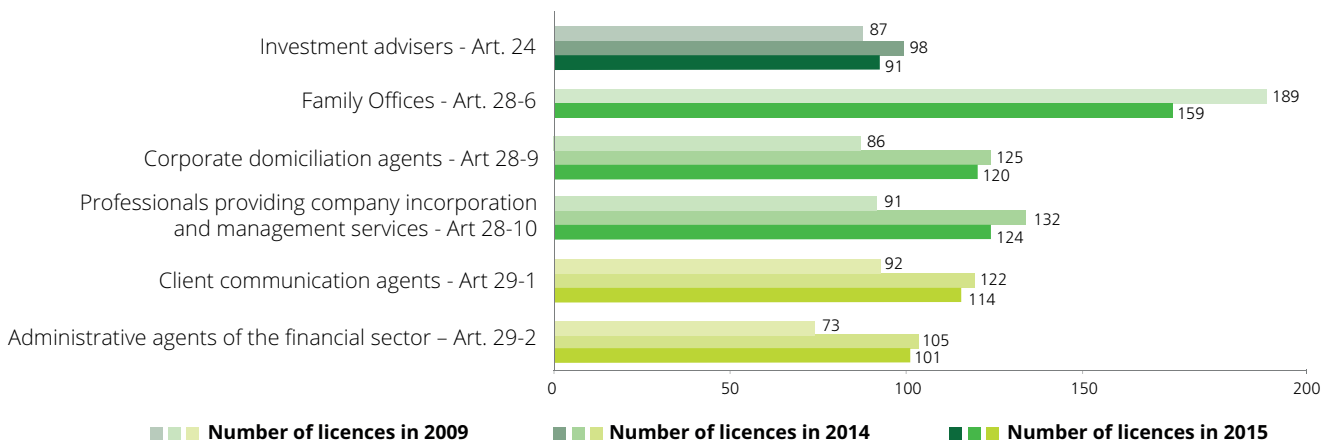
The four most frequent licences in 2015 are still Articles 28-6 “Family Office”, 28-9 “corporate domiciliation agents”, 28-10 “professionals providing company incorporation and management services” and 29-1 “client communication agents”. These four articles account for nearly 57% of licences as at 31 December 2015.

The number of main licences has dropped from 2014. However, the considerable dynamism seen in 2014 was exceptional, and 2015 was more a year of consolidation and thus more representative of the trend seen in recent years. So, after the significant rise in the distribution of licences between 2009 and 2014, a tendency towards concentration on core business was seen in 2015. This effect is particularly striking as regards the Family Office licence, which has been dropped by a number of PSF as it was not effectively used.

The corporate domiciliation agent licence (Article 28-9) has also risen sharply, from 86 licences in 2009 to 120 in 2015 (+40%), like the administrative agents of the financial sector licence (Article 29-2) which has gone from 73 to 101 licences between 2009 and 2015 (+38%).

Lastly, in 2015, ten specialised PSF held the licence under Article 26-1 enabling them to carry on the activity of “professional depository of assets other than financial instruments”. Also created in 2013, this licence was only adopted for the first time in 2014, a sign that the market preferred to wait for a real need for this kind of service to develop before engaging investments.

Figure 9: Change between 2015, 2014 and 2009 in the main six PSF licences as at 31 December 2015





We can see that four licences are not granted as at 31 December 2015. These are licences under articles:

- 24-9 Investment firms operating an MTF in Luxembourg
- 28-2 Person carrying out foreign exchange cash operations
- 29-5 Providers of dematerialization services of the financial sector
- 29-6 Providers of conservation services of the financial sector

The Law of 5 April 1993 was recently amended by the law of 25 July 2015 on electronic archiving. Two new licences were created: dematerialisation service providers of the financial sector (Art. 29-5) and conservation services providers of the financial sector (Art. 29-6).

These entities may act on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, venture capital investment companies, pension funds, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law. It is still early days to measure the market's attraction to these licences.

It shall be noted that at the time of publication, no entity had formally obtained a licence under Articles 29-5 or 29-6.

Up to 2014, PSF often tended to apply for more licences than necessary when they were setting up, thereby hoping to avoid having to make a subsequent application to the CSSF to extend their licence, which would become necessary if they decided to expand their range of activities.

In 2015, we saw a consolidation in the distribution of licences and a drop in applications. All categories considered, the change in the total number of licences is negative, with a 7% decrease, i.e. 87 fewer licences than in 2014.

Since 2009, we have seen a consistent increase in the number of licences per PSF speciality, the maximum being reached in 2014. The period between 2009 and 2014 represents a dynamic phase in the granting of licences for the sector, whereas 2015 was a year of stabilisation across the industry.

PSF are concentrated on the licences linked to the activities they carry on.

For the third year running, the most widely granted licences are those of specialised PSF (42% of licences in 2015 and 2014, compared to 27% in 2009). Figure 11 details the factors of change in the number of licences in activity between 2014 and 2015.

These changes break down as follows:

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

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

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

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

Figure 10: Change in and breakdown of licences since 2009

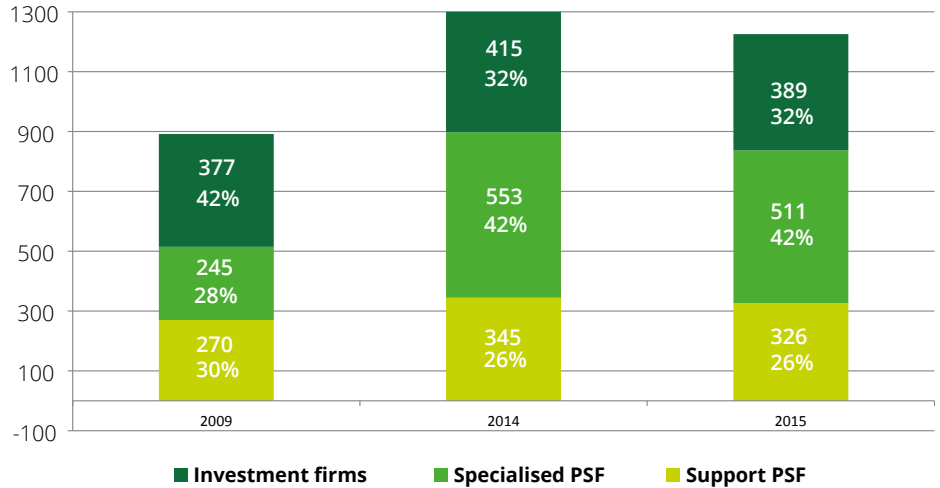


Figure 11: Change in PSF licences over 2015 and 2014

Source of increases and declines in licences	Investment firms 2015	Specialised PSF 2015	Support PSF 2015
PSF created	22	10	5
Existing PSF	13	(40)	(16)
PSF withdrawals	(61)	(12)	(8)
Total change in the number of licences 2015	(26)	(42)	(19)
Total change in the number of licences 2014	22	18	3

Figure 12: Distribution of PSF by number of licences as at 31 December 2015

Number of licences	Investment firms 2015	Specialised PSF 2015	Support PSF 2015
1	1	25	30
2	1	9	32
3	3	30	6
4	9	9	9
5	35	7	
6	11	39	1
7	11	4	
8	7		
9	8		
10	6		
11	2		
12	4		
Total	98	123	78

Interview with Nico Binsfeld

Chief Executive Officer at House of Training



Can you tell us about the background of House of Training?

House of Training is a foundation recently created from the merger of two large training organisations of the Chamber of Commerce and the Association des Banques et Banquiers Luxembourg (ABBL), LSC and IFBL.

It aims to be the one-stop shop for companies looking for continuing professional training to enhance their employees' skills. It has a consolidated offer of continuing training courses.

Is House of Training able to meet the needs of PSF?

With 30 permanent staff members, some 500 trainers and a catalogue of over 800 courses, House of Training is fully able to meet the needs of PSF.

Thanks to our "Circles of quality", i.e. groups of experts, currently around twenty, House of Training identifies topics likely to be of interest to players in the marketplace. PSF companies already have several representatives in these circles. And maybe we could have some more...

PSF employees are often enrolled on generalist courses, but not exclusively. We extensively address regulatory issues and we are seeking to develop our training offer around FinTechs. We can also offer bespoke trainings for a given company, or a trade association.

What do you think about the training offer in Luxembourg?

The situation is full of contrasts. In the Grand Duchy, there are over 360 training organisations and I wonder if it's really necessary.

In certain areas, there are no doubt too many offers. In soft skills particularly, there is an abundance of INFPC-accredited trainers. I think Luxembourg has a very extensive offer of continuous training, incentivised by government subsidies.

However, some areas are still underserved and our needs for basic training and IT training are not enough served.

How do you guarantee the quality of the courses you run?

The quest for quality in our courses is one of the key values that we work to. We take three steps to achieve it:

- Prior interview with the trainer
- Prior approval of the topic and the programme by one of our Circles of Quality
- Feedback from participants

So far, the participant satisfaction rate is more than 4.5 on a scale of 1 to 5, and it's something we're quite proud of.

 Interviewed by Stéphane Césari

Missions and Values

The missions of House of Training are clearly defined:



Support companies in the consolidation, development and anticipation of their employees' knowledge and skills with a view to continuously improving competitiveness



Offer professional training actions to support individuals in their personal development and encourage entrepreneurial spirit



Work with partner organisations (federations, trade associations, public institutions, etc.) to be a platform of experts offering good-quality, recognised courses.

<https://www.houseoftraining.lu/page/aboutus>

1.2 The PSF: a consistent and steady employer

PSF employ 15,283 people as at 31 December 2015, i.e. 11,515 more employees than Management Companies and 10,659 less than Banks

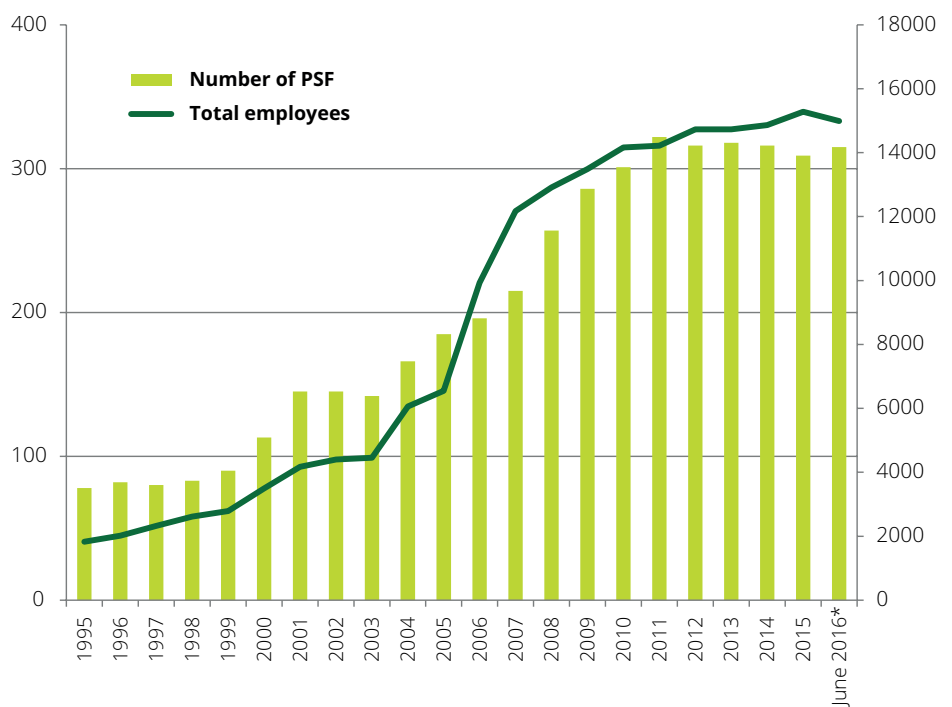
Evolution of employment in PSF

Using the latest figures available from the CSSF (June 2016), we find the following distribution of employment in Luxembourg in the financial sector: for a total number of employees of 45,097, all financial sectors considered (banks, management companies according to chapter 15, and PSF), 58% work in banks, 8% in management companies, and 33% in PSF, including 60% in support PSF.

