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Outlook and future of a sector seizing opportunities
Professionals of the financial sector (PSF) in Luxembourg

December 2022

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Foreword

Each year, the Luxembourg financial center reasserts its leading position in the global financial market. The country's reputation among clients attracted to Luxembourg for its quality services is built on the **expertise, innovation and know-how of its professionals of the financial sector (PSF).**

In 2021, the combined net result of all PSF significantly increased, despite the downturns of the unprecedented COVID-19 pandemic. **PSF have shown amazing resilience**, illustrated by the market's rebound. Despite the number of employees temporarily dipping in 2020 compared to 2019, a post-COVID-19 trend has clearly emerged, with employees surpassing pre-pandemic levels—as of September 2022, more than 17,320 professionals were employed by 263 entities.

Driven by the market's consolidation trend through mergers and acquisitions, the number of PSF has ultimately decreased in 2021. Still, the market's overall performance and need for talent keeps growing, as shown in the rise in net results and number of employees. Overall, **PSF are seizing the many market opportunities** served by new trends and regulations, while reinforcing efficiency and synergies.

Through our detailed analysis of the PSF market, we hereby present **the key trends and evolutions of this industry in an ever-changing environment.**

Integrating the latest PSF figures with detailed commentary, our report analyzes this dynamic market and provides an overview of the categories and development of PSF. It also features **interviews with key people** of the financial center and topical articles by industry-dedicated professionals. The results confirm the industry's importance to the Luxembourg economy.

We kindly thank **Frederic Bilas, Serge Thavot, Johan Kuylenstierna** and **Elisabeth Skog** for their valuable contributions to this report. Their complementary industry experience provides an enlightened opinion of the latest PSF news and the sector's prospects.

We hope you enjoy the read.

Raphaël Charlier
Partner, PSF Leader

Adil Sebbar
Managing Director, Audit

Introduction

PSF: a wide range of services in a regulated environment

Professionals of the financial sector (PSF) are defined as regulated **entities offering financial services other than receiving deposits from the public** (a function strictly confined to credit institutions). Therefore, this industry covers a wide 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 financial market's activities and fall within the financial sector's specific sphere of information confidentiality and security.

This special access is not without consequences regarding 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").

PSF's professional secrecy obligation is defined by Art. 41 of the Law, and was reinforced by the General Data Protection Regulation (GDPR), which came into force on 25 May 2018.[1]

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

There are **three categories of PSF**, depending on the type of activity carried out and the nature of the services provided, namely:[2]

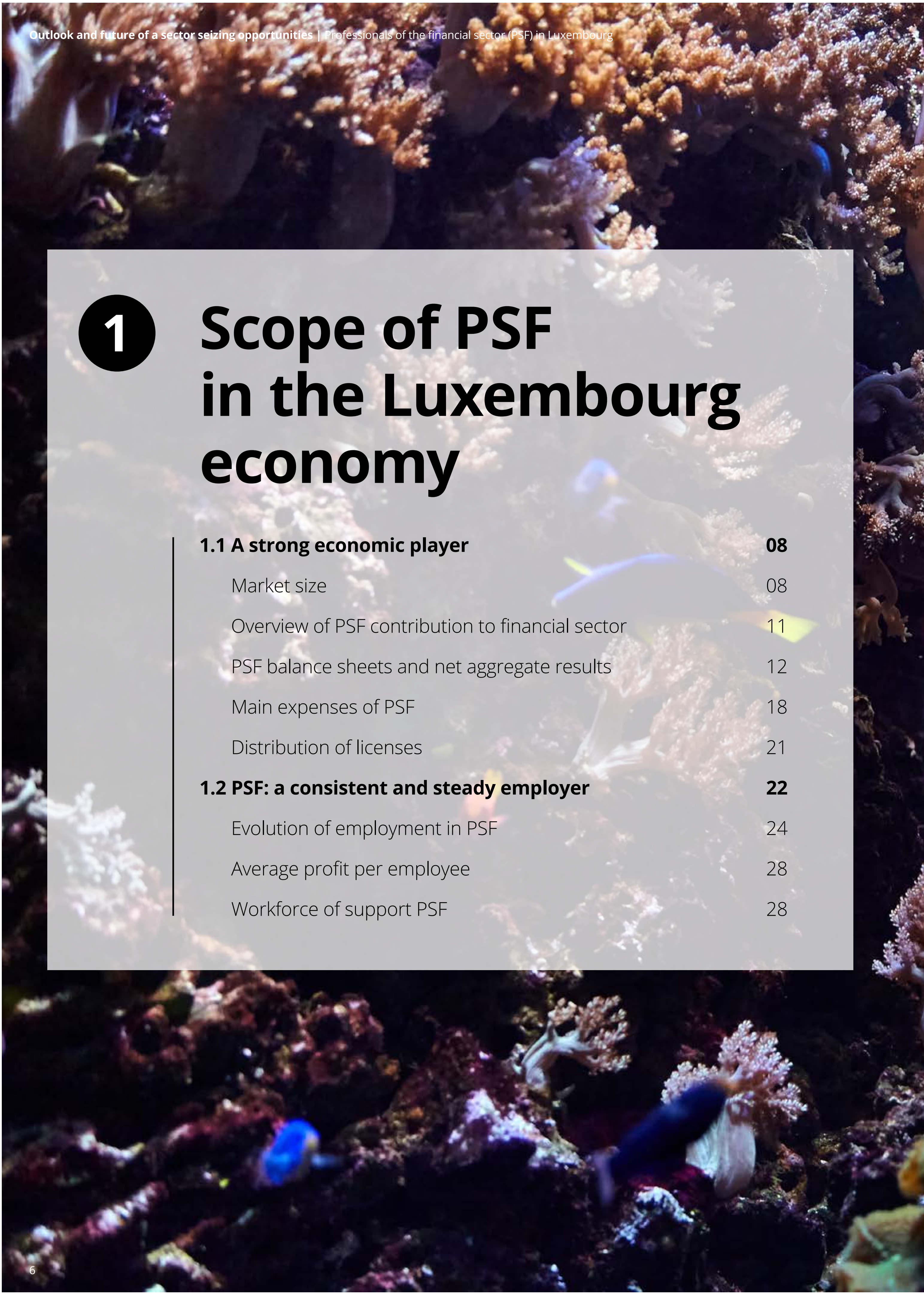
- **Investment firms** (Arts. 24-1 to 24-9 of the Law) are defined as firms supplying or providing investment services to third parties on a professional and ongoing basis. These are mainly:
  1. Investment advisers
  2. Reception and transmission of orders in relation to one or more financial instruments
  3. Execution of orders on behalf of clients
  4. Portfolio managers
- **Specialized PSF** (Arts. 25 to 28-10 of the Law) are entities active in the financial sector that do not offer investment services. They mainly include:
  1. Corporate domiciliation agents
  2. Registrar agents
  3. Family offices
- **Support PSF** (Arts. 29-1 to 29-6 of the Law) act principally as subcontractors offering operational services on behalf of credit institutions, PSF, payment institutions, electronic money institutions, insurance and reinsurance undertakings, pension funds, and undertakings for collective investment (UCIs). They also act on behalf of specialized investment funds (SIFs), investment companies in risk capital (SICARs), venture capital companies, approved securitization entities, and reserved alternative investment funds (RAIFs). They include:
  1. Support PSF not involved in information technology, namely Client communication agents (Art. 29-1) and Financial sector administrative agents (Art. 29-2).
  2. Support PSF involved in information technology, namely IT systems and communication networks operators of the financial sector (Art. 29-3).
  3. Support PSF offering dematerialization or digital document conservation services (Arts. 29-5 and 29-6).

Professionals of the financial sector (PSF) are defined as regulated entities offering financial services other than receiving deposits from the public.

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

Over many years, Deloitte has developed the necessary expertise to support and advise all forms of PSF across all development stages, from creation to growth.

1. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.
2. The licenses' numbering and denominations are based on the version of the Law of the Financial Sector dated 5 April 1993 as applicable as at 31 December 2021.



1 Scope of PSF in the Luxembourg economy

1.1 A strong economic player

Analysis of PSF's importance and review of their economic and social impacts

Market size
The number of PSF (excluding branches) in 2021 slightly decreased from 262 to 260 PSF (0.8%) compared to the end of 2020, showing relative stability in their number. Similarly, the number of PSF (including branches) only decreased from 267 PSF to 266 PSF (0.4%) in 2021 compared to the end of 2020.

The main categories of PSF (including branches) in 2021 remained investment firms and specialized PSF, accounting for 38% and 36%, respectively. The decrease in the number of PSF between 2020 and 2021 by 2 entities was mainly driven by the net decrease in the number of support PSF and specialized PSF by 2 entities each.

The PSF market's development can be divided into three phases:

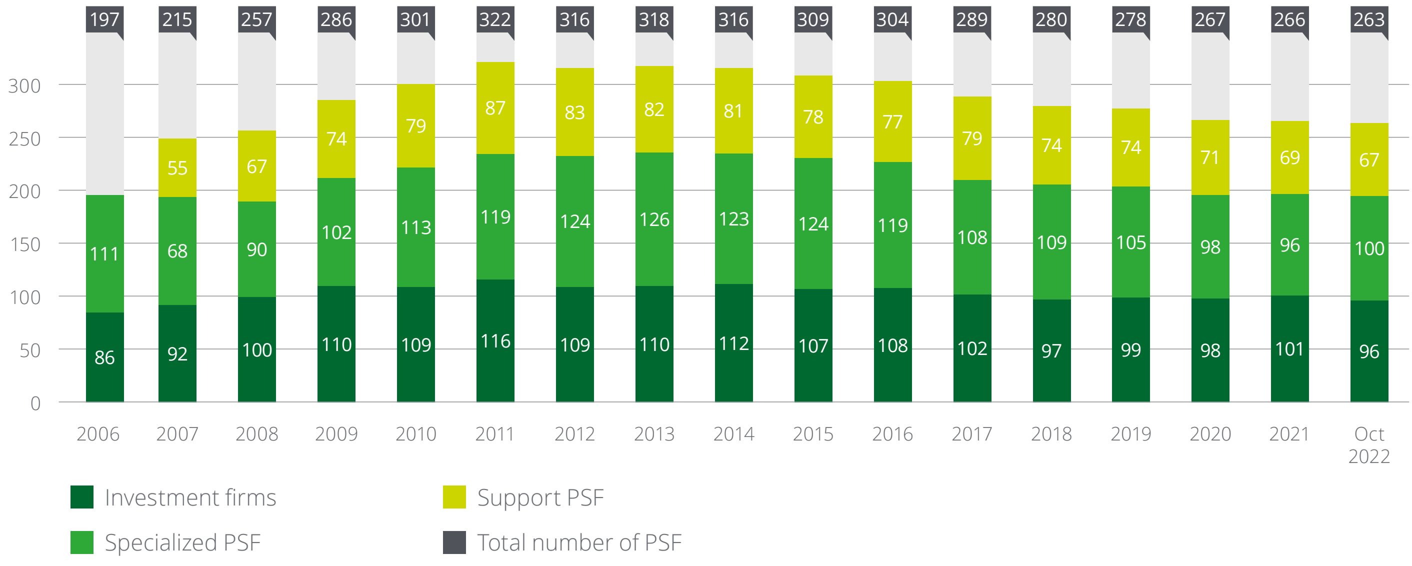
- From 2006 to 2011, the number of PSF increased by 64%, with a peak at 322 entities, mainly due to the financial center's growth. This was particularly visible in the rise of investment funds, corporate domiciliation agents, and the financial and non-financial services in demand from Luxembourg financial institutions, such as banks, insurance companies and funds.
- From 2012 to 2016, the number of PSF stabilized, with still 304 entities, mainly due to a better understanding of the licensing requirements of the services provided.
- Since 2017, the number of PSF[3] dropped from 289 in December 2017 to 266 in December 2021. This reduction is mainly due to PSF's growing costs in keeping up with digitalization and new regulations, including the Anti-Money Laundering Directive (AMLD),[4] the second Markets in Financial Instruments Directive (MiFID II),[5] and the additional Governance requirements. It is also due to increased merger transactions aiming to pool resources to reduce costs and reach a critical size. While 2018 to 2020 marked three years of consolidation for investment firms, 2021 was a more significant consolidation year for specialized PSF, with four entities merging compared to one investment firm merger in the same year.

In addition, while the number of employees decreased from 16,878 at the end of 2019 to 16,248 by the end of 2020, employee numbers bounced back to 16,744 by December 2021, and to 17,320 in September 2022.

In the course of 2022, the number of PSF continued its slight decline by 1.1%, with 263 PSF including branches on 31 October 2022 compared to 266 on 31 December 2021, and 257 excluding branches on 31 October 2022 compared to 260 on 31 December 2021. Net profit on a year-to-date basis decreased by 17% from €210 million on 30 September 2021 to €174 million on 30 September 2022. However, on an annualized basis, the provisional decrease in net profit between 2021 (€294 million)and 2022 (€232 million) is only 9%.