Between 2009 and 2015, employment in PSF increased by 13%, whereas employment in banks dropped by 1.8% between December 2009 and December 2015. This double trend would appear to be inverted over the first six months of 2016 but it is still too soon to assess it.

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

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



*Source: CSSF statistics of June 2016 based on the most recent available data.

Support PSF are represented most with 60% of jobs in the sector.

Employees in investment firms and specialised PSF are equivalent.

The decline in employment recorded by investment firms in 2015 is 5%, i.e. 112 employees, and is greatly due to one investment firm with a large workforce which merged with a credit institution in 2015.

Specialised PSF saw their headcount increase by 10% over the year 2015, i.e. 356 additional employees. This variation is due to the arrival of new players in this category of PSF and a general recruitment trend.

The analysis that we conducted on the basis of PSF 2015 annual financial statements shows that most investment firms and specialised PSF have less than 25 employees.

These PSF employ 21.3 people on average for investment firms and 30.5 for specialised PSF in 2015. These average figures remain quite high thanks to a handful of entities generating a significant number of jobs:

- The four largest investment firms alone employ in 2015 993 people (with over 100 employees each, EFA having more than 500). The workforces of these companies account for almost 44% of the total number of investment firm employees. Without these four entities, investment firms would have an average workforce of 12 people.
- The number of specialised PSF employing more than 100 people is higher (9 as at 31 December 2015). Among them, there are five PSF with over 150 employees, totalling 1,193 people. They are TMF, UBS Fund, Intertrust, SGG and International Financial Data Services. In total, their workforces account for almost one third (32%) of specialised PSF employees. Without these five entities, the average staff of specialised PSF would be 21 people.



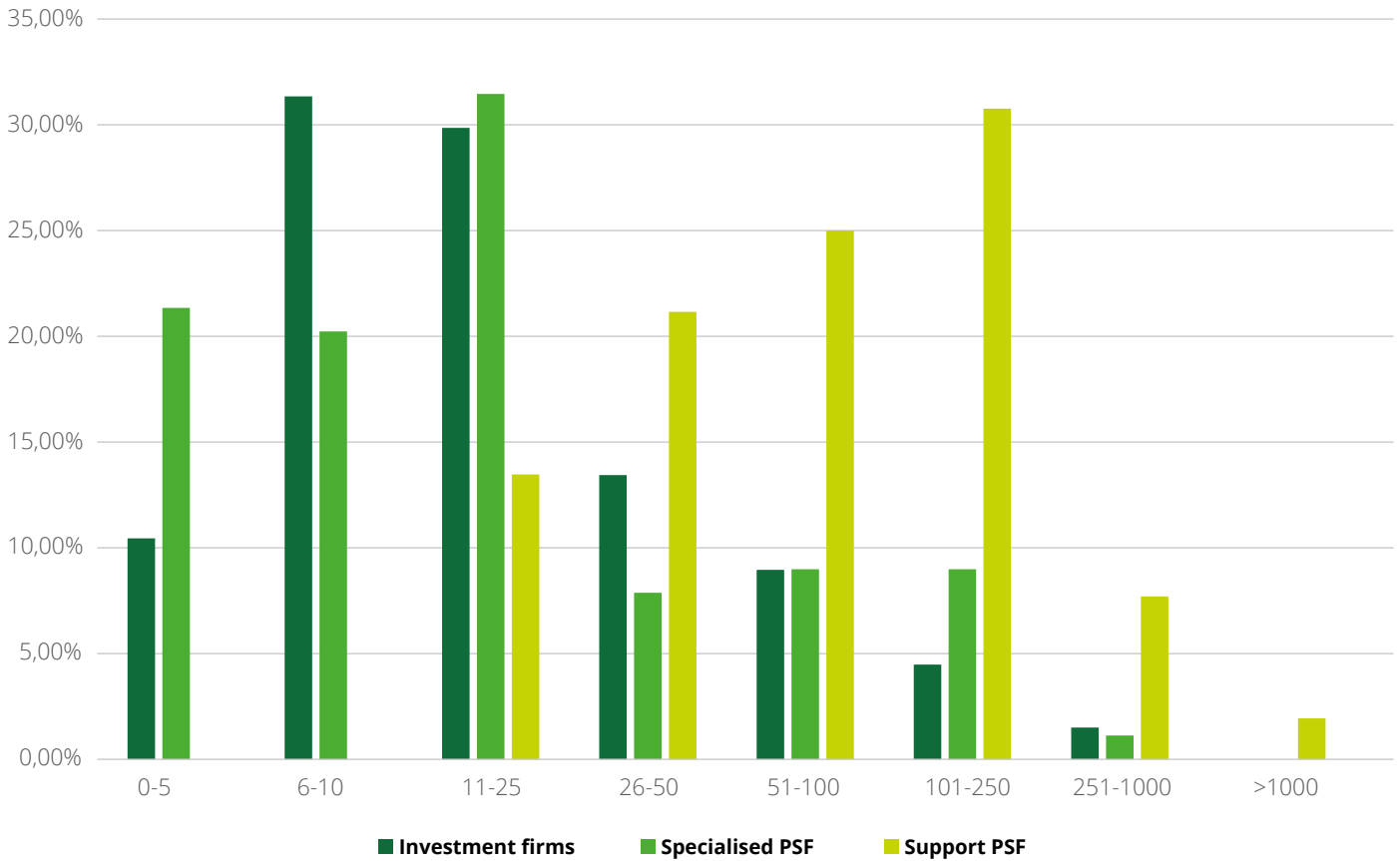
Figure 14: Changes in the number of employees by PSF category

	2014		2015		Change	
	Total	Part	Total	Part	Total	Change
Investment firms	2.390	16%	2.278	15%	(112)	-5%
Specialised PSF	3.431	23%	3.787	25%	356	10%
Support PSF	9.043	61%	9.218	60%	175	2%
Total	14.864	100%	15.283	100%	419	3%

Employees of support
PSF account for 60%
of all PSF staff.



Figure 15: Distribution of PSF by number of employees bracket as at 31 December 2015

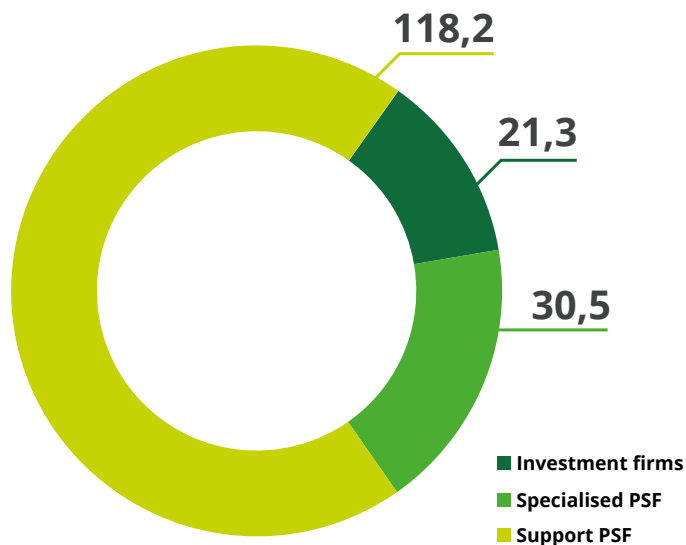


Most support PSF employ between 25 and 250 people, and the average number of employees per support PSF is 118.2 (116,6 in 2014), a figure boosted by five PSF (Clearstream Services, Brink's Security, G4S Security Solutions, SOGETI and IS4F) which each employ more than 500 people (totalling more than 3,756 employees, i.e. 41% of the sector's total workforce).

Without these five PSF, the average workforce of support PSF would be 74.4 employees.

By projecting our analysis to June 2016, the overall level of employment of the PSF industry remains stable. A slight drop of 2% is found, evenly distributed across the three categories of PSF.

Figure 15.2: Average number of employees by PSF category



Review of the results of PSF per employee

Following our analysis of PSF annual financial statements, we were able to calculate the average profit per employee. For all PSF, it rose considerably, from €41.2 thousand in 2014 to €57.8 thousand in 2015.

Specialised PSF show highly variable profit figures per employee: between a loss of €50.5 million and a profit of €3.6 million per employee. Without these two extremes, average profit per employee amounts to €51.4 thousand.

The significant drop in average profits per support PSF employee is due to a decrease in maximum and minimum average profits while the total workforce remained relatively stable.

Average profits per investment firm employee amount to €624 thousand in 2015, compared to €76 thousand in 2014. This 719% rise is primarily due to the 65% increase in profits resulting from the arrival of Franklin Templeton with an average profit per employee of €36.1 million. Without this extreme, average profit per employee amounts to €86 thousand.

The increase in average profits for the three types of PSF is encouraging for the sector's evolution.

Details of the support PSF workforce

We can see that employees of support PSF account for 60% of all PSF staff. Security and IT services are the activities that generate so many jobs. Thus:

- G4S and Brink's Security (in the security sector) alone employ more than 2,000 people

- Clearstream Services, Sogeti and IS4F (which offer IT solutions and services) together employ almost 1,700 people

These five companies account for almost 40% of all PSF jobs.

In 2015, the rate of women employment for support PSF is 21.5%. It remains stable compared to previous years, but well below the rate in banks, which was 45.5% at the end of 2014 and which remained practically unchanged in 2015. The nature of support PSF, which mainly focus on IT or protection, largely explains this situation.

Figure 16: Range and average net result per employee as at 31 December 2015 and 31 December 2014 (in €,000)





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

	2014	2015	2015/2014 change
Executives	578	588	10
Employees	8.465	8.630	165
<i>including part time</i>	887	906	19
Total	9.043	9.218	175
<i>including men</i>	7.122	7.239	117
<i>including women</i>	1.921	1.979	58
Women employment rate	21,2%	21,5%	-1,2%

Source : CSSF 2015 annual report.

2

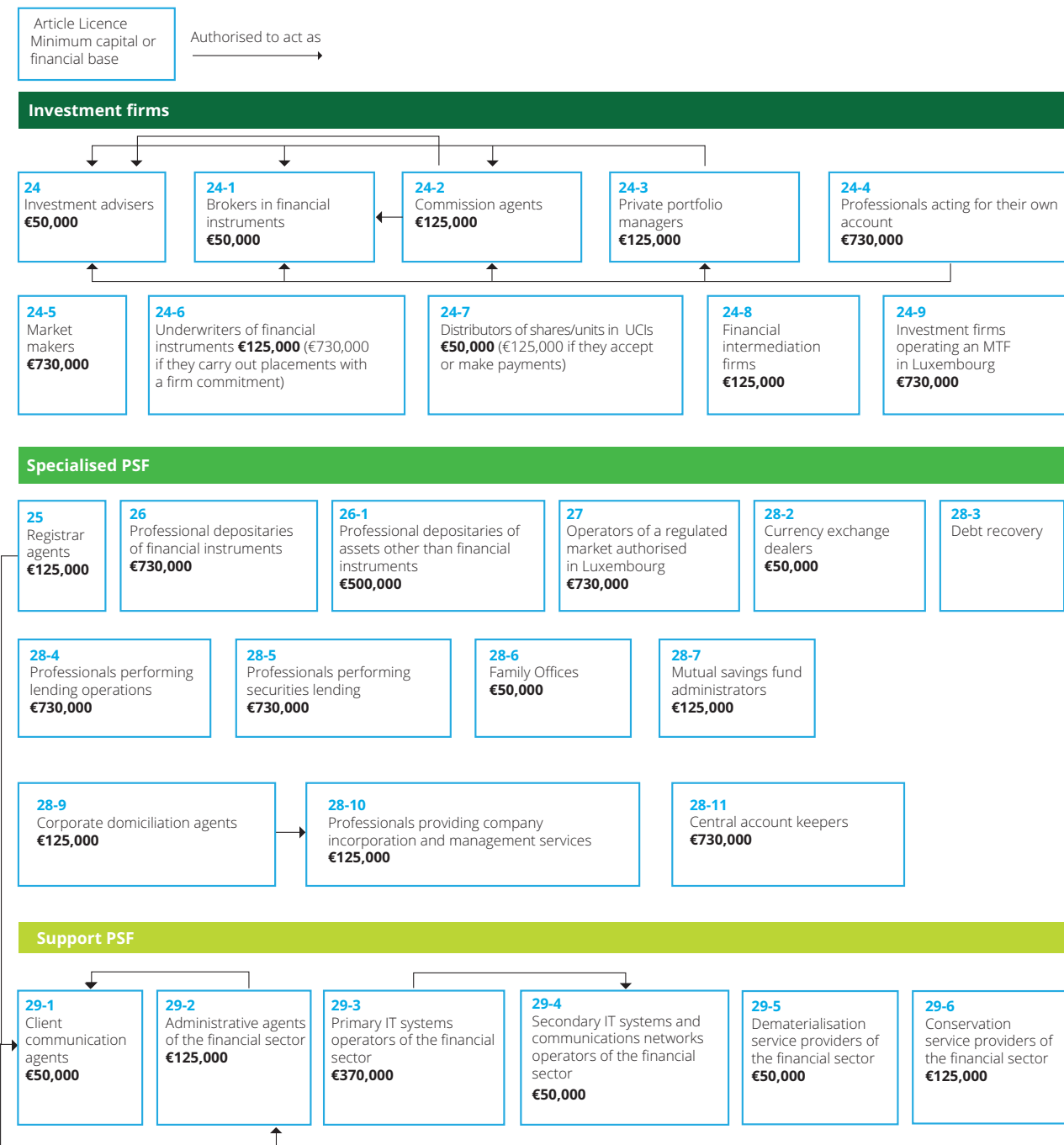
Types of PSF

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2.1 Licences in detail

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



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

Due to the high number of statuses that are mostly unrelated, a multitude of combinations of licences is theoretically possible. It is therefore interesting to look at the main combinations of licences held by the various PSF.

Figure 18 below groups together licences by major category of PSF, and the overlaps between categories as at 31 December 2014 and 31 December 2015. PSF have the option of combining several licences, but it

is the principal licence of the PSF, allocated by the CSSF, which determines the PSF category.

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

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

Accordingly, only PSF that do not hold the investment firm or specialised PSF licence are support PSF.

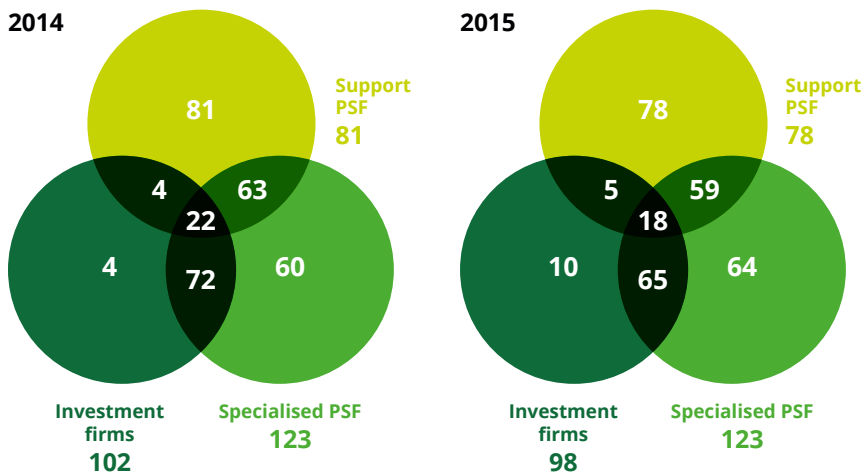
Of the 309 PSF existing as at 31 December 2015, the ten PSF that are branches of European entities were excluded from this analysis. This is because they are part of foreign entities that are not subject to the Luxembourg law of 5 April 1993, as amended.

The total number of PSF included in this analysis as at 31 December 2015 was therefore 299:

- 98 investment firms
- 123 specialised PSF (the 83 players with investment firm status have already been identified above and are therefore not counted as specialised PSF)
- 78 support PSF (the 82 players with investment firm and specialised PSF status have already been identified above and are therefore not counted as support PSF)

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

Figure 18: Licences of PSF by category



2.2 Investment firms



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

The number of investment firms included in the analysis as at 31 December 2015 was 98 compared to 102 as at 31 December 2014.

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

- 91 hold an investment adviser licence (Art. 24)
- 90 have a licence as brokers in financial instruments (Art. 24-1)
- 84 have a licence as commission agents (Art. 24-2)
- 76 have a licence as private portfolio managers (Art. 24-3)

Only two investment firms do not have any of these four licences. 75% of investment firms have all the four licences.

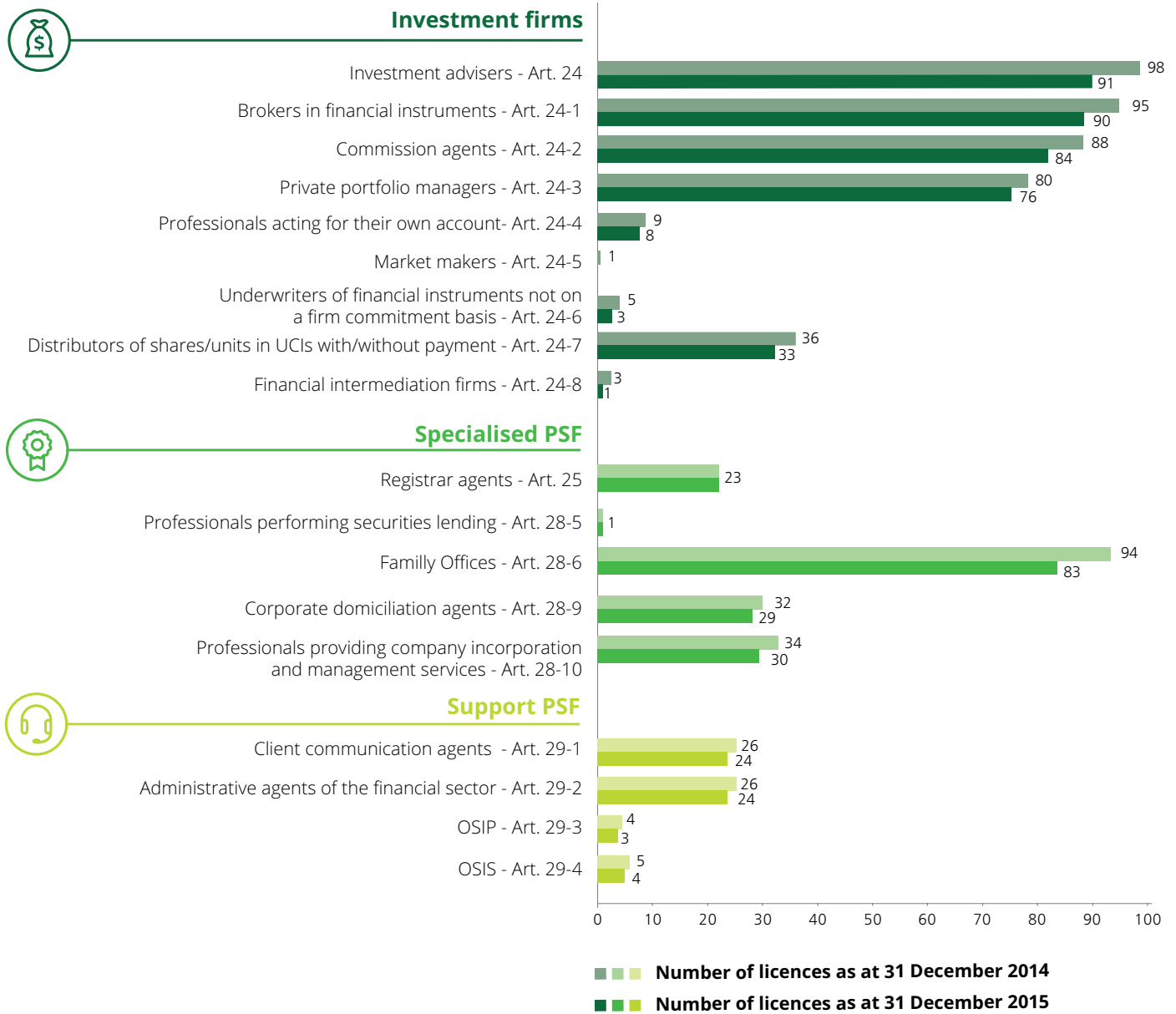
Another licence widely held in investment firms corresponds to the status of distributor of shares/units in UCIs (Art. 24-7). This status is indeed held by one third of investment firms.

Many of these PSF also hold additional licences relating to other PSF categories and particularly to the Family Office licence (Art. 28-6). However, out of the 83 investment firms holding this licence, only 36, i.e. less than half, actually carry on this activity.

The other additional activities are quite uniform and primarily relate to professionals providing company incorporation and management services (Art. 28-10), client communication agents and administrative agents of the financial sector (Art. 29-1 and 29-2), registrar agents (Art. 25) and corporate domiciliation agents (Art. 28-9) (Figure 19).

A slight decrease is seen in licences held by investment firms between 2014 and 2015 (see Figure 19), mainly due to the drop in the number of these PSF in 2015. We have nonetheless seen an overall increase in licences since 2009, whose distribution remains unchanged.