3. Including branches.
4. Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.
5. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

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



Source: CSSF list of PSF

Figure 1b: PSF change by category as at 31 December 2020 and 31 December 2021 (excluding branches)

Source: CSSF list of PSF

Figure 2a: PSF change by category—2020 and 2021 entries and exits (including branches)

Source: CSSF list of PSF as at 31 December 2021

Figure 2b: PSF change by category—2021 entries and exits (excluding branches)

Source: CSSF list of PSF as at 31 December 2021

Changes within each PSF category

The number of PSF across all categories differed between December 2020 and December 2021. This variation is due to new companies being founded, existing entities being converted into PSF, and PSF changing categories.

PSF withdrawals were mainly due to entities relinquishing their PSF status due to strategy changes, liquidations, or mergers between different PSF.

Some entities that refocused their activities adapted their status accordingly, with one investment firm changing into a specialized PSF in 2021.

In 2021, the slight decrease in the number of PSF is not attributable to one cause, but a combination of factors.[6] The rise in investment firm numbers (a net increase of 3 entities) was outweighed by a decrease in specialized and support PSF numbers (a net reduction of 2 entities in each category).

The number of investment firms increasing by three in 2021 was due to the following:

- On the one hand, three entities relinquished their licenses and were removed from the CSSF's PSF list, of which one was reclassified as a specialized PSF and one merged with another investment firm.
- On the other hand, while one entity was incorporated and obtained investment firm licenses, three entities were added to the official PSF list and received investment firm licenses. In addition, two new branches obtained investment firm licenses.

The number of specialized PSF as at 31 December 2021 decreased by two entities compared to the end of 2020. This PSF category also experienced the largest inflow and outflow of entities. In total, six entities were added to the CSSF's list of specialized PSF:

- Two were incorporated during the year;
- Three were converted to PSF; and
- One changed its classification from investment firm to specialized PSF.

Eight entities (including one branch) were removed from the list of specialized PSF. Four were due to mergers, three due to their conversion into unregulated entities, and one due to liquidation.

In 2021, two new entities were added to the CSSF's support PSF list. Four were removed in total, due to one PSF entity's liquidation, one PSF entity's deregulation through the sale of regulated activities, and two PSF continuing to operate without their support PSF licenses.

The consequence was a slight decrease in the number of players[7] in 2021, with a 0.8% reduction in the total number of PSF.

Overview of PSF's contribution to the financial sector

- The Luxembourg financial sector remains the key strength of the country's economy and its main contributor, representing more than 25% of its gross domestic product (GDP). It is the main contributor to Luxembourg's national income per person, which is among the highest in the world. Luxembourg is the second-largest fund administration centre globally after the US. In 2021, the volume of Luxembourg-domiciled investment funds climbed to EUR 5.9 trillion, after growing by 17.8% in 2021. Luxembourg's fund industry has positioned itself as one of the favoured domiciles for sustainable investment funds in the EU.[8]
- Financial sector employment has grown by approximately 6,870 jobs since 2007, reaching a total of 48,533 employees in 2021.[9] The share of the PSF workforce to the total financial sector workforce remained stable with 34% on 31 December 2020 and 34.5% on 31 December 2021.
- The Luxembourg financial sector has rebounded from the COVID-19 financial crisis. According to the European Commission's 2022 Country Report, *"... the economy proved resilient to the pandemic. The government's calls to work from home did not affect business continuity in large segments of the economy. This was possible thanks to the very high proportion of jobs in financial and professional services that can be carried out from home, and the high-quality digital infrastructure."* [10]
- While the international economic and political context was relatively stable in 2021, the Russian invasion of Ukraine in 2022 created instability and a high inflationary environment.

6. Including branches.
7. Ibid.
8. European Commission, *2022 Country Report - Luxembourg*, May 23, 2022.
9. CSSF, *Annual Report 2021*, September 8, 2022.
10. European Commission, *2022 Country Report - Luxembourg*.

PSF balance sheets and net aggregate results

The total balance sheet of all PSF amounted to €8.9 billion as at 31 December 2021, representing an increase of 3% compared to 31 December 2020.

However, PSF's total balance sheet decreased to €8.6 billion as at 30 June 2022, a fall of 3.4% compared to 31 December 2021.

The 3% increase between 2020 and 2021 was mainly driven by specialized PSF (€412 million, representing a 7% increase) and support PSF (€13 million, representing a 1% increase), partially offset by investment firms' total balance sheet plunging by -€162 million (-13%).

This total balance sheet tumble is mainly attributable to IBLux S.à r.l. (formerly Interactive Brokers Luxembourg S.à r.l.) by around €260 million in 2021. The total balance of support PSF did not significantly change compared to 2020.

The net result for 2021 increased by 26% compared to 2020, up €293 million. This was mainly due to investment firms' increase of €35 million, up 38% from 2020, supported by the evolution of the stock markets and support PSF's increase of €26 million, a 61% rise coming back to 2019 level of profit. Specialized PSF's net result remained somewhat stable with a slight decrease of 2%, but still represented one-third of all PSF's net results.

According to CSSF data, as at 30 September 2022, the PSF sector recorded a provisional net profit of €174 million for 9 months of activity in 2022, representing a decrease of 9% per annum compared to 2021. Investment firms accounted for €58 million, specialized PSF accounted for €57 million, and support PSF accounted for €59 million.

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

Source: CSSF statistics

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

Total balance sheet in € millions

	2019		2020		2021		September 2022	
	Volume	Relative share	Volume	Relative share	Volume	Relative share	Volume	Relative share
Investment firms	1,155	13%	1,249	14%	1,087	12%	974	11%
Specialized PSF	5,864	66%	5,779	67%	6,191	70%	6,276	71%
Support PSF	1,820	21%	1,616	19%	1,629	18%	1,615	18%
Total	**8,839**	**100%**	**8,644**	**100%**	**8,907**	**100%**	**8,865**	**100%**

Total net results in € millions

	2019		2020		2021		Nine months of 2022*	
	Volume	Relative share	Volume	Relative share	Volume	Relative share	Volume	Relative share
Investment firms	100	22%	94	40%	129	44%	58	33%
Specialized PSF	290	63%	96	41%	94	32%	57	33%
Support PSF	68	15%	44	19%	70	24%	59	34%
Total	**458**	**100%**	**234**	**100%**	**293**	**100%**	**174**	**100%**

* September 2022 figures based on the year-to-date figures

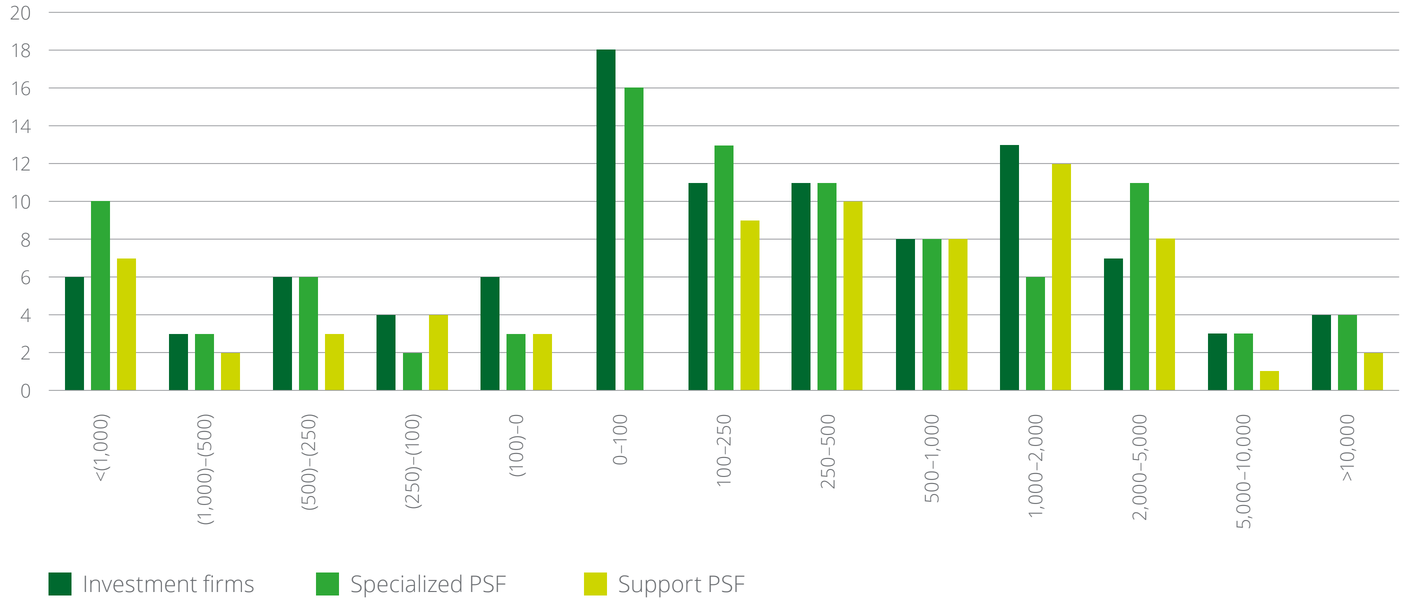
Source: CSSF statistics

An analysis of profits by category shows that:

- **Investment firms' net profits jumped by 38%** in 2021, and their relative net profit share rose slightly from 40% in 2020 to 44% in 2021.
- **Specialized PSF's net profits remained stable, registering a slight decrease of 2%** in 2021. Their net profit share fell to 32% compared to 41% in 2020.
- **Support PSF's net profits surged by 61%** in 2021. Their relative share also rose from 19% in 2020 to 24% in 2021.

Figure 5a: Breakdown of PSF by net profit bracket as at 31 December 2021 (in € thousands)

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



The average net profit of a PSF entity increased from €0.87 million in 2020 to €1.09 million in 2021.

Figure 5b: Comparison of breakdown of PSF by net result bracket in 2020 and in 2021 (in € thousands)

	Investment firms		Specialized PSF		Support PSF	
	2020	2021	2020	2021	2020	2021
Loss	31%	25%	30%	24%	25%	28%
Profit between 0 and 100	11%	18%	15%	17%	12%	0%
Profit between 100 and 1,000	32%	30%	31%	33%	33%	39%
Profit between 1,000 and 5,000	21%	20%	14%	18%	26%	29%
Profit > 5,000	5%	7%	10%	8%	4%	4%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

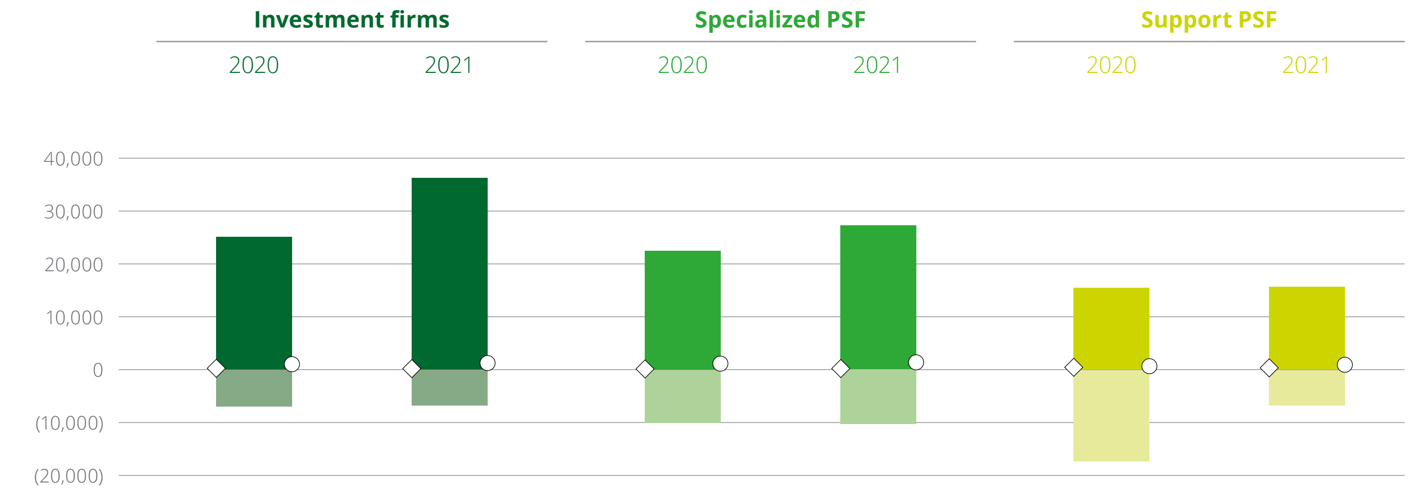
Investment firms:
The largest net results for investment firms increased compared to 2020, rising from €25.2 million to €36.5 million with Attrax S.A. The lowest net result representing a loss of €6.7 million was consistent with 2020's €6.9 million. The 3 largest net results were attributed to Attrax S.A., CapitalatWork Foyer Group S.A. and M&G International Investments S.A., representing a total amount of €68.4 million. The average net result slightly increased from €1million in 2020 to €1.2 million in 2021, while the median decreased from €254,000 to €192,000. In 2021, 25% of investment firms were making losses.