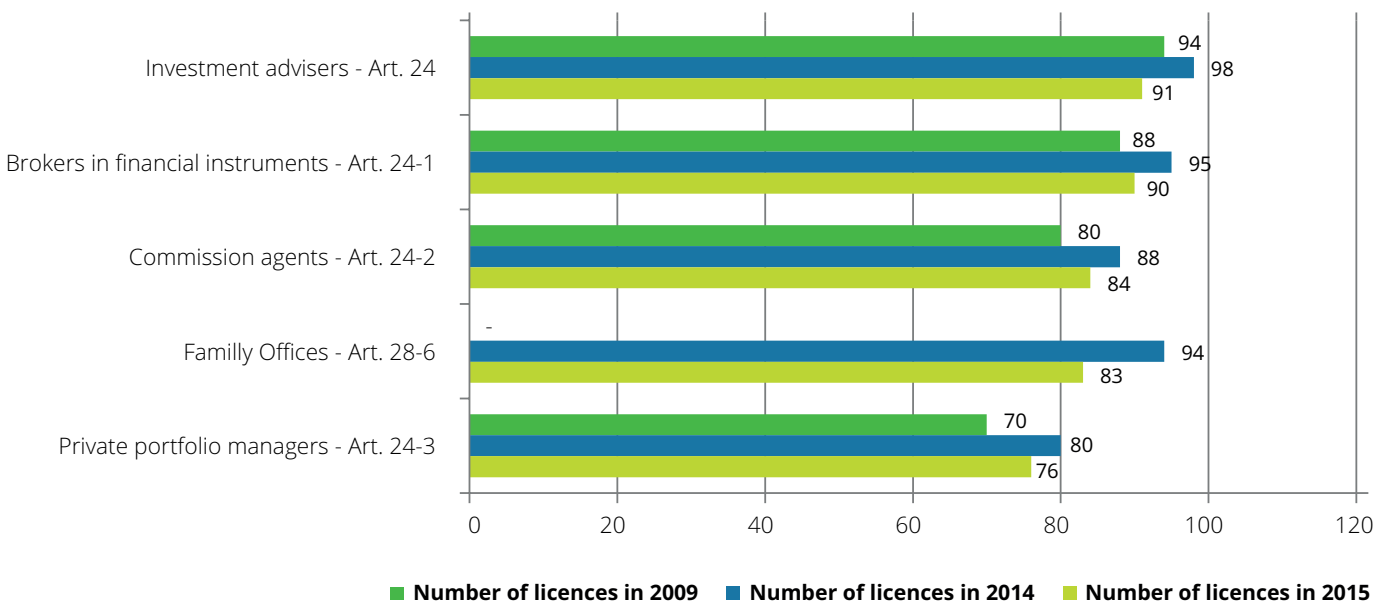
Figure 19: Licences granted to investment firms as at 31 December 2015 and as at 31 December 2014



A slight decrease is seen in licences held by investment firms between 2014 and 2015.



Figure 20: Change between 2015, 2014 and 2009 in the five main licences held by investment firms as at 31 December 2015



MIFID II: Challenges to expect



Julie Van Cleemput

Director - Advisory & Consulting
Deloitte

MiFID is a wide-ranging piece of legislation. Building on rules already in place since 2007, the new rules are designed to take into account developments in the trading environment and, in the light of the financial crisis, to improve the functioning of financial markets to make them more efficient, resilient and transparent. Depending on your firm's business model, the legislation could affect a good number of its functions.

The MiFID II 'Level 1' framework agreed in 2014 has been supplemented in many areas by various implementing measures (known as 'Level 2' legislation). These measures took two forms:

- "Delegated acts", drafted by the European Commission (EC) on the basis of advice from the European Securities and Markets Authority (ESMA)
- "Technical standards", drafted by ESMA and approved by the EC

ESMA provided advice on the delegated acts to the EC at the end of 2014 and delivered draft technical standards on 29 June, 28 September and 11 December 2015.

The EC is in the process of endorsing the technical standards and recently adopted the delegated acts; they are now subject to scrutiny by the European Parliament and Council before they come into force. Countries have until 3 July 2017 to adapt their domestic laws and regulations to the revised legislation, but much of MiFID II takes the form of regulations which are directly applicable.

Level 3 guidelines have been issued on the assessment of knowledge and competence, and on cross-selling practices. Further guidelines are expected from ESMA in the course of 2017 in order to bring additional clarification on sensitive areas such as inducements, product governance and cost transparency.

Questions to Gabriel Rindone

Chief Executive
Officer of HMS
Lux S.A.



What are your feelings about the situation of investment firms in Luxembourg, and private portfolio managers in particular?

Many things have changed in recent years, but we always end up paying the price of the past, and particularly of the lack of tax transparency, even though the situation has radically evolved since then. Also, the possible opportunity that the Brexit represents is still not clear. So I think the situation should be stable for a few years.

Today, Luxembourg is a big back office, a centre of excellence for investment funds with a highly qualified work force. Our undertakings enterprise services should not change significantly, apart from combining increasing transparency (especially tax transparency) and investment fund management.

What advantages does Luxembourg offer the PSF that you represent?

It's the service close to hand that makes the difference. We would be well advised to develop our projects by promoting the expertise we have gained over the decades. We should capitalise on the offer of investment fund services, now the world's largest, particularly as we are the best positioned to know the right products and the right players.

Today, Ultra High Net Worth Individuals (UHNWI) are our real target. That's where the true client base lies.

Unlike affluent clients, who are sensitive to the endless talk about Luxembourg's lack of transparency, stereotyping the country as a tax evasion hub (a frozen image of Luxembourg, which now belongs to the past), UHNWIs are not susceptible to this widespread public opinion, furthermore it is a customer willing to pay the price for a high-quality service.

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

The regulator is very professional and has increased its control function I, which is excellent news. On the other hand, it has become more distant. The regulator is now more difficult to contact and seems less willing to dialogue. Its lack of responsiveness is a real issue.

We're missing the supportive, advisory stance that we once had and which is found in other rival financial centres, like Switzerland and London.

The regulation is another source of concern for PSF because it is often made with larger institutions in mind and not suitable for small and medium sized PSF present in Luxembourg.

The LFF (Luxembourg for Finance) does a great job. I would truly like to see close cooperation between LFF and the CSSF to support us, as well as dialogue with the government and the regulator.

It is also a real challenge, because it represents the biggest cost centre in order to meet the growing number of reporting requirements placed upon us.

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

I prefer to talk of attractiveness. The country's current attractiveness is an issue. Highly qualified people from London, Paris or Frankfurt do not move to Luxembourg because they are not familiar with Luxembourg. They know nothing about our quality of life, especially for families, the fact that we have no major security issues, that our city is quiet. It's pointless trying to compete with the excitement of those big capitals; our plus points are different.

In terms of taxation, the situation in Luxembourg is only moderately advantageous and not likely to attract the big salaries of managers living in London or elsewhere.

Promoting the country and its centre of excellence in private banking is the other priority as regards attractiveness. Luxembourg has a very broad and constantly enhanced panel of products. The government could, like for the fund industry or the renminbi, more actively promote the sector's expertise and players.

 *Interviewed by Raphaël Charlier and Stéphane Césari*

We would be well advised to develop our projects by promoting the expertise we have gained over the decades.

2.3 Specialised PSF



Unlike investment firms, specialised PSF do not benefit from the European passport, but may carry on financial activities in Luxembourg. There are 124 specialised PSF as at 31 December 2015, versus 123 in 2014.

This category covers three main sub-groups. The first sub-group includes the 90 corporate domiciliation agents (Art. 28-9). We note that:

- They also hold licences under Art. 28-10 as professionals providing company incorporation and management services (all except three) and Art. 28-6 as Family Offices (in 81% of cases)
- More than half of them hold licences as registrar agents (Art. 25), client communication agents and administrative agents of the financial sector (Art. 29-1 and 29-2)

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

- All of them have the support PSF licences under Art. 29-1 and 29-2 respectively as client communication agents and administrative agents of the financial sector
- Almost all of them have the specialised PSF licences as corporate domiciliation agents (Art. 28-9) and professionals providing company incorporation and management services (Art. 28-10), and more than 75% of them hold the licence as Family Office (Art. 28-6)
- Only one holds a licence as a secondary IT systems and communication networks operator of the financial sector (Art. 29-4)

The third and last sub-group includes the eight professionals carrying on lending operations (Art. 28-4). This licence appears to be unique in that, apart from one case, it is not held together with any other status.

These are mainly subsidiaries of banks such as BIL, ING, BGL or BNP, and also subsidiaries of international groups such as PK Airfinance. These entities carry on financial or operational leasing activities. The number of licences held by specialised PSF rose from 494 in 2014 to 467 in 2015 (Figure 21).

Between 2009 and 2015, the number of specialised PSF licences rose from 255 to 467, which is a 83% growth over 6 years. Except for the Family Office licence launched in 2013, the most spectacular increase in specialised PSF licences between 2009 and 2015 is that of licences specific to support PSF, and more particularly under Art. 29-1 and 29-2 (+85% and +82% respectively).