Specialized PSF:
The net results of specialized PSF increased compared to 2020, ranging from a loss of €26.1 million (€53.5 million in 2020) to a profit of €27.4 million with Credit Suisse Fund Services (Luxembourg) S.A. (€32.5 million in 2020). The three largest net results were attributed to Credit Suisse Fund Services (Luxembourg) S.A., Aztec Financial Services (Luxembourg) S.A. and Arendt Services S.A. for a total amount of €61.6 million. The average profit rose slightly from €1.1 million to €1.4 million while the median surged by 45%, from €134,000 in 2020 to €194,000 in 2021. In 2021, 24% of specialized PSF were making losses.

Support PSF:
Net results of support PSF ranged from a loss of €6.6 million to a profit of €15.8 million recorded by Proximus Luxembourg S.A. The average net result jumped by 41% from €657,000 in 2020 to €926,000 in 2021, mainly due to one actor that posted a €17 million loss in 2020 being no longer in scope in 2021. While 32% of support PSF generated profits above or equal to €1 million in 2021, 28% made losses.

The average net profit of a PSF entity in 2021 amounted to €1.09 million compared to €0.87 million in 2020.

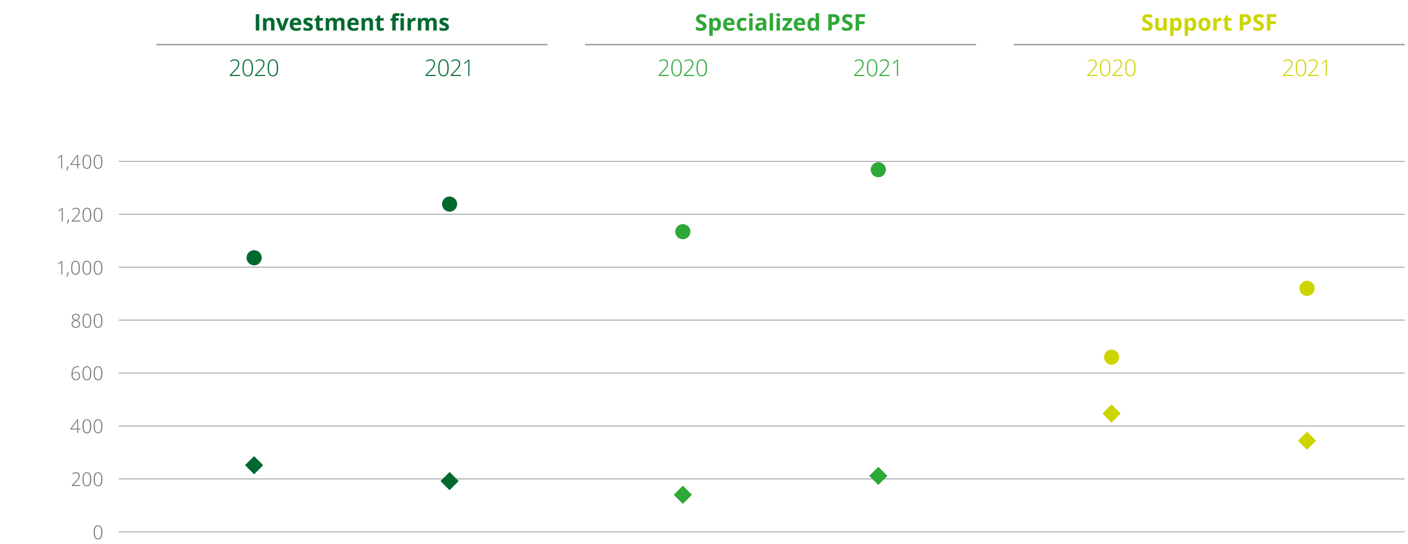
Figure 6a: Range and average net results by PSF category as at 31 December 2020 and 31 December 2021 (in € thousands)



	Investment firms 2020	Investment firms 2021	Specialized PSF 2020	Specialized PSF 2021	Support PSF 2020	Support PSF 2021
Maximum	25,188	36,466	22,544	27,415	15,557	15,729
Minimum	(6,913)	(6,654)	(9,996)	(10,304)	(17,206)	(6,595)

	Investment firms 2020	Investment firms 2021	Specialized PSF 2020	Specialized PSF 2021	Support PSF 2020	Support PSF 2021
◇ Median	254	192	134	215	448	342
○ Average	1,035	1,249	1,142	1,385	657	926

Figure 6b: Close-up on median and average net results by PSF category as at 31 December 2020 and 31 December 2021 (in € thousands)



	Investment firms 2020	Investment firms 2021	Specialized PSF 2020	Specialized PSF 2021	Support PSF 2020	Support PSF 2021
◇ Median	254	192	134	215	448	342
○ Average	1,035	1,249	1,142	1,385	657	926

Main expenses of PSF

Of the examined financial statements, the main PSF expenses in 2021 were:

- Staff costs
- External expenses and other operating expenses
- Tax on profit

Year upon year, the distribution of these expenses remained relatively stable. However, their weighting did vary significantly from one PSF category to another.

For **investment firms**, personnel expenses accounted for 52% of identified expenses in 2021. External expenses and other charges were the next highest, representing 41%.

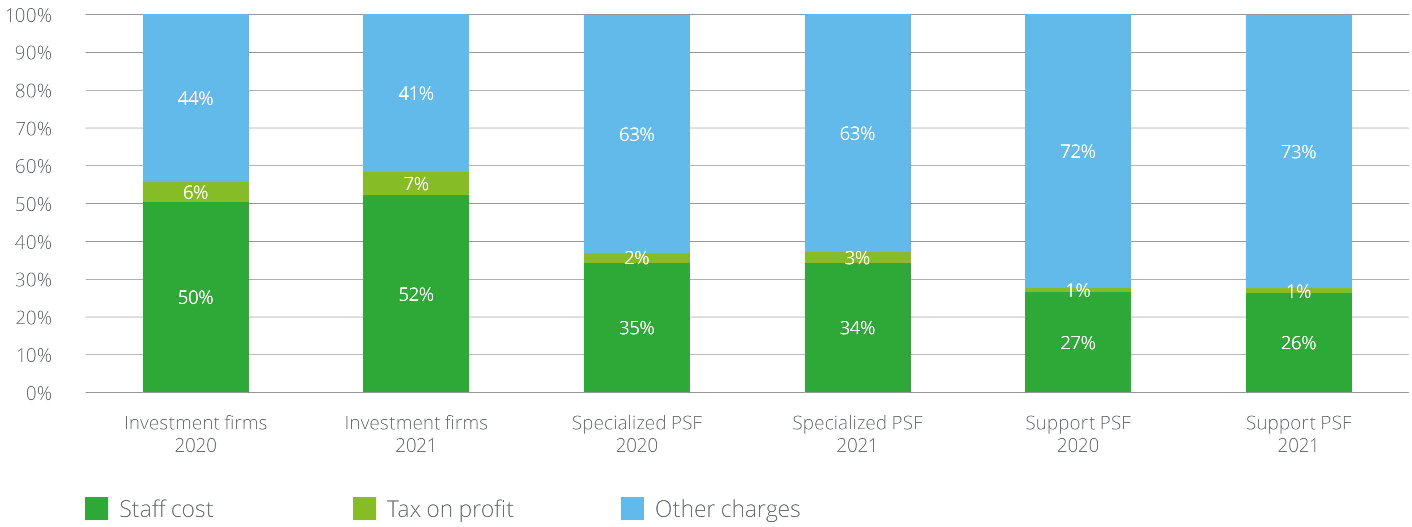
For **specialized PSF**, external expenses and other operating expenses account for the majority of identified costs in 2021, while the weight of staff costs remained stable in 2021 compared to 2020.

Among **support PSF**, external expenses and other charges ranked first, accounting for 73% of identified expenses for 2021. They were followed by personnel expenses, representing 26% in 2021.

In 2021, the average annual cost of an employee for each PSF category was:

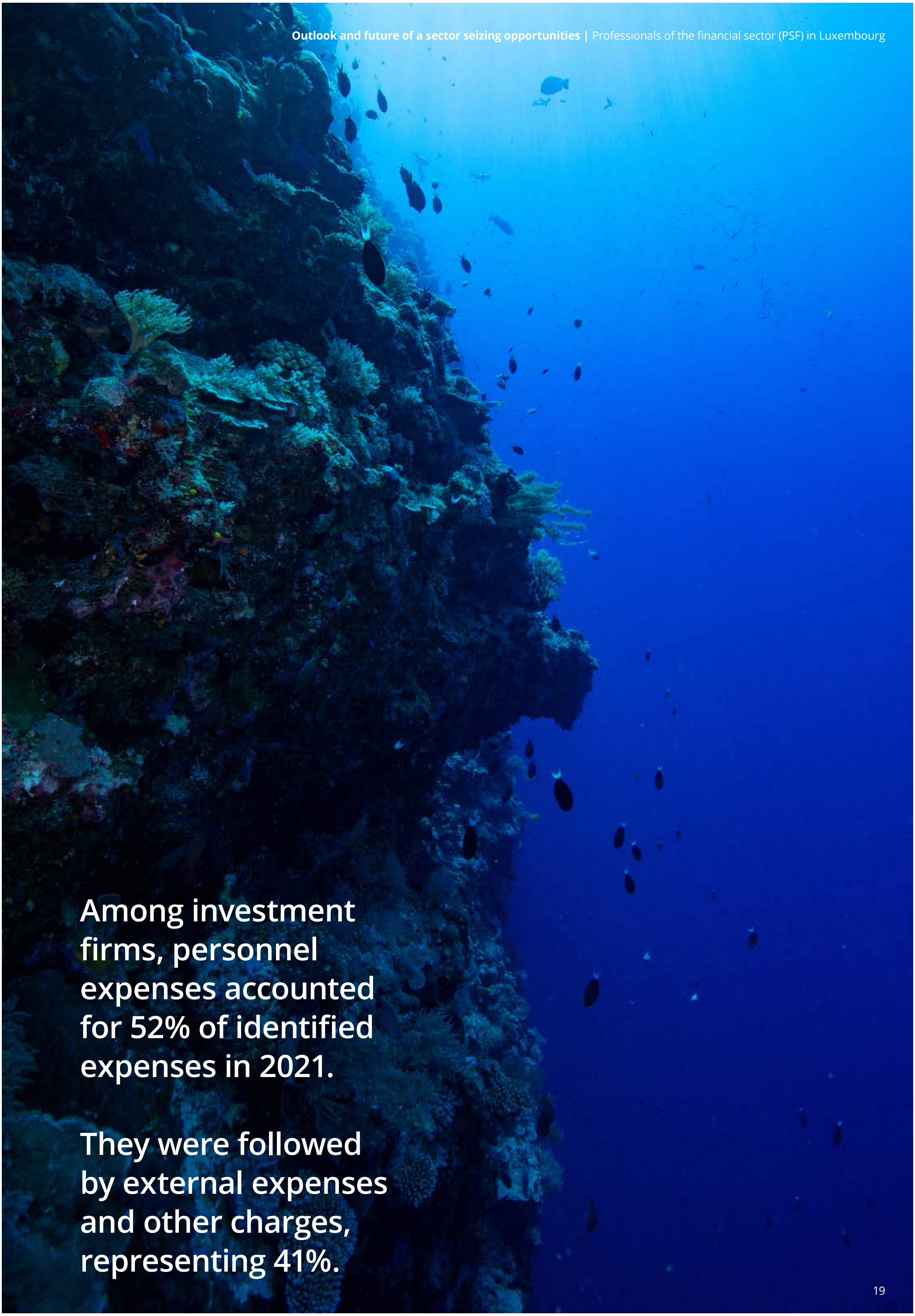
- For investment firms: €166,000 (€146,000 in 2020)
- For specialized PSF: €82,000 (€79,000 in 2020)[11]
- For support PSF: €75,000 (€72,000 in 2020)

Figure 7: Breakdown of the main expenses per PSF category as at 31 December 2020 and as at 31 December 2021 (in %)