Figure 21: Licences granted to specialised PSF as at 31 December 2015

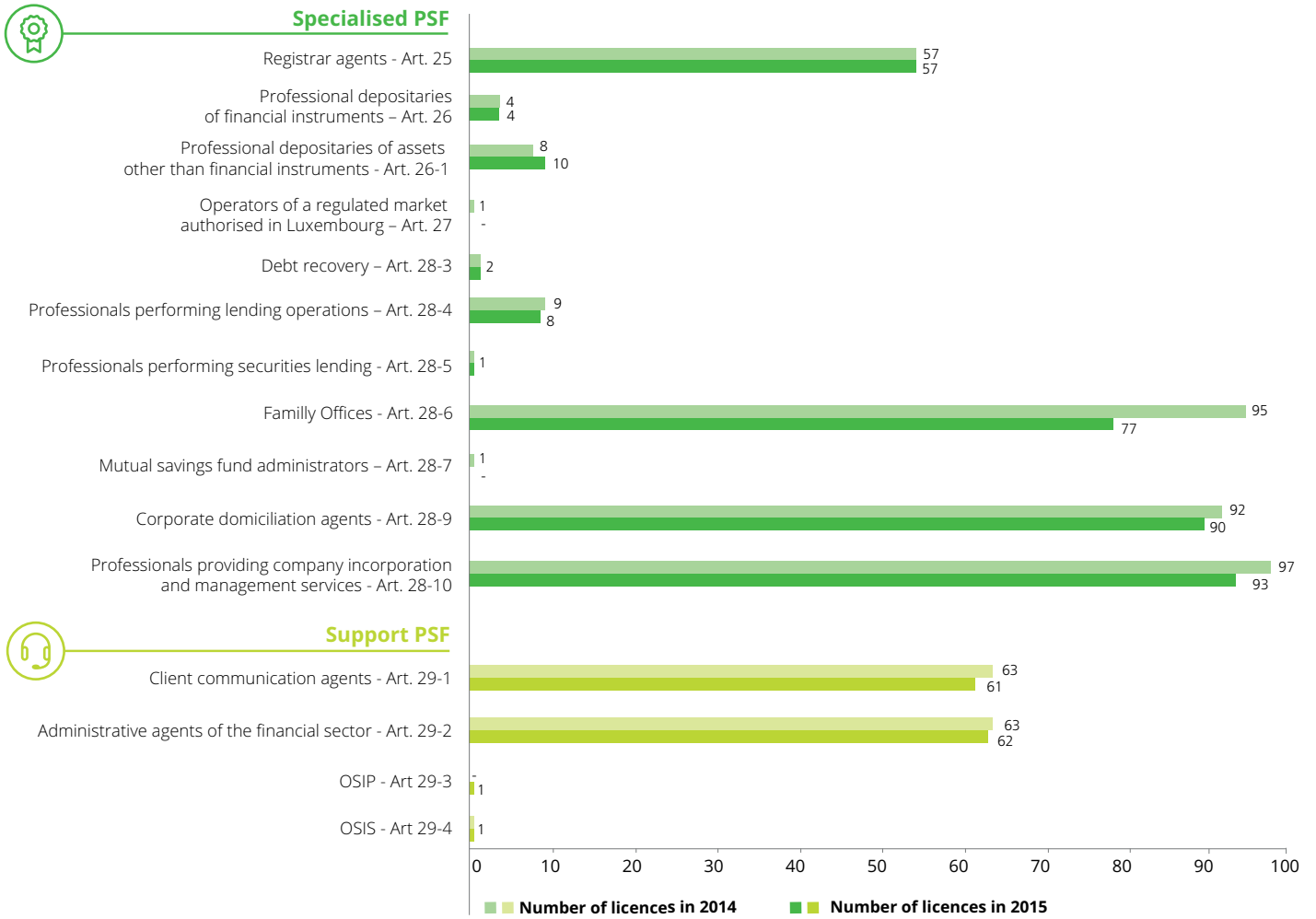
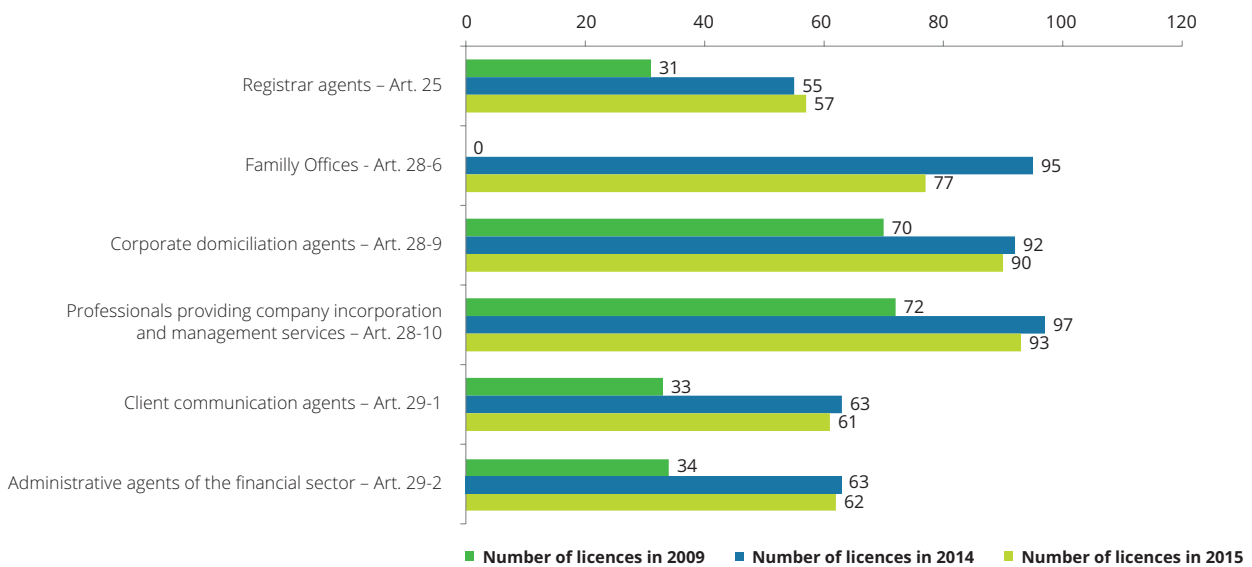


Figure 22: Change in the six main licences held by specialised PSF as at 31 December 2015



Questions to Wim Ritz

Country Managing Director of Vistra Luxembourg



What changes do you consider for PSF specialised in corporate domiciliation and central administration?

Changes are emerging at different levels. The most striking is that the main reason for using our services is now the growing need for reporting, be it for investors, tax authorities, trade registers, or banks, etc.. This change results from the quest for transparency, contrary to how things were even a few years ago, in a more opaque market. However, this transparency must be compatible with the principle of confidentiality and privacy.

The sector's consolidation is now well under way. The concentration of major players will, with no doubt, lead to a model similar to the big four in audit. Nonetheless, alongside these key players,

some smaller ones will continue to exist, particularly due to a spin-off of people who have worked for them and want to serve clients preferring smaller entities, to whom "small is beautiful".

As for the types of services, instead of wanting us to provide substance, our clients increasingly want us to help them to set up structures with substance, including finding staff, offices, etc.. Even though these international expansion services are one-off by nature, we hope these firms will continue to work with us for other more recurring services.

Our business is changing and adjusting to all the new regulations. This evolution is positive for the sector, because it prompts us to find adequate solutions to meet new demands from clients.

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

As I said earlier, transparency vis-à-vis the tax authorities must be compatible with privacy. Maintaining a legal framework that is not detrimental to privacy by requiring public disclosure of information is a real challenge for the industry. In the Netherlands, a political aim is to publicly disclose the economic beneficiaries of all entities. Applying similar obligations in Luxembourg would be a real problem for our clients and our industry. Ill-intentioned people (who are increasingly professional and structured in their modus operandi) could use that information to identify the wealthy and cause harmful consequences. The underlying challenge, and undoubtedly the most important, is the image of the industry and that of Luxembourg. The country is widely regarded by public opinion as solely facilitating tax evasion, or even fraud. We must change that

it has increased the number of on-site audits and has applied more severe sanctions. However, I don't understand why some players in the marketplace are still not under CSSF supervision. This is necessary to guarantee the quality and reputation of our sector and our country, and a certain degree of equity between players.

Luxembourg is lacking competent people and must explore ways to attract them. Here, I mean 'Impats', i.e. people drawn to the country for their entire career, not just short term. Initiatives like the House of Training, "ILA" and "LSF" are a move forward, but many others are no doubt possible.

Do you have any other expectations to improve the competitiveness of Luxembourg?

My expectations concern logistics. I wonder, for example, why there are still no direct flights between Luxembourg and New York, or Luxembourg and Hong Kong. Currently, there is always a

What advantages does Luxembourg offer the PSF that you represent?

"Strength of union" is a motto that fits Luxembourg perfectly. We have a real marketplace spirit. Luxembourg has always had governments that react to global changes like an Entrepreneur. With our governments and marketplace players, we have some real initiatives to jointly develop Luxembourg's attractiveness. Thanks to the size of the country, all the stakeholders communicate easily and often informally, which helps us to understand each other and find pragmatic compromises.

I would also like to point out some recent changes, particularly the modernisation of company law and the creation of new products like the RAIF. Our industry has new tools that meet real economic needs and truly offer some extra reasons to set up in Luxembourg.

 *Interviewed by Raphaël Charlier and Stéphane Césari*

We need high-calibre politicians to defend our industry, as it serves the goals of transparency and structuring that benefit the entire economy.

image. We need high-calibre politicians to defend our industry, as it serves the goals of transparency and structuring that benefit the entire economy, not only in Luxembourg, but worldwide. Luxembourg is the market where the whole investor's world comes together.

The level of supervision is another factor worth mentioning. It must be of good quality and above all similar for all providers of these services. The CSSF has made significant recruitment efforts,

connection (via Amsterdam, Brussels, Frankfurt, London, Paris, etc.), and it's a potential loss of business for our country. The infrastructures are ready for it, and it would have an impact on the competitiveness of Luxembourg for international clients.

2.4 Support PSF

Just like specialised PSF, support PSF do not have the benefit of a European passport. A quarter of these entities are local and are not part of a group. In a few isolated cases they belong to banks, but the majority belong to specialist IT groups (such as Xerox, IBM, HP, Tata, Atos, CSC).

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

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

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

The second group includes 58 IT PSF under Art. 29-4 as OSIS which are supplemented:

- in 41 cases by OSIP licences (Art. 29-3). OSIP (Art. 29-3) are automatically authorised to carry on OSIS activities (Art. 29-4)
- in 17 cases by licences under Art. 29-1 and 12 cases by licences under Art. 29-2.

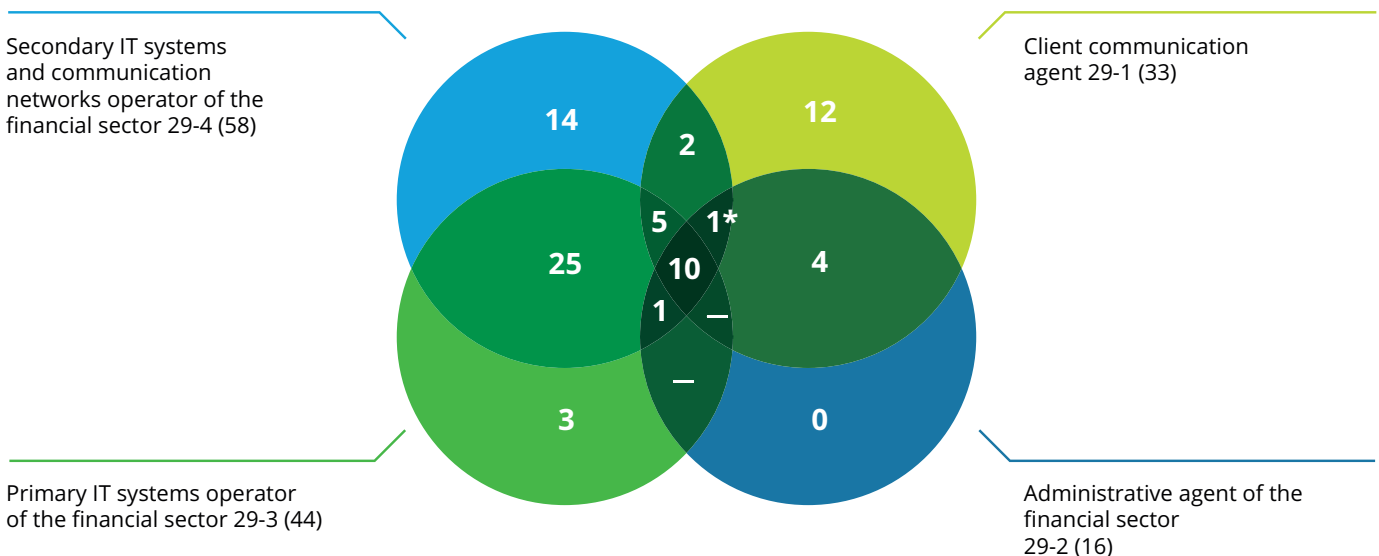
The Law of 5 April 1993 was amended by the law of 25 July 2015 on electronic archiving. Two new licences were created: dematerialization service providers of the

financial sector (Art. 29-5) and conservation service providers of the financial sector (Art. 29-6). In September 2016, these licences had not yet been obtained by any PSF. The number of licences held by support PSF decreased from 157 in 2014 to 154 in 2015 (figure 24).

This slight decrease is due to the withdrawal of three entities, which renounced their PSF status, and was partially offset by the creation of one support PSF in 2015.

The overall change in licences between 2009 and 2015 remains positive with a 1% increase in the number of licences over six years.

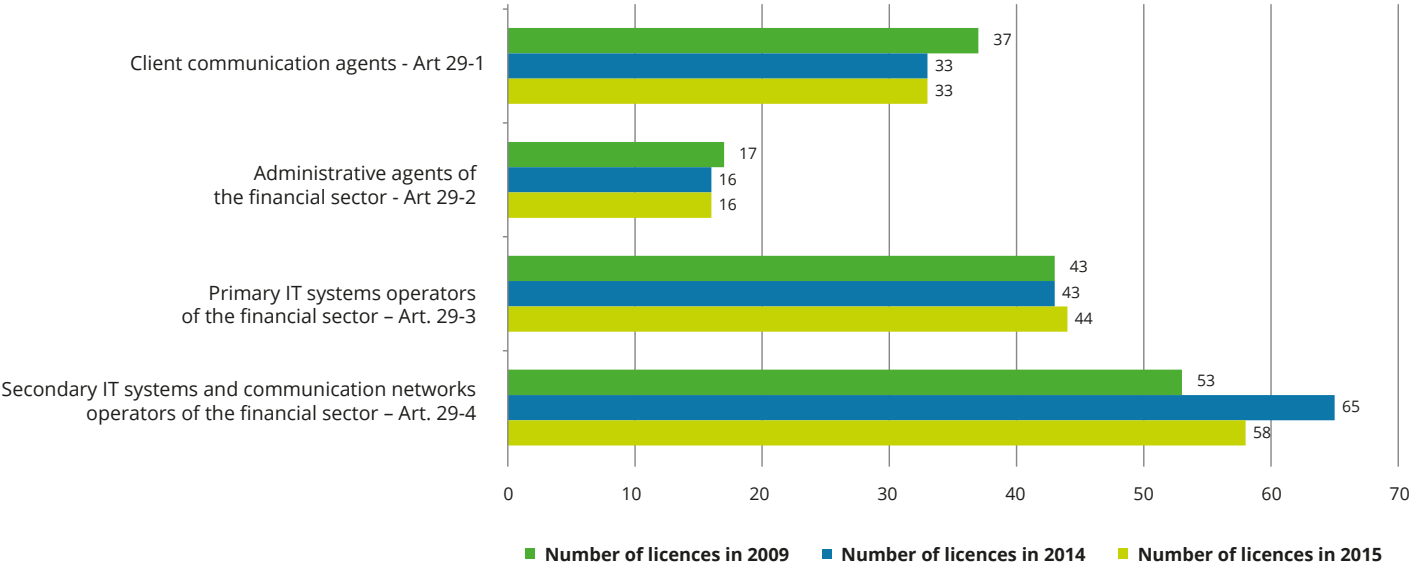
Figure 23: Distribution of support PSF licences as at 31 December 2015



*only licences 29-2 and 29-4



Figure 24: Change between 2015, 2014 and 2009 of licences granted to support PSF



Questions to Denis Stoz

Managing Director of CSC Computer Sciences Luxembourg S.A.



What are your thoughts about the evolution of support PSF in Luxembourg?

The support PSF profession is at a major turning point. Today, clients of support PSF demand greater IT "agility". They want Pay-as-you-use services, rather like their water or electricity supply. This change is now possible because the technology and tools are quite standardised and mature.

Until now, the main activity of these PSF involved supporting financial sector companies, primarily with the management of infrastructure, either by providing them or by offering economies of scale. Now that computing has reached a maturity threshold, most IT infrastructure services have become commodities: they are easily distributable "bricks" of activity. While it is mature, outsourcing IT does not generate the savings it once did in the past.

So companies in the financial sector are less inclined to outsource their infrastructure alone.

The fundamental change lies in the type of services offered, based on the assumption that one way or another, everyone will use "cloud" solutions. In this respect, support PSF must "work up the layers". To explain, there are four kinds of IT layers or services:

1. infrastructure, or hardware
2. operating system
3. la base de données et le middleware
4. la gestion (voire la conception/ maintenance) des applicatifs

Future demand which aims to deliver added value will focus on this last layer, i.e. the software applications that serve the core business of banks and insurance companies. They must upgrade their applications in an extremely dynamic technological environment, especially following the advent of "Fintechs". In future, PSF will no longer simply provide support; they must become real partners to the financial sector, the "PSF" of tomorrow, by proposing for example the integration and operation of Fintech tools in a larger financial ecosystem.

These changes will likely lead to a concentration and a significant reduction in the number of support PSF. With no doubt, this will also be an opportunity for certain solutions publishers, including Fintech companies, to obtain their licence, if they decide to add the lower layers to their portfolio of services.

What are the main challenges that Luxembourgish support PSF must meet?

The biggest challenge is intrinsically linked to the change in the type of services that will be provided to financial sector entities in the future: how can we have resources able of constant innovation while developing and operating software environments? Objectively speaking, the business is changing fundamentally and completely different skills will probably be needed in future.

Support PSF must no longer do "more"; they must do things "differently and better"! In this context of fundamentally changing services, there are three main drivers of transformation, in a highly dynamic environment:

- Firstly, IoT or Internet of Things. These are objects that connect up automatically on the internet. They are used increasingly in industry and logistics and they are key components of Teslas, for example;

- Cognitive Computing. These tools develop capacities similar to the human brain (e.g. Watson) and we're now beginning to see their first significant effects;
- And lastly, the one that could change the face of our socio-economic system and which will no doubt impact the financial sector most, are blockchain technology tools that will provide a "secure and decentralised register" of operations.

With these three factors, we are facing a shift in paradigm, or even a change of civilisation, bringing socio-economic challenges we have never been confronted with before.

Companies in the financial sector will have to evolve and adapt their tools to these new technologies because if they don't, others will. We must constantly innovate in a world that is changing faster and faster. It is more than ever a question of survival.

And how can Luxembourg produce these skills?

It will take "intellectual" R&D to train people in innovation, as well as acceptance and incentive to think outside the established order. We must therefore train people in jobs that don't yet exist! Luxembourg must also guarantee ongoing support for the Fintech sector and the Luxembourg House of Financial Technologies initiative is a move in this direction.

Lastly, we must encourage and expand cooperation between IT PSF and our clients' business and innovation teams, to achieve an optimal mix between creators of tools and top financial experts.

Do these changes bring any opportunities for support PSF in Luxembourg?

Definitely! As you can see, the challenges are huge and they will effectively create considerable opportunities, but also a significant upheaval in our environment. Support PSF must make real transformations and become the "digital" partners of the financial sector.

In this context of substantial change, what are your expectations of the government?

All these changes indicate a profound transformation in our society, and politicians must be very attentive and tuned in to all ideas that the Society can offer. The socio-economic changes taking shape must be understood and integrated in time. To go back to Blockchain, the challenge, but also the major opportunity for the public authorities, is ensuring they are a stakeholder in the new ecosystems generated. Otherwise, we might see the emergence of a parallel economy with its own rules and no regard for laws or regulations. We already have some examples. Marshall McLuhan, a Canadian media specialist in the 1960s said: "We shape our tools and thereafter our tools shape us". We must be careful, but we must not miss a remarkable opportunity as a result of overly restrictive regulations.

 *Interviewed by Raphaël Charlier and Stéphane Césari*

The Common Reporting Standard: a challenge to anticipate from an operational perspective



Pascal Eber

Partner - Advisory & Consulting
Deloitte

Maxime Heckel

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As a result of the global move towards transparency, accelerated by the financial crises in the 2008-10 period, the ensuing State budget issues in many jurisdictions, and the significant catalytic effect of US imposed FATCA, the Common Reporting Standard (CRS) developed by the OECD very quickly became the undisputed global standard for automatic exchange of information in tax matters.

The Directive on Administrative Cooperation (DAC) was revised to include the CRS requirements on mandatory automatic exchange of information and was approved shortly thereafter, on 9 December 2014. In Luxembourg, Council Directive 2014/107/UE was transposed into national law in December 2015 to become applicable from 1 January 2016.

clients). Complying with CRS reporting implies significant challenges on the operating model of many Luxembourg financial institutions and other players. On-boarding procedures for new clients have been updated since January 2016 to capture their tax information and, in the meantime, existing high value individual clients (accounts higher than USD 1 million) must be classified for CRS purposes before end-2016. Low value individuals (below USD 1 million) and entities must be classified before end-2017 to be reported in 2018.

In an international financial centre like Luxembourg, the number of account holders/investors to be reported, and the volume of data to be reported, is expected to increase significantly compared to the data exchanged for EUSD (applicable until

partner jurisdictions. These additional legal instruments will consequently need to be monitored to ensure that clients' tax information is properly collected through relevant self-certification documents. Consequently, reporting systems will be updated on a regular basis.

A need for more automated reporting systems, as well as demand for outsourcing solutions, are therefore expected to arise.

Complying with CRS reporting implies significant challenges on the operating model of many Luxembourg financial institutions and other players.

Currently, over 100 countries have signed or declared that they are willing to sign the Convention, including all G20 countries, the BRICS, most OECD countries, a number of other financial centres and a growing number of developing countries. The OECD based the CRS on the FATCA Model 1 Intergovernmental Agreement. The principles and methodologies for classifying individuals and entities and the reportable data are consequently similar to FATCA; however, with some significant differences.

Luxembourg will apply CRS reporting as from 2017 (reporting on 2016 calendar year's new clients and existing high value

31 December 2015) and FATCA purposes. The number of FATCA reportable "Specified US Persons" is relatively limited even within large institutions, while CRS reporting will have to be carried out in respect of all clients/investors that are tax residents of another Member State, and any (future) partner jurisdiction outside the EU.

Additionally, as the OECD CRS model is a minimum standard, it is possible that certain non-EU jurisdictions will require certain additional and/or slightly different data elements when negotiating their bilateral or multilateral conventions introducing CRS reporting in relation with their respective

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Deloitte's proposed services

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

Upon creation

Regulatory strategy	<ul style="list-style-type: none"> • Assistance in compiling licence application documents and submissions to the CSSF • Gap analysis and assistance in establishing a set of procedures covering all administrative aspects and internal controls 	Business Risk	<ul style="list-style-type: none"> • Develop the feasibility study & market entry strategy • Draft the business case and initial organization, operations and high level IT capabilities assessment • Refine/confirm strategy including business model and commercial strategy (i.e. products, activities/ services and targeted clients) • Design governance structure • Draft the business plan (covering 5 years), including key financials, Opex and Capex, regulatory ratio calculation and scenario analysis • Analyse the compliance with regulatory requirements • Describe the products and services • Draft required policies (i.e. risk management, compliance, AML, internal audit) • Draft the IT & IT security section • Compile the application file and appendices to be submitted to the CSSF • Definition and implementation of policies and processes • Draft procedures (operational and regulatory) • HR recruitment • Implementation of IT systems • Propose our systems, such as uComply for AML checks • Accounting & regulatory reportings configuration • Introduction, selection, negotiation with third party providers
Strategy & Corporate finance	<ul style="list-style-type: none"> • Business plans services including reviews of different scenarios, possibilities of subcontracting administrative and accounting organisation, etc. This business plan is an integral part of the CSSF licence application file 		
Direct taxation & VAT	<ul style="list-style-type: none"> • Design an efficient and customized tax structure based on the business plan and the specific licences • Fiscal optimisation from the beneficiaries' perspective • Assistance in matters related to direct taxation & VAT • Due diligence 		
Technology & Enterprise application	<ul style="list-style-type: none"> • Design of the IT strategy (as part of the file to be submitted to the CSSF) 		