Source: CSSF and Deloitte statistics

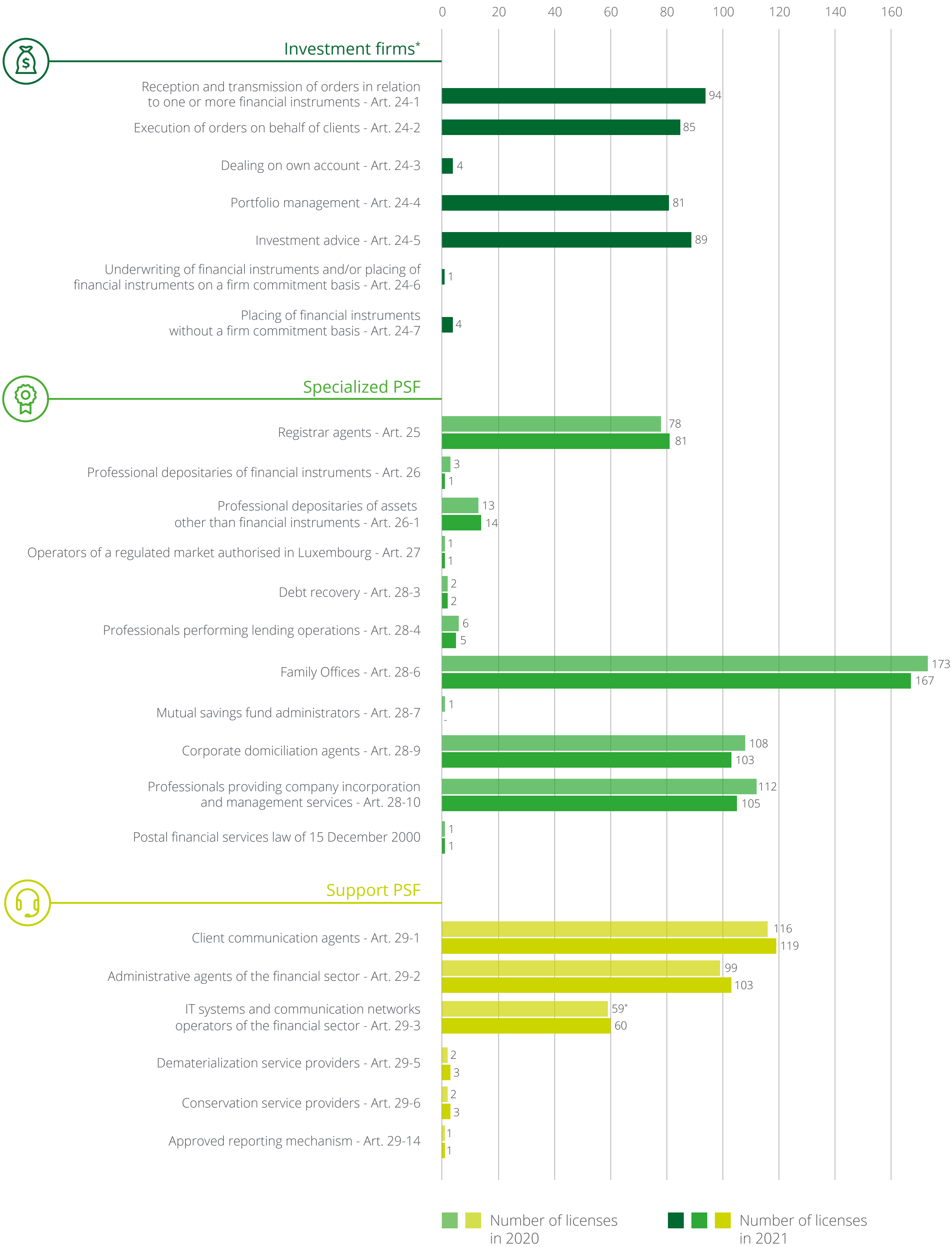
11. Comparative figure includes Post Luxembourg.



Among investment firms, personnel expenses accounted for 52% of identified expenses in 2021.

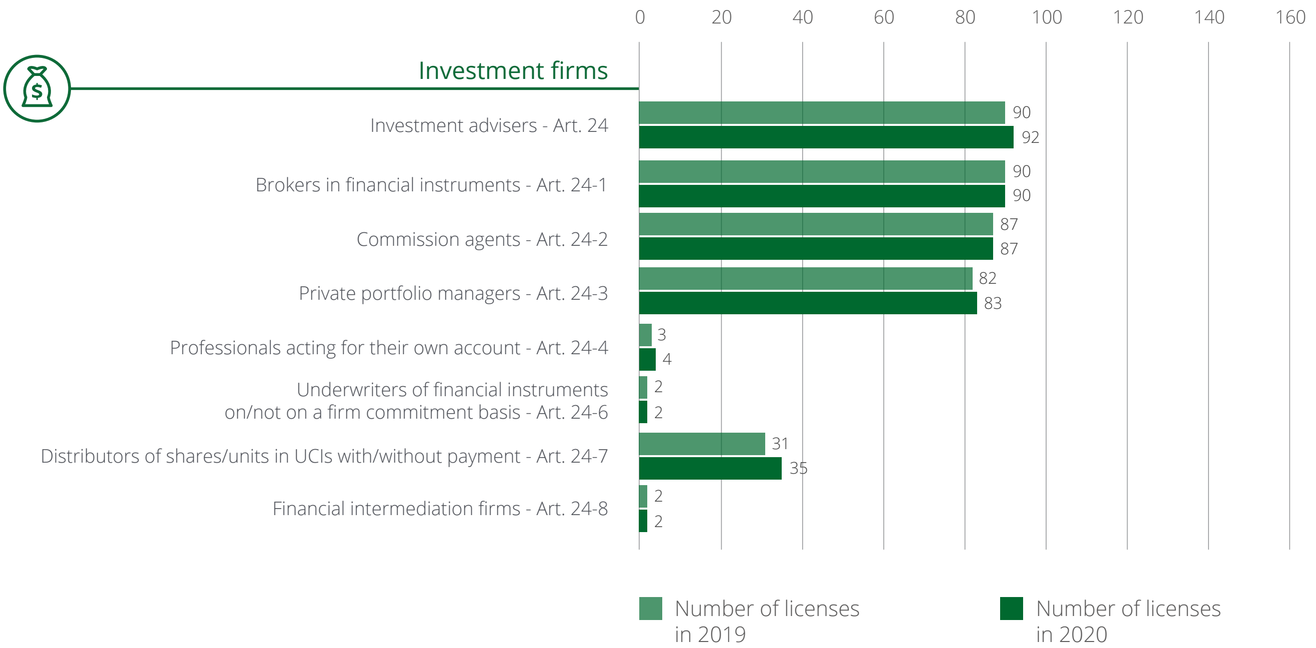
They were followed by external expenses and other charges, representing 41%.

Figure 8a: Total number of PSF licenses as at 31 December 2020 and 31 December 2021 (excluding branches)



* Due to the changes in the list of licenses, a comparison with 2020 is not presented on this table.

Figure 8b: Total number of investment firms licenses as at 31 December 2019 and 31 December 2020 (including branches)



Distribution of licenses

As at 31 December 2021, the most widely granted license was Art. 28-6, or Family offices. It has remained a great success since its launch in 2013, being granted to 64% of all PSF, 98% of investment firms and 77% of specialized PSF. This license has remained relatively stable, registering a very slight decrease in 2021 (167) compared to 2020 (173).[12]

The next most popular licenses were:

- Art. 29-1: Client communication agents;
- Art. 28-10: Professionals providing company incorporation and management services;
- Art. 28-9: Corporate domiciliation agents;
- Art. 29-2: Administrative agents of the financial sector;
- Art. 24-1: Reception and transmission of orders in relation to one or more financial instruments; and
- Art. 24-5: Investment advice.

These account for 69% of licenses as at 31 December 2021.

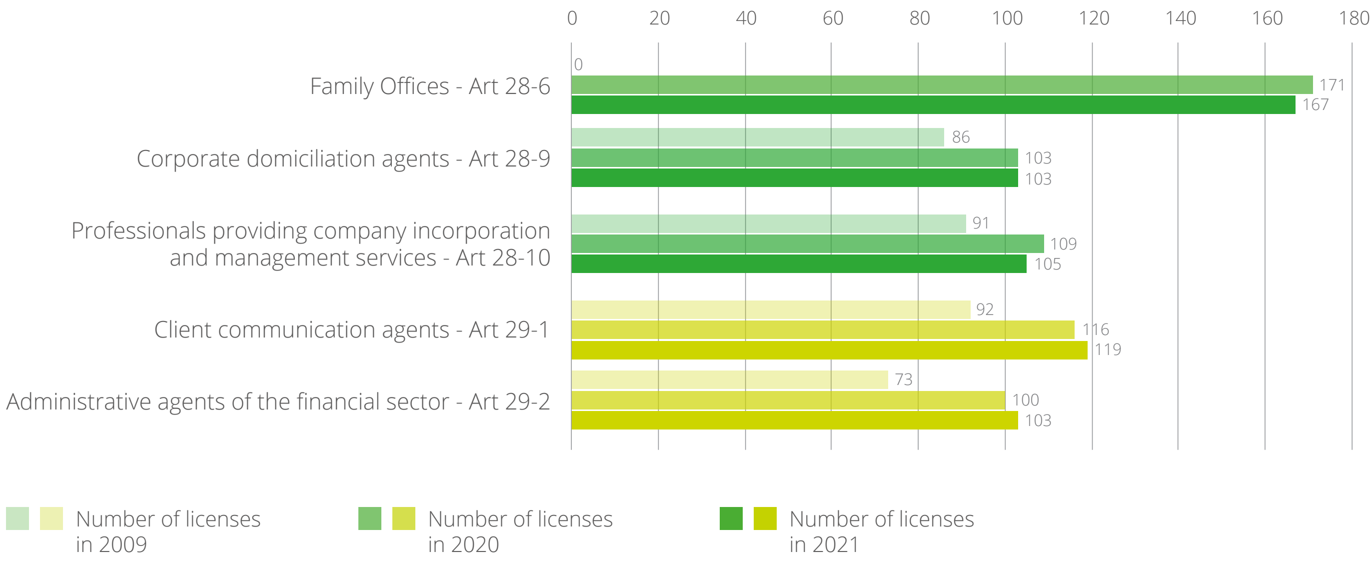
The Corporate domiciliation agent license (Art. 28-9) has increased in popularity by 20% since 2009, from 86 licenses to 103 in 2021. Similarly, the Administrative agents of the financial sector license (Art. 29-2), has surged by 41% in the same period, rising from 73 to 103 licenses.

Finally, in 2021, 14 specialized PSF held the Professional depositary of assets other than financial instruments license under Art. 26-1, an increase of 1 entity compared to 2020.

As at 31 December 2021, the most widely granted license was still Art. 28-6, Family offices.

12. Figures exclude branches.

Figure 9: Change between 2021, 2020 and 2009 in the main five PSF licenses (excluding branches)



The following five licenses were not granted to any entity as at 31 December 2021:

- Art. 24-8: Operation of an MTF;
- Art. 24-9: Operation of an OTF;
- Art. 28-5: Professionals performing securities lending;
- Art. 28-7: Mutual savings fund administrators; and
- Art. 28-1: Central account keepers.

The period between 2009 and 2014 represented a dynamic phase in granting PSF licenses, with the number of PSF licenses consistently rising year upon year.

This surge was due to PSF tending to apply for more licenses than needed when setting up. This was usually made in the hope of avoiding subsequent applications to the CSSF to extend their licenses, in case firms decided to expand their range of activities.

Since 2015, we have seen the number of licenses shrink, in line with the decline in the number of PSF. We also note that some PSF are refocusing on their core businesses and shedding the costs and requirements of certain licenses.

For the seventh year running, the most widely granted licenses were for specialized PSF, with 43% of licenses granted in 2021 compared to 27% in 2009. Figure 10 shows the change in the number of licenses per category between 2021 and 2020, broken down as follows:

- PSF created during the year;
- PSF that already existed and obtained supplementary licenses or decided to relinquish certain licenses; and
- Entities that completely gave up their PSF status.

Considering the significant changes in the regulatory framework of licenses applicable to investment firms, this category of PSF was excluded from Figure 10a.

While the trend in recent years has been to broaden service ranges to better cope with recessions, professionals appear to have gained a certain degree of maturity in their service offerings and the number of licenses granted to support PSF and specialized PSF decreases at a similar pace than the decrease in the number of actors.

Investment firms mostly hold five licenses, mainly Arts. 24-1, 24-2, 24-4, 24-5 and 28-6. While most specialized PSF hold six or seven licenses, they usually use only three or fewer, mainly Arts. 28-6, 28-9, and 28-10. This homogeneity is less pronounced for support PSF, who mainly hold one or two licenses, Arts. 29-1 and 29-2.

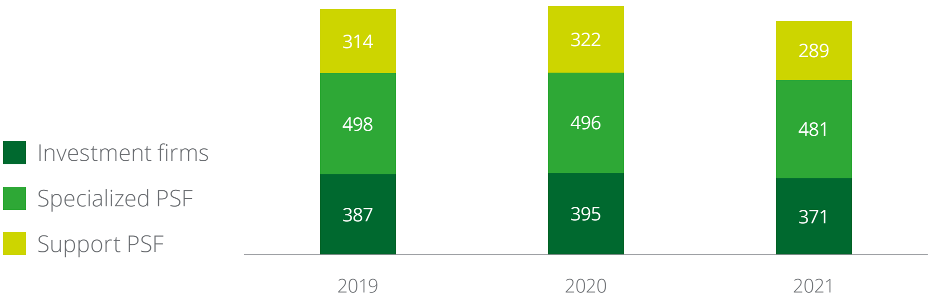
The most widely granted licenses are those for specialized PSF.

Figure 10a: Change in PSF licenses of specialized and support PSF over 2021 (excluding branches)[13]

Source of increases and decreases in licenses	Specialized PSF 2021	Support PSF 2021
PSF created	24	4
Existing PSF	2	(3)
PSF withdrawals	(26)	(5)
Total change in the number of licenses 2021	**–**	**(4)**

After the law of 21 July 2021, the list of the PSF licenses changed, impacting mostly investment firm licenses. This change in the list of licenses does not allow us to compare the investment firm license with previous years.

Figure 10b: Change in and breakdown of licenses since 2019 (including branches)



The decrease in the number of Investment Firm licenses is mainly driven by the changes in the regulatory framework applicable to Investment Firms and brought by the law of 21 July 2021, as well as the merger between articles 29-3 and 29-4 for Support PSF.

Figure 11: Distribution of PSF by number of licenses as at 31 December 2021

Number of licenses	Investment firms 2021	Specialized PSF 2021	Support PSF 2021
1	2	11	46
2	2	4	11
3	3	14	7
4	1	2	3
5	52	6	2
6	7	45	–
7	15	14	–
8	4	–	–
9	1	–	–
10	6	–	–
11	2	–	–
Total	**95**	**96**	**69**

13. After the law of 21 July 2021 came into effect, the list of PSF licenses changed, most significantly regarding investment firm licenses. This change means we cannot compare the 2021 investment firm licenses with previous years.

1.2 The PSF: a consistent and steady employer

As of 30 September 2022, PSF employed 17,320 people, compared to 6,895 employed by management companies and 25,992 by banks.

Evolution of PSF employment

According to the CSSF Newsletter, the Luxembourg financial sector employs 48,533 people as at 31 December 2021, of which 53% work in banks, 10% in management companies according to chapter 15 of the Law of 17 December 2010 ("management companies"), and 35% in PSF (of which 53% work in support PSF).

Boasting 16,744 jobs as of 31 December 2021, the number of people employed in PSF increased by 3% compared to December 2020. While PSF's 2021 employment figures were relatively stable, the number of employees jumped to 17,320 as of 30 September 2022, representing a 6% increase for specialized PSF while only a small change for investment firms and support PSF.

The breakdown of employees by PSF category in 2021 saw investment firm employees increase by 7% and specialized PSF by 9%, compared to 2020.

Based on our analysis of PSF's annual specialized PSF have usually 25 employees or less on average.

As of 31 December 2021, investment firms employed an average of 19 people compared to 18 in 2020, specialized PSF an average of 62 people compared to 56 in 2020, and support PSF an average of 129 people compared to 127 in 2020.

Regarding financial sector employment as a whole between 2009 and 2021, PSF employees increased by 24%, whereas people employed by banks stayed stable between December 2009 (26,420) and December 2021 (25,965).

Figure 12: Number of PSF employees per year compared to the number of total employees of the financial sector

Source: CSSF statistics derived from the CSSF's annual report and newsletters.

PSF's average employment figures are kept high thanks to a handful of entities generating a significant number of jobs:

- In 2021, the top five largest investment firms employed 757 people[14] (four with over 100 employees). These companies' workforces accounted for 40% of the total investment firm employees. Without these five entities, investment firms would only have an average workforce of 12 people.
- Of the 15 specialized PSF that employed more than 100 people in 2021 (13 in 2020),[15] 10 had over 150 employees, totaling 3,351 people. They were Intertrust (Luxembourg) S.à r.l., European Fund Administration S.A., Aztec Financial Services (Luxembourg) S.A., Alter Domus Alternative Asset Fund Administration S.à r.l., International Financial Data Services (Luxembourg) S.A., TMF Luxembourg S.A., IQ EQ (Luxembourg) S.A., Apex Fund Services S.A., Vistra (Luxembourg) S.A. and Arendt Services S.A.

Five support PSF employed more than 500 people in 2021, 3,470 people in total, representing 39% of all support PSF employees. They were Brink's Security Luxembourg S.A., Proximus Luxembourg S.A., Sogeti Luxembourg S.A., Clearstream Services S.A. and POST Telecom S.A.

Figure 13: Changes in the number of employees by PSF category

	2020		2021		Evolution 2020-2021		September 2022	
	Total	Part	Total	Part	Total	Change	Total	Part
Investment firms	1,785	11%	1,903	11%	118	7%	1,927	11%
Specialized PSF	5,476	34%	5,949	36%	473	9%	6,532	38%
Support PSF	8,987	55%	8,892	53%	-95	-1%	8,861	51%
Total	**16,248**	**100%**	**16,744**	**100%**	**496**	**3%**	**17,320**	**100%**

Source: CSSF statistics derived from the CSSF's annual report and newsletters.

14. These figures do not include POST Luxembourg.
15. Ibid.

Employees of support PSF accounted for 53% of all PSF staff as of 31 December 2021.

Figure 14a: Distribution of PSF by number of employee bracket as of 31 December 2021

Figure 14b: Average number of employees by PSF category in 2020 and 2021

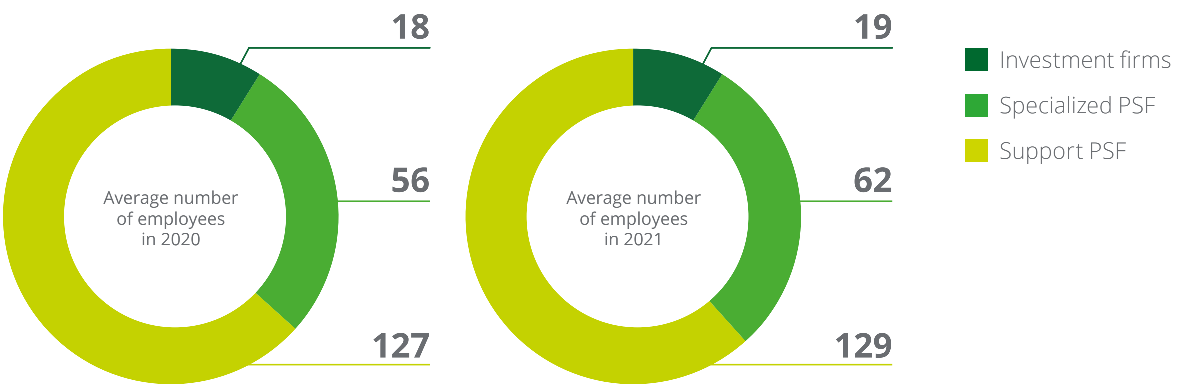


Figure 14c: Evolution of the average number of employees by PSF category between 2011 and 2021

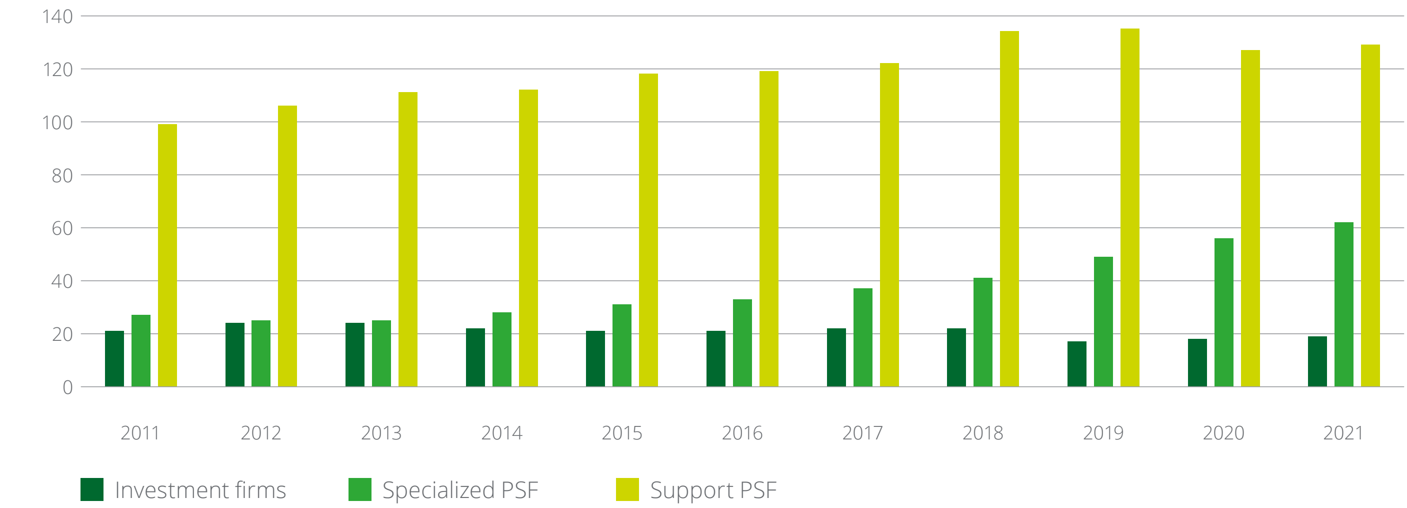
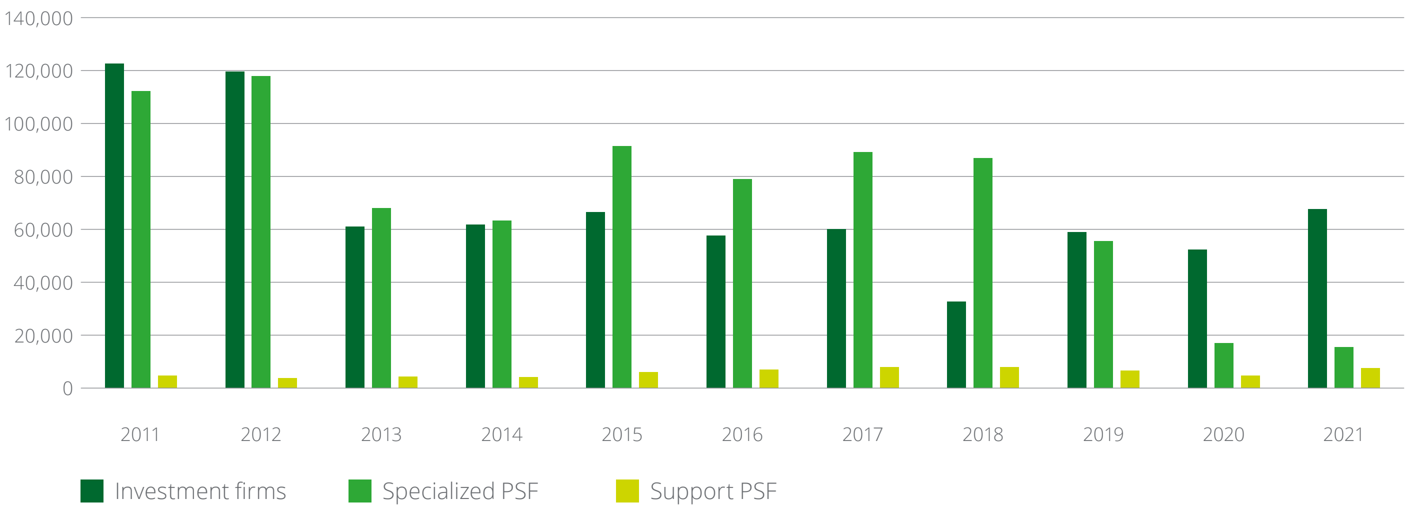


Figure 14d: Evolution of the average net result by employee by PSF category between 2011 and 2021



While the average number of employees steadily increased for Specialized PSF and remained stable for Support PSF and Investment Firms, the average result by employee decreased for Specialized PSF since 2018, but significantly increase for Investment Firms from €33 thousands to €68 thousands.

Average profit per employee

By analyzing the findings of the CSSF's 2021 annual report, we calculated 2021's average profit per employee as €17,500, compared to €14,000 in 2020, signifying a profit increase of 22%.

The profit per employee of specialized PSF varied widely in 2021, between a loss of €6,513,000 and a profit of €296,000.[16] This was a higher fluctuation compared to 2020's loss of €496,000 and profit of €248,000. The average also slightly decreased from €17,000 in 2020 to €16,000 in 2021, illustrating relative stability in employee performance.

The increase in the average profit per support PSF employee illustrated in Figure 15 was partially driven by significant growth in this category's net results—from €44 million in 2020 to €70 million in 2021—while the number of employees remained stable.