During the development stage

Regulatory strategy	<ul style="list-style-type: none"> • Administrative and accounting organisation, and review of the compliance of services offered to clients in line with the requirements of the CSSF, in particular review the compliance with CSSF circular 12/552 (gap analysis, training, implementation) • Procedures manual covering the following aspects: administrative, IT, accounting, internal controls, etc. • Proposing compliance tools such as uComply • Rules of conduct in line with the best practice of the financial centre and MiFID rules • Training in all the above areas • Assistance in relations with the authorities. Provision of a regulatory hotline • Within the framework of subcontracting, inventory of services to be provided and drafting of Service Level Agreements (SLA) • Support for regulatory intelligence 	IT risks (Information Technology)	<ul style="list-style-type: none"> • One-off advice on long-term implementation, support in terms of IT strategy, review of IT architecture, implementing solutions, IT integration and optimisation • Assistance with all IT projects in terms of banking secrecy, relations with authorities and subcontracting • Business Continuity Plan and Disaster Recovery Plan • Projects and assistance in IT security (Security governance, risk management, ISO27001 implementation and cyber-security) • IT audits and IT investigations Forensic, eDiscovery and Data Analytics • Assistance on compliance with the data protection law
Governance, risks & compliance	<ul style="list-style-type: none"> • Subcontracting or co-sourcing of the internal audit function • Advisory services for the definition of relations with third parties and suppliers, and definitions of the corresponding risks • ISAE 3402 and SSAE 16 • ISAE3000 • Regulatory Health Checks • Assistance on regulatory Compliance obligations • Assistance in developing internal control plans (Risk Management, Compliance Monitoring Programme) • Assistance in building the governance model • Compliance Risk Assessment (CRA) • Training in internal control functions 	Strategy & Corporate finance	<ul style="list-style-type: none"> • Assistance in terms of external growth (merger, acquisition, strategic alliance) • Due diligence • Evaluation of PSF • Business Model optimisation • Client and market strategy review • Executive search and coaching
Forensic & AML	<ul style="list-style-type: none"> • Appropriate organisation to deal with money laundering and the financing of terrorism in terms of training and raising awareness, client knowledge, structuring and procedures • Assistance in selection and implementation of anti-fraud and AML systems • Targeted investigation and due diligence 	Capital markets and financial assets	<ul style="list-style-type: none"> • Valuation review and independent valuation of complex financial instruments • Coverage of current applicable valuation procedures • Examination of the valuation model used • Review of market data input into the valuation model
Financial risks	<ul style="list-style-type: none"> • Calculation and optimisation of solvency ratio, production of CoREP reporting and regime relating to broad exposure • Advice, analysis and assistance regarding establishment of the ICAAP • Implementation of a framework for liquidity monitoring and monitoring of Basel regulations, in particular in respect of the advanced method relating to operational risk • Development of quantitative models relating to credit, market and operational risks • Provision of training in all the above areas 	Human resources	<ul style="list-style-type: none"> • Organisational transformation of the HR function • Definition of HR TOM (Target Operating Model) • Career and succession plan management and development • Performance management and compensation system modelling • Recruitment and skills assessment of specialised profiles • Implementation of HR information systems and portals • Change management
		IMS (Investment Management services)	<ul style="list-style-type: none"> • Modular assistance in all issues relating to cross-border financial product distribution networks (registrations; tax reporting, risk, solvency, etc.) • Investment policy: review of monitoring systems for investment policies and valuation, support for complex financial instruments, assistance in • Designing new products and investment strategies, as well as advice and assistance on the aspects of UCITS V or AIFMD • Corporate governance: advisory services for setting up a code of conduct and assistance with the selection of service providers and domiciles

Accounting	<ul style="list-style-type: none"> Accounting, regulatory reporting and Group reporting Accounting and finance function outsourcing Supply of experienced employees 	Technologie & Enterprise application	<ul style="list-style-type: none"> Define a director plan Implement the director plan Define and establish an IT governance Design a sourcing strategy Selection of packages Application development and maintenance Define and implement analytical solutions
Direct taxation & VAT	<ul style="list-style-type: none"> Assistance with tax returns (IRC [corporate income tax], ICC [municipal business tax], IF [wealth tax], withholding tax, VAT) Ad hoc tax advice on direct taxation and VAT Customized fiscal assistance and optimisation analyses when creating the operational structure Assistance with the tax aspects to consider in the context of operating procedures and assistance in introducing manuals of procedures taking account of the applicable tax framework and its evolution Assistance in respect of transfer pricing Verification of practical aspects of tax residence Optimisation of profit distribution to shareholders Operational assistance (also in respect of problems linked to the EU Savings directive, FATCA, the exchange of tax information (CRS), tax treatment of investors, QI etc.) Tax reclaim for private clients Until the termination of operations Evaluation of the fiscal structures of the clients Due diligence Personalised training and tax hotlines Assistance on tax optimisation of the salary package of directors Evaluation of the impact of BEPS on the client portfolio 	External audit	<ul style="list-style-type: none"> Audit of company accounts Review of compliance of with circulars and preparation either of analytical audit reports (for investment firms), or compliance reports (for specialised and support PSF) Consultation on regulatory and accounting issues, conversion to IFRS, agreed procedures and other normative aspects Support relating to requests made by the CSSF Certification of continuous training records in order to obtain related subsidies
Until the termination of operations			
Business Risk	<ul style="list-style-type: none"> Training on regulatory requirements IA outsourcing Hot line on risk, regulatory, etc..subject HR support Ongoing Corporate, VAT and personal Tax consulting Any other support they would need, depending on the specific case 	Forensic & AML: Liquidation services	<ul style="list-style-type: none"> Assistance in setting up liquidation plans
Private Wealth Services and Family Office	<ul style="list-style-type: none"> Support and implementation of customised fi structures for private clients (sales of companies, international transfer of assets, transfers of residence, etc.) Family and corporate governance Financial strategy and compliance Development of specifi vehicles and products (philanthropy, art funds, Islamic finance, etc.) 	Direct taxation & VAT	<ul style="list-style-type: none"> Tax advice and assistance in connection with a liquidation, merger, demerger or transfer Fiscal assistance with regards to the beneficiaries Communication with the tax authorities
		Business Risk	<ul style="list-style-type: none"> General support during the withdraw process and in particular in analysing the technical subjects addressing the specific requirements in terms of: <ul style="list-style-type: none"> Human resources; Regulatory aspects (e.g. capital, governance, IT security etc.); IT & Operations; M&A and valuation; Tax & VAT
		Technologie & Enterprise application	<ul style="list-style-type: none"> IT transition management

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Useful addresses

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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:

Finance & Technology Luxembourg

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 and FinTech companies.

Tel : +352 43 53 66 – 1
www.supportpsf.lu

Association Luxembourgeoise des Family Office (LAFO)

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

Tel: +352 621 135 933
www.lafo.lu

Association Luxembourgeoise des Professionnels du Patrimoine (ALPP)

A non-profit organisation including over 100 independent companies, established in Luxembourg, whose interaction with each other covers the entire range of financial and asset-management services for an international clientele.

Tel : +352 26 26 491
www.alpp.lu

Luxembourg International Management Services Association (LIMSA)

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

Tel : +352 466 111-2749
www.limsa.lu

Numerous other organisations pertain to PSF, including the following:

The International Facility Management Association (IFMA)

IFMA Luxembourg is the local branch of this international association. With over 24,000 members in 94 countries, it is open to facility managers to give them the skills necessary for their business.

Tel : +352 26 65 08 30
www.ifma.lu

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

Established on 26 November 2009, 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 140,000 members in over 180 countries, ISACA is a major global provider of knowledge, certifications, exchange, sponsorship and training in terms of security and assurance of information systems, corporate governance concerning information technologies, IT risk control and conformity. Founded in 1967, ISACA sponsors international conferences, publishes a review, and develops international auditing and control standards for IT systems. The institution is open to IT auditors likely to be involved with PSF.
www.isaca.org

Other useful addresses

Administration des contributions directes

Tél : +352 40 800-1
www.impotsdirects.public.lu

Administration de l'enregistrement et des domaines

Tél : +352 44 905-1
www.aed.public.lu

Association des Banques et Banquiers, Luxembourg (ABBL)

Tél : +352 46 36 60-1
www.abbl.lu

Association Luxembourgeoise des Compliance Officers (ALCO)

Tél : +352 28 99 25 00
www.alco.lu

Association Luxembourgeoise des Fonds d'Investissement (ALFI)

Tél : +352 22 30 26-1
www.alfi.lu

Association Luxembourgeoise de Risk Management (ALRIM)

Tél : +352 26 94 59 97
www.alrim.lu

Cellule de Renseignement Financier (CRF)

Tél : +352 47 59 81-447

Chambre de Commerce du Grand-Duché de Luxembourg

Tél : +352 42 39 39-1
www.cc.lu

Commission de Surveillance du Secteur Financier (CSSF)

Tél : +352 26 251-1
www.cssf.lu

Fédération des professionnels du secteur financier Luxembourg (PROFIL)

Tél : +352 27 20 37-1
www.profil-luxembourg.lu

Fonds de Garantie des Dépôts, Luxembourg (FGDL)

Tél : +352 26 25 11
www.fgdl.lu

House of Training

Tél : +352 46 50 16-1
www.houseoftraining.lu

Institut des Auditeurs Internes Luxembourg

(IIA Luxembourg)
Tél : +352 26 27 09 04
www.iaa.lu

Institut des Réviseurs d'Entreprises (IRE)

Tél : +352 29 11 39-1
www.ire.lu

Institut Luxembourgeois des Administrateurs (ILA)

Tél : +352 26 00 21 487
www.ila.lu

Luxembourg for Finance (LFF)

Tél : +352 27 20 21-1
www.luxembourgforfinance.com

Luxembourg Private Equity and Venture Capital Association (LPEA)

Tél : +352 28 68 19 602
www.lpea.lu

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Appendices

5.1 PSF in a nutshell

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**5.2 Summary of main regulations
and circulars applicable to PSF**

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5.1 PSF in a nutshell

Investment firms

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Investment advisers	24	50.000	EUR 1.000.000 per claim and an aggregate of EUR 1.500.000 per year	"Investment advisers are professionals whose activity consists in providing personal recommendations to a client, either at the initiative of the investment firm, or upon request of that client, in respect of one or more transactions relating to financial instruments. Investment advisers are not authorised to intervene directly or indirectly in the implementation of the advice provided by them. The mere provision of information is not covered by this law."
Brokers in financial instruments	24-1	50.000	EUR 1.000.000 per claim and an aggregate of EUR 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 whose business is to hold itself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against its proprietary capital at prices fixed by it.
Underwriters of financial instruments	24-6	125.000 or 730.000 (if they carry out placements on a firm commitment basis)		Underwriters of financial instruments are professionals whose business is to underwrite financial instruments and/or place financial instruments with or without a firm commitment.

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
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 whose business is to distribute units/shares of UCIs admitted to trading in Luxembourg.
Financial intermediation firms	24-8	125.000	EUR 2.000.000 per claim and an aggregate of EUR 3.000.000 per year	Financial intermediation firms are professionals whose business is to: (a) provide personal recommendations to a client, either at their own initiative, or upon request of the client, in respect of one or more transactions relating to financial instruments or insurance products, and (b) receive and transmit orders relating to one or more financial instruments or insurance products without holding funds or financial products of the clients. This activity includes bringing two or more parties together with a view to the conclusion of a transaction between the parties, and (c) perform on behalf of investment advisers and brokers in financial instruments and/or insurance products affiliated to them administrative and client communication services which are inherent to the professional activity of these affiliates, by means of an outsourcing contract.
Investment firms operating an MTF in Luxembourg	24-9	730.000		Investment firms operating an MTF in Luxembourg are those professionals whose business is to operate an MTF in Luxembourg, excluding the professionals that operate markets within the meaning of the law on markets in financial instruments.