Investment firms' average profits per employee amounted to €68,000 in 2021 compared to €53,000 in 2020, also mainly driven by these firms' net results climbing from €94 million in 2020 to €129 million in 2021, while the number of employees only increased by 7%.

Workforce of support PSF

Of the support PSF firms employing 53% of all PSF staff, telecommunication and IT services generate the majority of these jobs.

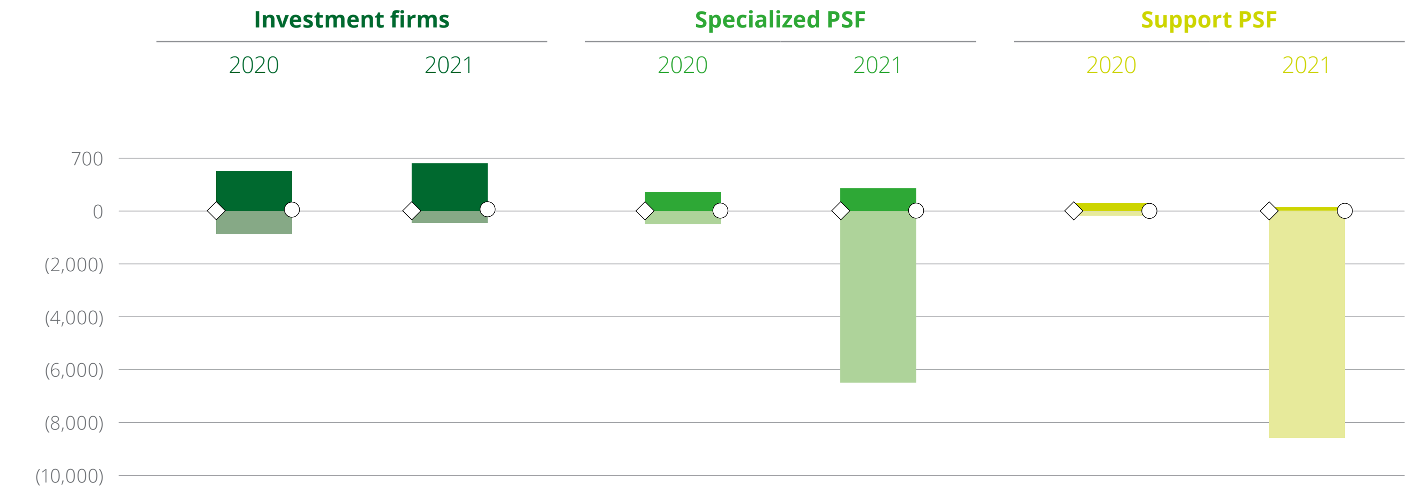
These organizations include:

- In the telecommunication sector, Proximus Luxembourg S.A. and Post Telecom S.A. both employ more than 1,200 people alone.
- In the IT solutions and services sector, Sogeti Luxembourg S.A., Proximus Luxembourg S.A., Clearstream Services S.A. and Brink's Security Luxembourg S.A. together employ more than 2,900 people.

These five companies account for 39% of all support PSF jobs.

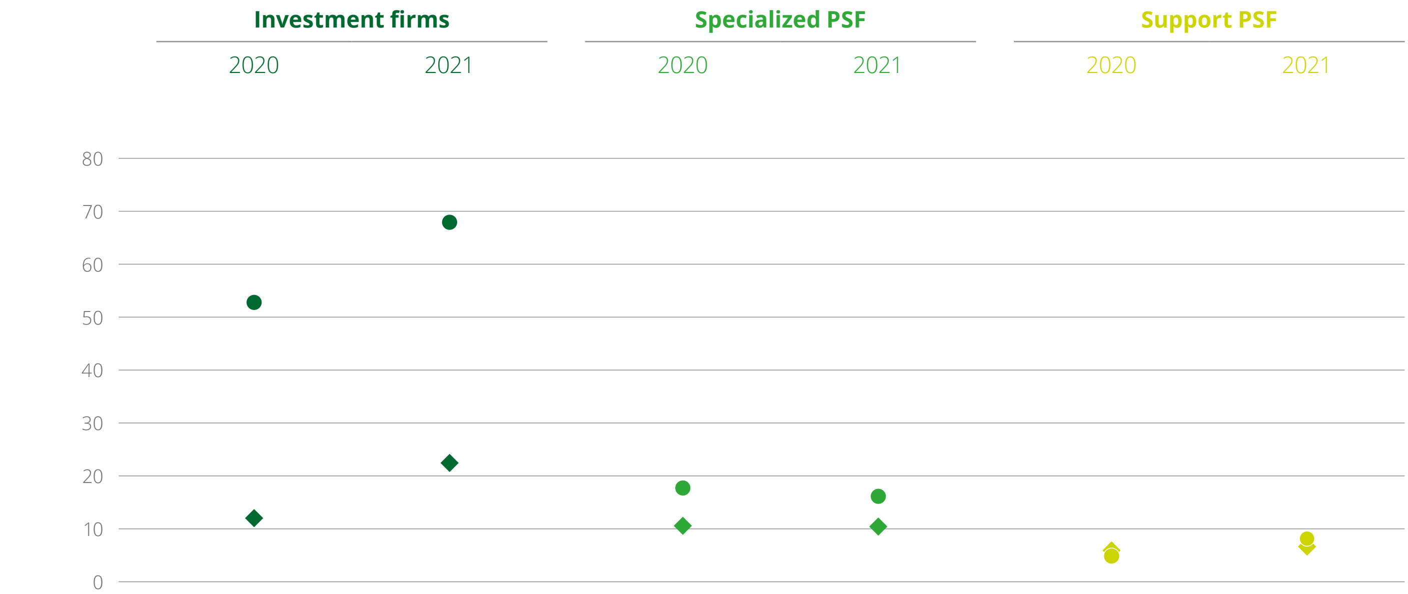
16. The analysis does not include data from Post Luxembourg.

Figure 15a: Range and average net results by PSF category as at 31 December 2020 and 31 December 2021 (in € millions)



	Investment firms 2020	Investment firms 2021	Specialized PSF 2020	Specialized PSF 2021	Support PSF 2020	Support PSF 2021
Maximum	525	623	248	296	104	48
Minimum	(858)	(447)	(496)	(6.513)	(163)	(8.607)
◇ Median	12	22	10	10	6	6
○ Average	53	68	17	16	5	8

Figure 15b: Close-up on median and average net results by PSF category as at 31 December 2020 and 31 December 2021 (in € millions)



	Investment firms 2020	Investment firms 2021	Specialized PSF 2020	Specialized PSF 2021	Support PSF 2020	Support PSF 2021
◇ Median	12	22	10	10	6	6
○ Average	53	68	17	16	5	8

2 Categories of PSF

2.1 Licenses in detail

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

Article license minimum capital or financial base

Authorized to act as →

Investment firms

24-1
Reception and transmission of orders in relation to one or more financial instruments
€75,000 (€150,000)

24-2
Execution of orders on behalf of clients
€75,000 (€150,000)

24-3
Dealing own accounts
€750,000

24-4
Portfolio management
€75,000 (€150,000)

24-5
Investment advice
€75,000 (€150,000)[a]

24-6
Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
€750,000

24-7
Placing of financial instruments without a firm commitment basis
€75,000 (€150,000)

24-8
Operation of an MTF[b] in Luxembourg
€150,000

24-8
Operation of an OTF[c] in Luxembourg
€150,000 (€750,000)[d]

Specialized PSF

25
Registrar agents
€125,000

26
Professional depositaries of financial instruments
€730,000

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

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

28-4
Professionals performing lending operations
€730,000

28-5
Professionals performing securities lending
€730,000

28-6
Family Offices
€50,000

28-7
Mutual savings fund administrators
€125,000

28-9
Corporate domiciliation agents
€125,000

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

28-11
Central account keepers
-

Support PSF

29-1
Client communication agents
€50,000

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

29-3
IT systems and communication networks operators of the financial sector
€125,000

29-5
Dematerialization service providers of the financial sector
€50,000

29-6
Conservation service providers of the financial sector
€125,000

a) Conditional on the production of evidence of a subscribed and fully paid-up share capital of no less than €75,000, where the investment firm is not permitted to hold client money or securities belonging to its clients.
Conditional on the production of evidence of a subscribed and fully paid-up share capital of no less than €150,000, where the investment firm is permitted to hold client money or securities belonging to its clients.

b) MTF: Multilateral Trading Facility

c) OTF: Organised Trading Facility

d) €750,000, where this firm engages in dealing on own account or is permitted to do so.

The appendix to this brochure features key PSF information by license type, including the license's legal definition 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 to carry out the activity.

Due to the high number of licenses that are mostly unrelated to one another, a combination of licenses is theoretically possible. Therefore, it is insightful to look at the main combinations of licenses held by the various PSF to highlight the trends on the market.

Figure 16 groups licenses by major PSF category, and illustrates how these categories overlapped as of 31 December 2020 compared to 31 December 2021.

It should be noted that branches operating in Luxembourg are only investment firms. While PSF can combine several licenses, it is the PSF's principal license, allocated by the CSSF, which determines its PSF category.

For example, an investment firm license takes precedence over other specialized PSF or support PSF licenses to become the PSF's principal status. Therefore, the PSF is identified as an investment firm.

A specialized PSF license takes precedence over a support PSF license to become the PSF's principal status. The PSF will be identified as a specialized PSF as a result.

Accordingly, only PSF that do not hold an investment firm or specialized PSF license are identified as support PSF.

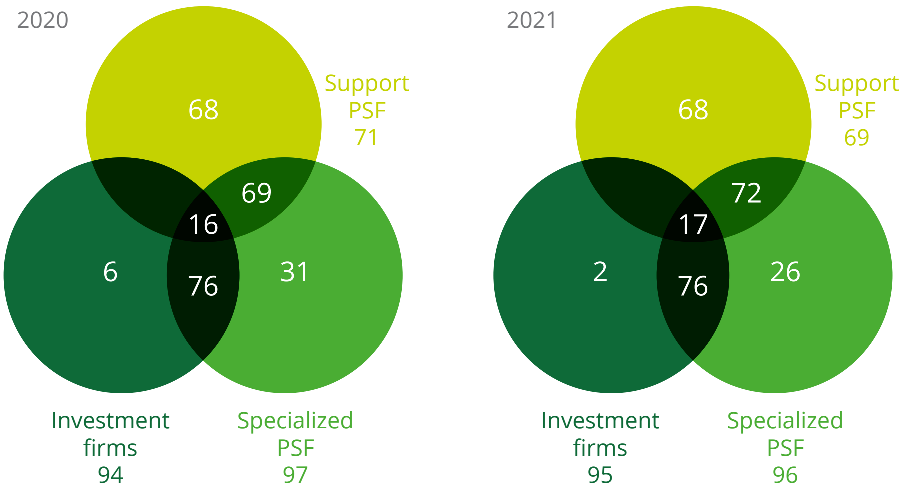
The total number of PSF analyzed as at 31 December 2021 was 260 (not accounting for branches). This included:

- 96 investment firms, of which 71 had specialized PSF licenses and 17 had both specialized and support PSF licenses;
- 96 specialized PSF, of which 72 had support PSF licenses; and
- 69 support PSF, of which one player had a specialized PSF license.

Regarding the branches which we excluded from this analysis, the majority of them (five entities) held only investment firm licenses, while one investment firm also held a Professional depositaries of financial instruments (Art. 26) license, the Luxembourg branch of Q Securities S.A.

Entities with a status pursuant to at least Articles 24-1 to 24-9 have been classified as investment firms. Specialized PSF are entities with a license under Articles 25 to 28-11. Support PSF are entities that only have licenses under Articles 29-1 to 29-6.

Figure 16: Licenses of PSF by category (excluding branches)



2.2 Investment firms

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

The number of investment firms included in this analysis was 95.

The Law of 21 July 2021, which amended the Law of 5 April 1993 on the financial sector, significantly changed the classification of investment firms' licenses.

Of the investment firms that operated under the Private portfolio managers license (Art. 24-3) in 2020, 80 out of 81 opted for the Portfolio management license (Art. 24-4) under the new framework. The remaining investment firm was released from the PSF official list.

Before the Law of 21 July 2021, these 80 investment firms had automatically received the following licenses:

- Investment advisers (Art. 24)
- Brokers in financial instruments (Art. 24-1)
- Commission agents (Art 24-2)

Following the Law of 21 July 2021, these 80 firms opted for the following licenses:

- Reception and transmission of orders in relation to one or more financial instruments (Art. 24-1)
- Execution of orders on behalf of clients (Art. 24-2)
- Investment advice (Art. 24-5)

Of the investment firms that operated as Professionals acting for their own account (Art. 24-4) in 2020, 75% opted for the Dealing on own account license (Art. 24-3) under the new framework. While one firm was released from the PSF official list.

The following were removed from the list of investment firm licenses:

- Market makers (Art. 24-5 before the Law of 21 July 2021);
- Distributors of shares/units in UCIs with/without payment (Art. 24-7 before the Law of 21 July 2021); and
- Financial intermediation firms (Art. 24-8 before the Law of 21 July 2021).

At the end of 2021, all investment firms (excluding branches) held one or more of the following four licenses:

- Ninety-four (99%) had a license for the Reception and transmission of orders in relation to one or more financial instrument (Art. 24-1);
- Eighty-nine (94%) had a license for Investment advice (Art. 24-5);
- Eighty-seven (92%) had a license for the Execution of orders on behalf of clients (Art. 24-2); and
- Eighty-one (85%) had a license for Portfolio management (Art. 24-3).

Many of these investment firms also held additional licenses for other PSF categories, particularly the Family offices license (Art. 28-6), with over 93 investment firms holding this license.

Investment firms' other additional licenses primarily concerned Providers of company incorporation and management services (Art. 28-10), Client communication agents or Financial sector administrative agents (Arts. 29-1 and 29-2), Registrar agents (Art. 25) and Corporate domiciliation agents (Art. 28-9) (Figure 17a).

Investment firms now fall into two categories, those governed by the Common Reporting Regulation (CRR) and those that are not.[17] In practice, the former are more closely supervised and fall under the European Central Bank's (ECB) scope. By the end of 2021, one-fifth of these entities were governed under the CRR.

The CRR's scope is limited by the definition of investment firms under its Art. 4 (1) (2). Therefore, investment firms that provide certain investment services fall within its scope because they are considered to be quasi-banks. These are mainly private portfolio managers that directly offer accounts carried by a bank via so-called omnibus accounts to their customers.

CRR investment firms are subject to specific rules, particularly regarding consolidated supervision, and must provide specific prudential reporting requirements to the regulatory entity, such as the Liquidity Coverage Requirements (LCR) or Net Stable Funding Requirements (NSFR).

On 26 June 2021, a new prudential regime entered into force for investment firms, the Investment Firms Regulation (IFR)[18] and the Investment Firms Directive (IFD).[19] The aim is for a regulatory framework that is better suited to investment firms' activities, with specific reporting requirements proportionate to their relative size, nature, complexity of business model and risk profile.

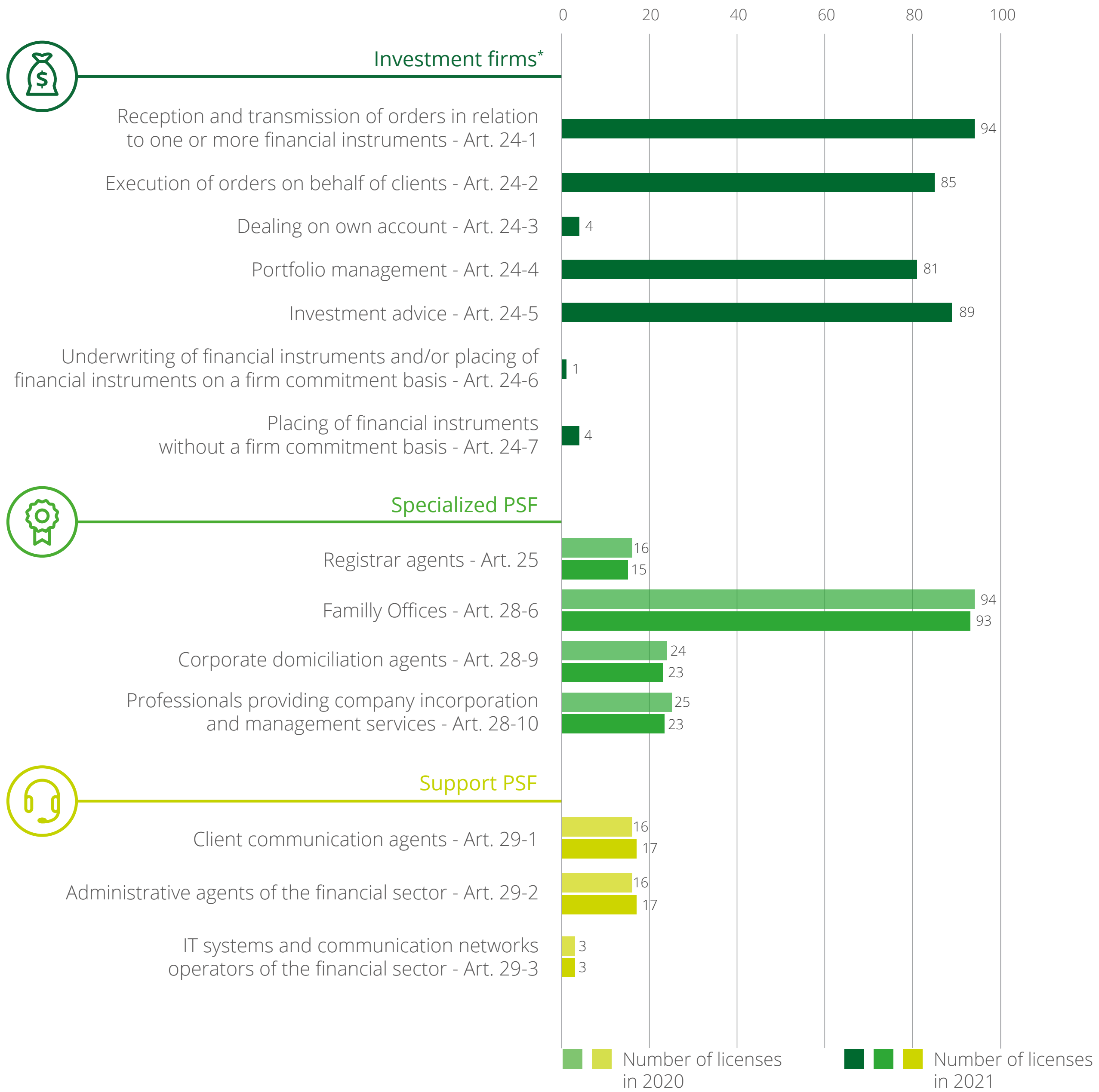
Investment firms fall into three different categories: class 1, class 2 and class 3. Essentially, the IFR/IFD regime applies to small and non-interconnected investment firms (class 3) and other than small and non-interconnected investment firms (class 2). While large and systemically relevant investment firms (class 1) continue to fall under the CRR and the fourth Capital Requirements Directive (CRD VI) prudential regime.[20]

According to the CSSF's 2021 annual report, one-third of Luxembourg entities have been categorized as class 2 investment firms and two-thirds as class 3 investment firms. No class 1 investment firm has been identified.

This categorization process is designed to consider industry specificities when estimating minimum regulatory capital requirements, by considering indicators like assets under management (AuM), value of client orders handled, assets safeguarded and administered, and total daily trading flow. As a result, the implications of this new regime differ between entities, requiring each individual firm to assess what the change means for its own operations and take action accordingly.

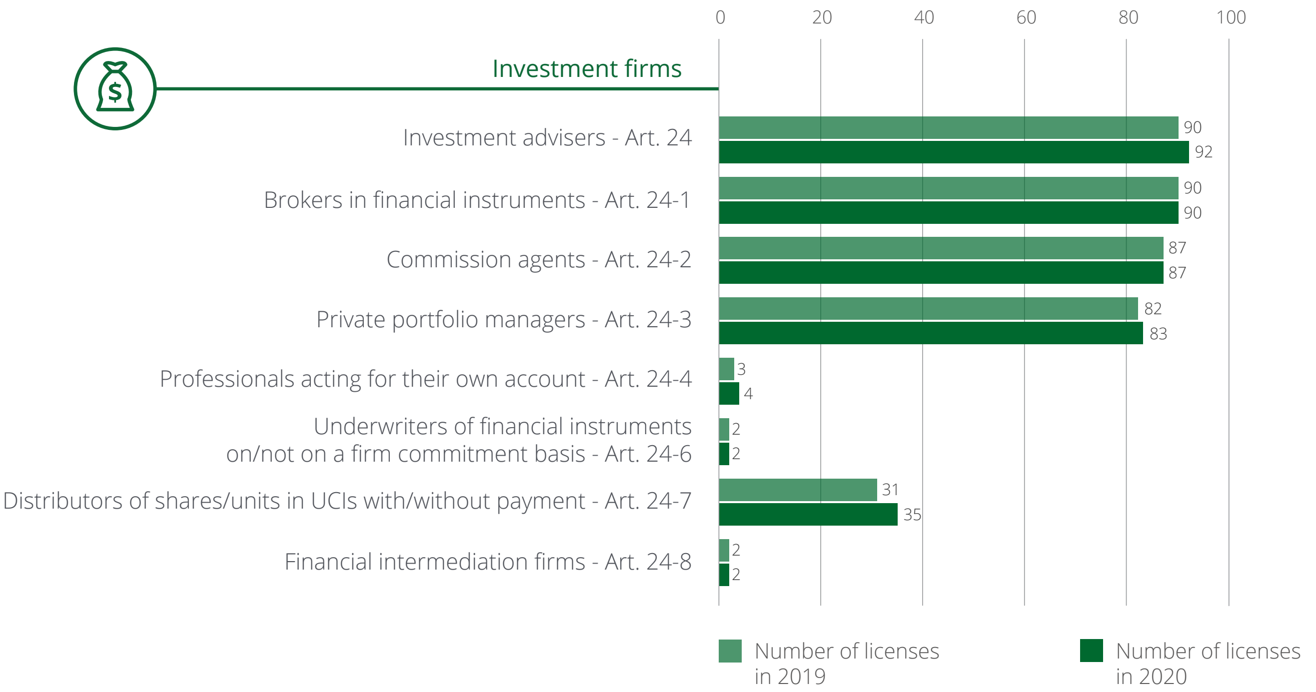
17. Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012.
18. Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.
19. Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.
20. Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.
21. CSSF, *Annual Report 2021*.

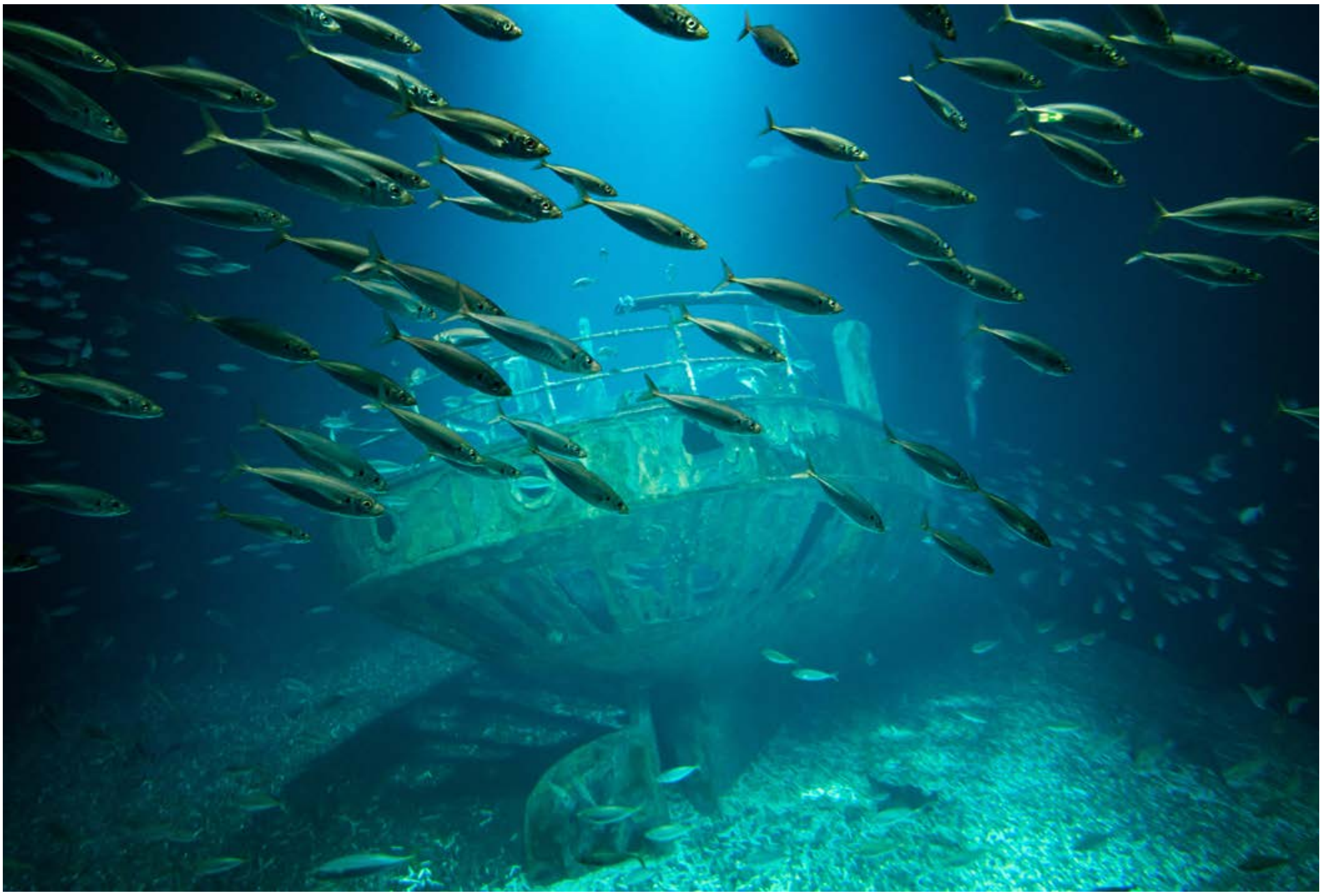
Figure 17a: Licenses granted to investment firms as at 31 December 2021 (excluding branches)



* Due to the changes in the list of licenses, a comparison with 2020 is not presented on this table.