Specialised PSF

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Registrar agents	25	125.000		Registrar agents are professionals whose business is to maintain the register of one or more financial instruments. The maintaining of the register includes the reception and execution of orders relating to such financial instruments, of which they are the necessary accessory.
Professional depositaries of financial instruments	26	730.000		Professional depositaries of financial instruments are professionals who engage in the receipt into custody of financial instruments exclusively from the professionals of the financial sector, and who are entrusted with the safekeeping and administration thereof, including custodianship and related services, and with the task of facilitating their circulation.
Professional depositaries of assets other than financial instruments	26-1	500.000		"Professional depositaries of assets other than financial instruments are professionals whose activity consists in acting as depositary for: <ul style="list-style-type: none"> - specialised investment funds within the meaning of the law of 13 February 2007, as amended, - investment companies in risk capital within the meaning of the law of 15 June 2004, as amended, - alternative investment funds within the meaning Directive 2011/61/EU, which have no redemption rights that can be exercised during five years as from the date of the initial investments and which, pursuant to their main investment policy, generally do not invest in assets which shall be held in custody pursuant to Article 19(8) of the law of 12 July 2013 on alternative investment fund managers or which generally invest in issuers or non-listed companies in order to potentially acquire control thereof in accordance with Article 24 of the law of 12 July 2013 on alternative investment fund managers."
Operators of a regulated market authorised in Luxembourg	27	730.000		Operators of a regulated market in Luxembourg are persons who manage and/or operate the business of a regulated market authorised in Luxembourg, excluding investment firms operating an MTF in Luxembourg.
Currency exchange dealers	28-2	50.000		Currency exchange dealers are professionals who carry out operations involving the purchase or sale of foreign currencies in cash.
Debt recovery	28-3			The recovery of debts owed to third parties, to the extent that it is not reserved by law to certificated bailiffs, shall be authorised only with the assent of the Minister of Justice.
Professionals performing lending operations	28-4	730.000		"Professionals performing lending operations are professionals engaging in the business of granting loans to the public for their own account. The following, in particular, shall be regarded as lending operations for the purposes of this article: (a) financial leasing operations involving the leasing of moveable or immovable property specifically purchased with a view to such leasing by the professional, who remains the owner thereof, where the contract reserves unto the lessee the right to acquire, either during the course of or at the end of the term of the lease, ownership of all or any part of the property leased in return for payment of a sum specified in the contract;

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Professionals performing lending operations (continued)	28-4	730.000		<p>(b) factoring operations, either with or without recourse, whereby the professional purchases commercial debts and proceeds to collect them for his own account "when he makes the funds available to the transferor before maturity or before payment of the transferred debts".</p> <p>This article shall not apply to persons engaging in the granting of consumer credit, including financial leasing operations as defined in paragraph (a) above, where that activity is incidental to the pursuit of any activity covered by the law of 28 December 1988 on the right of establishment.</p> <p>This article shall not apply to persons engaging in securitisation operations."</p>
Professionals performing securities lending	28-5	730.000		Professionals performing securities lending are professionals engaging in the business of lending or borrowing securities for their own account.
Family Offices	28-6	50.000		Those persons carrying out the activity of Family Office within the meaning of the law of 21 December 2012 relating to the Family Office activity and not registered in one of the other regulated professions listed under Article 2 of the above-mentioned law are Family Offices and regarded as carrying on a business activity in the financial sector.
Mutual savings fund administrators	28-7	125.000		<p>"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.</p> <p>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."</p>
Managers of non co-ordinated UCIs	28-8			repealed
Corporate domiciliation agents	28-9	125.000		Corporate domiciliation agents referred as other professionals of the financial sector in the list of paragraph 1 of Article 1 of the law of 31 May 1999 governing the domiciliation of companies and referred to in this Article, are natural or 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. This Article does not refer to the other persons listed in the above-mentioned list.
Professionals providing company incorporation and management services	28-10	125.000		Professionals providing company incorporation and management services are natural and legal persons engaging in the provision of services relating to the formation or management of one or more companies.
Central account keepers	28-11	730.000		Central account keepers are persons whose activity is to keep issuing accounts for dematerialised securities.

Support PSF

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	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, electronic money institutions, insurance undertakings, reinsurance undertakings, pension funds, UCIs, SIFs, investment companies in risk capital (sociétés d'investissement en capital à risque) and authorised securitisation undertakings established under Luxembourg law or foreign law, of one or more of the following services:</p> <ul style="list-style-type: none"> - the production, in tangible form or in the form of electronic data, of confidential documents intended for the personal attention of clients of credit institutions, PSF, payment institutions, electronic money institutions, insurance undertakings, reinsurance undertakings, contributors, members or beneficiaries of pension funds and investors in UCIs, SIFs, investment companies in risk capital and authorised securitisation undertakings; - the maintenance or destruction of documents referred to in the previous indent; - the communication to persons referred to in the first indent, of documents or information relating to their assets and to the services offered by the professional in question; - the management of mail giving access to confidential data by persons referred to in the first indent; - the consolidation, pursuant to an express mandate given by the persons referred to in the first indent, of positions which the latter hold with diverse financial professionals."
Administrative agents of the financial sector	29-2	125.000		<p>Administrative agents of the financial sector are professionals who engage in the provision, on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, investment companies in risk capital, authorised securitisation undertakings, reserved alternative investment funds, 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", electronic money institutions, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.</p>
Secondary IT systems and communication 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", electronic money institutions, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.</p>

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Dematerialisation service providers of the financial sector	29-5	50.000		Dematerialisation service providers of the financial sector are dematerialisation or conservation service providers within the meaning of the law of 25 July 2015 on e-archiving in charge of the dematerialisation of documents on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, investment companies in risk capital (SICARs), pension funds, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings, governed by Luxembourg law or by foreign law.
Conservation service providers of the financial sector	29-6	125.000		Conservation service providers of the financial sector are dematerialisation or conservation service providers within the meaning of the law of 25 July 2015 on e-archiving in charge of the conservation of electronic documents on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, investment companies in risk capital (SICARs), pension funds, authorised securitisation undertakings, insurance undertakings or reinsurance undertakings, governed by Luxembourg law or by foreign law.



5.2 Summary of main regulations and circulars applicable to PSF

(as at September 26, 2016)

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialised PSF	Support PSF
Organisation and internal control				
91/78	Segregation of assets for private portfolio managers	X (1)		
91/80 and 96/124	Staff numbers	X	X	X
93/95 and 11/515	Licence requirements	X	X	X
93/102	Activities of brokers or commission agents	X (2)		
95/120	Central administration		X	X
96/126	Administrative and accounting organisation		X	X
98/143	Internal control		X	X
00/17	Investor compensation schemes	X (3)		
04/146	Protection of undertakings for collective investment and their investors against Late Trading and Market Timing practices	X (3)	X (3)	X (3)

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialised PSF	Support PSF
05/178 and 06/240 as amended by 13/568	IT outsourcing		X	X
07/307 as amended by 13/560, 13/568 and 14/585	MiFID: Conduct of business rules in the financial sector	X		
07/325 and 07/326 as amended by 10/442 and 13/568	Branches in Luxembourg or activities exercised in Luxembourg by way of free provision of services; branches in another Member State or activities exercised in another Member State by way of free provision of services	X (3)		
09/392	Prudential assessment of acquisitions and increases in holdings in the financial sector	X	X	X
12/536	Guidelines of the European Securities and Markets Authority on systems and controls in an automated trading environment	X (3)		
12/538	Lending in foreign currencies	X	X (4)	
12/552 as amended by 13/563, 14/597 and 16/642	Central administration, internal governance and risk management	X	X (5)	
13/554	Evolution of the usage and control of the tools for managing IT resources and the management access to these resources	X	X	X
Reg. 13-02 and 14/589	Out-of-court resolution of complaints	X	X	X
15/611	Managing the risks related to the outsourcing of systems that allow the compilation, distribution and consultation of management board/ strategic documents	X	X	X
Regs G-D of 25 July 2015	Dematerialization and conservation of documents / Electronic archiving			X (3)
15/631	Dormant or inactive accounts	X	X	X
Remuneration				
10/437	Remuneration policies in the financial sector	X	X	X
Fight against money laundering and terrorist financing				
Reg. 12-02 10/495, 15/609, 16/639	Fight against money laundering and terrorist financing	X	X	X
11/528	Abolition of the transmission to the CSSF of suspicious transaction reports	X	X	X
11/529	Risk analysis regarding the fight against money laundering and terrorist financing	X	X	X

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialised PSF	Support PSF
Prudential ratios				
06/260 07/290 as amended by 10/451, 10/483, 10/497 and 13/568 07/301 as amended by 08/338, 09/403, 11/506 and 13/568 10/494 11/501 11/505 12/535 13/572	Capital adequacy ratios / large exposures; assessment process	X		
Reg. 14-01, 15-01 and 15-02 and 13/575, 14/582, 14/583, 15/606, 15/618, 15/620 and 15/622 as well as Regulation (EU) No 575/2013, ad hoc Commission Delegated Regulations (EU) and ad hoc Commission Implementing Regulations (EU)	Supervisory reporting requirements (CRR/CRD IV / FINREP)	X (3)		
09/403	Sound liquidity risk management	X		
11/506	Principles of a sound stress testing programme	X		
Reporting				
05/187 completed by 10/433	Financial information to be submitted to the CSSF on a periodic basis	X	X	X
07/302 , 07/306 and 08/365	Reporting on transactions in financial instruments	X (3)		
08/334 and 08/344	Encryption specifications for reporting firms to the CSSF	X	X	X
08/364	Financial information to be submitted to the CSSF on a quarterly basis by the support PSF			X
08/369	Prudential reporting	X	X	X
10/457	Electronic transmission to the CSSF of the long-form report and of the management letter	X		
11/503	Transmission and publication of financial information and relating deadlines	X	X	X
11/504	Frauds and incidents due to external computer attacks	X	X	X
13/577	Table "Responsible persons for certain functions and activities"	X		

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialised PSF	Support PSF
Domiciliation				
01/28, 01/29, 01/47 and 02/65	Domiciliation		X (6)	
Supervision				
00/22	Supervision of investment firms on a consolidated basis	X (3)		
08/350 as amended by 13/568	Prudential supervisory procedures for support PSF			X
12/544	Optimisation of the supervision exercised on the support PSF by a risk-based approach			X
External audit				
03/113 and 13/571	Practical rules concerning the mission of external auditors of investment firms	X		

(1) applicable only to private portfolio managers (art. 24-3)

(2) applicable only to brokers in financial instruments (art. 24-1) and commission agents (art. 24-2)

(3) depending on the activity of the PSF

(4) applicable only to professionals performing lending operations (art. 28-4)

(5) applicable only to professionals performing lending operations (art. 28-4) and only chapter 3 of part III of the circular is applicable

(6) applicable only to PSF providing domiciliation activities

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