Figure 17b: Licenses granted to investment firms as at 31 December 2019 and 31 December 2020





Interview with Johan Kuylenstierna and Elisabeth Skog

Directors at Kuylenstierna & Skog S.A.

INTERVIEWED BY
RAPHAËL CHARLIER, ADIL SEBBAR AND KEVIN VENTURA
20 SEPTEMBER 2022

HAS YOUR BUSINESS CHANGED OVER THE PAST YEAR?

The regulatory requirements applicable to our sector have significantly evolved. This has benefited the Luxembourg financial center in terms of image and trustworthiness, but it has also significantly increased the administrative workload.

Our digital transformation journey will be key for the future of the whole financial sector: we need to embrace new technologies to remain competitive, focus our effort on clients' satisfaction, and ensure operational excellence. For example, the digitalization of client account opening, or the development of apps where customers can access their portfolios' composition, movements and live pricing.

WILL YOU STICK WITH THESE NEW WORKING CONDITIONS, AND EVEN CONSIDER APPLYING NEW CHANGES IN THE FUTURE?

Our employees are all resident in Luxembourg, so we are not facing the same tax, social security and cybersecurity challenges related to teleworking that other PSF actors with numerous cross-border employees are facing. Although we understand the benefits that teleworking can bring to our employees in terms of work-life balance, we believe that it could create significant challenges in transmitting the company's culture, values and with sharing knowledge.

Still, we recognize that younger generations have a different perspective on how offices should be organized, which is why we are currently assessing how our office could be reshaped to become smart.

WHAT ARE THE MAIN OPPORTUNITIES THAT YOU HAVE IDENTIFIED FOR YOUR BUSINESS?

Digitalization remains a significant opportunity for agile players like us. We have the possibility to adapt quicker to this new demand from younger generations, as opposed to larger credit institutions with heavier processes and intertwined applications and databases, which will take more time and effort to change. Investment firms like ours have the capacity to offer tailored services to their clients and a closer and more effective follow-up of the client relationship. We offer a large range of services that are not limited to pure asset management, and Luxembourg has developed a large range of structures such as SIF and RAIF that can meet clients' needs and specificities. As multi-family officers, we can support our clients in different areas.

Our core clientele is located in Scandinavian countries. In our specific case, the war in Ukraine has created increased demand from Finnish customers to transfer their assets to Luxembourg, which is recognized as a stable and trustworthy financial center located in the center of Europe. In addition, Luxembourg remains … very competitive compared to Scandinavian countries when considering all parameters such as salaries, taxation, social security and the recognized pool of technical expertise available in Luxembourg.

Lastly, the rise in interest rates is redirecting some investors towards safer debt instruments, which would typically offer decent interest rates to the rise in the policy interest rates. Surprisingly, with the current situation, investors are considering the yield rather than the risk-return ratio in conjunction with the rampant inflation. Still, the inflation we are observing, driven by a decrease in supplies, increases the demand for investments by our clients,[who want to protect their wealth from the decrease in the value of money.

WHAT ARE THE MAIN CHALLENGES YOU ARE FACED WITH?

Despite a heavily regulated financial center's attractiveness to institutional clients, the administrative weight of the compliance and administrative functions striving to keep up with the new requirements has become somehow disproportionate for structures like ours. Not only can this be detrimental to business development activities, considering the time needed for compliance activities, but the client relationship itself is also impacted by the many and repetitive requests we are required to make in order to keep our know your customer (KYC) files up-to-date.

Despite the noble and lofty goal of the new MiFID rules relating to client sustainability preferences, applicable since 2 August 2022, they have not only significantly increased the workload for our compliance departments for both implementation and monitoring, but also intervened in our client advisory process, directly impacting our business activities.

In addition, despite the heavy regulation that applies to investment firms, the industry is not authorized to grant loans compared to credit institutions. This has a tendency to redirect part of the clientele to credit institutions, which benefit from a higher bargaining power when it comes to attracting AuM from prospects. Indeed, the combination of asset management and lending activities allows credit institutions to grant loans to these clients, increasing leverage, or using these AuM as collateral for further lending. On the other hand, the whole financial sector is under a huge transition process, like Tesla for the automotive industry—for example, through the development of shadow banking activities, which EU legislation defines as actors carrying out credit intermediation or interbank-like activities. This transition is leading to the emergence of other solutions for loans and funding, and this creates opportunities for investment firms to propose alternatives.

WHAT ARE YOUR EXPECTATIONS?

First of all, Luxembourg has managed to remain a stable and competitive financial center, well recognized for its pool of competencies in Europe, and we expect the country to continue prospering.

We also believe that appropriate regulation, proportionate to the size of entities operating in our sector, would benefit the industry's development while maintaining the image and reputation of the financial center.

Also, in recent years, the sector we represent has been facing increasing difficulties in opening bank accounts for their clients with local banks. This is a critical problem that we believe should be tackled for the whole industry.

The sustainability journey continues, so seize the opportunities!

Francesca Messini
Partner - Fintech and Sustainability Leader
Deloitte Luxembourg

Bettina Werner
Partner
Audit & Assurance
Deloitte Luxembourg

Kevin Ventura
Senior Manager
Audit & Assurance
Deloitte Luxembourg

INTRODUCTION

In recent years, integrating environmental, social, and governance (ESG) matters in strategy and operations has become vital for financial market participants (FMPs) and increasingly significant for PSF. The EU Action Plan's constant stream of ESG regulations obliges PSF to become more transparent and environmentally conscious. Stakeholders and financial regulators and supervisors are also increasingly seeking reliable, transparent, and sufficient information on the impact of environmental and social risks on actual and future financial performances.

The financial sector's sustainability transition is an ongoing process that requires FMPs to keep up with national and regional ESG regulations, closely follow sustainability market trends, and leverage external assurance to become more accountable to stakeholders. Therefore, for PSF to remain compliant with the ever-evolving regulatory landscape, they must constantly adjust their strategy to better address these ESG requirements.

Although the current regulatory weight requires PSF to invest substantial resources, sustainability is not merely a regulatory topic. It impacts the entire value chain and offers significant opportunities to both PSF and the entire Luxembourg financial center.

Strategy	Operations	Finance	Reporting
Assess…confront the sustainability challenge	*Address…configure to execute on opportunities*	*Fund…obtain and allocate funds*	*Account…communicate results responsibly, with confidence*
Evaluate impact of climate change trends and uncertainties. Define an organization's strategies and shape public policy to advance towards a more sustainable future.	*Build and implement the capabilities, processes, innovations, and ecosystems required to mitigate and adapt to climate change and towards a sustainable future*	*Leverage evolving capital market transition to increase sustainable investments and optimize cost and capital structure*	*Ensure complete and transparent preparation, assurance, and disclosure of ESG data and metrics. Meet disclosure and regulatory requirements*

Examples:

Strategy	Operations	Finance	Reporting
• Sustainability Strategy and Roadmap Development • Climate Assessments	• Decarbonization Innovation • Sustainable Operations and Supply Chain Transformation	• Carbon Trading Markets • Government Grants and Incentives	• Governance • ESG/Integrated Reporting and Regulatory Compliance

A TRANSVERSAL IMPACT

Some regulations have a more significant impact on internal operations, such as:

- The Corporate Sustainability Reporting Directive (CSRD), which covers non-financial reporting;[22]
- IFR/IFD, which covers the prudential framework and disclosures; and
- Delegated Regulation (EU) 2021/1253, which inserted sustainability preferences in the MiFID II framework.[23] It requires investment advisory and discretionary portfolio management service providers to obtain specific information on their clients' sustainability investment preferences, as well as to integrate sustainability factors into their suitability assessments and sustainability risks into their organizational requirements.

Other regulations will have a substantial impact on the clients of PSF and management companies. For example, from 1 January 2023, FMPs will need to present precontractual and periodic disclosure information for financial products subject to Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR)[24] in the format set out in the SFDR's Regulatory Technical Standards (RTS).

A DEEP-DIVE INTO KEY REGULATIONS

This section summarizes the main regulations that represent challenges for PSF or their clients.

CSRD

Non-financial reporting is now vital to the industry, with multiple frameworks and international standards coming into play. In recent years, many FMPs have adopted well-established standards to satisfy the expectations and interests of investors and stakeholders, such as the Global Reporting Initiative (GRI), the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB) and the Climate Disclosure Standards Board (CDSB). PSF could explore this trend to improve the transparency of their non-financial information.

The CSRD's regulatory reporting requirements will completely transform the reporting processes for PSF falling under its scope, requiring them to apply the same quality and control to their non-financial information as their financial information. The CSRD will replace the Non-Financial Reporting Directive (NFRD)[25] and extend its scope to EU undertakings with more than 500 employees, a balance sheet of more than €20 million, and a turnover of more than €40 million. Therefore, specialized and support PSF will be affected by the CSRD's upcoming implementation.

Currently, the European Financial Reporting Advisory Group (EFRAG) is developing the European Sustainability Reporting Standards (ESRS) that will act as the CSRD's reporting principles. The ESRS' first proposal was released in April 2022 and included 13 exposure drafts focused on ESG and cross-cutting disclosure issues, and the final version is expected by the end of 2022. PSF in scope of the CSRD will need to become familiar with the ESRS, as they will be essential to the mandatory disclosures coming into effect in 2025 for the 2024 financial year reporting. These entities must get ready in time to fulfill these reporting requirements, gather relevant information and ensure data availability for ESG KPIs.

IFR and IFD

The IFR and IRD regime, applicable since June 2021, evaluates the risks specifically applicable to investment firms rather than the banking sector, including trading activity, liquidity, leverage and large exposure. It is worth noting that the introduction of ESG risk disclosures, including physical and transitional risks, has been delayed to December 2022, while its capital requirements are subject to a 5-year phase-in period.

The IFR also requires the investment firms in its scope to report and disclose their remuneration policies and governance practices following the IFR and the European Banking Authority's (EBA) relevant guidelines. As the EBA is also preparing ESG guidelines, including the formulation of common definitions, risk management tools and cohesive disclosure requirements, PSF should keep a close eye on ESG disclosure updates.

MiFID II

The sustainability rules of MiFID II have applied since August 2022, requiring all providers of investment advisory and portfolio management services to obtain information on, and eventually meet, their clients' sustainable investment preferences. Specifically, investment firms must integrate sustainability factors into their suitability assessments, and sustainability risks into their organizational requirements.

These amendments to MiFID II oblige PSF to:

- Include sustainability risks in the organizational structure by integrating them into their decision-making processes and internal control mechanisms;
- Consider sustainability risks in their risk management policies and procedures;
- Recognize their clients' sustainability preferences when determining potential conflicts of interest;
- Incorporate sustainability factors in their financial product selection process; and
- Consider sustainability factors in the screening process through investment advice.

22. Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.
23. Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms.
24. Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
25. Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

The CSSF requires their supervised entities to collect and consider relevant information on their new clients' sustainability preferences and to update their existing clients' preferences and information.

On 23 September 2022, the European Securities and Markets Authority (ESMA) issued its final report on the guidelines on certain aspects of the MiFID II suitability requirements, to be read together with the consultation paper published on 27 January 2022, with an application date of 6 months after the translation of these guidelines is published.[26]

SFDR

The SFDR aims to provide extensive disclosures about sustainability risks to all stakeholders, and its RTS introduce important milestones in the European market. As the SFDR's RTS were adopted by the European Commission in April 2022, the SFDR will be fully applicable from 1 January 2023.

For Article 8 and 9 products, FMRs will need to use the RTS' mandatory templates for both product-level pre-contractual documents and entity-level annual reports from 1 January 2023, even if they refer to a period ending in 2022. Another SFDR requirement is the disclosure of Principal Adverse Sustainability Impacts (PASI) from June 2023 onwards, with PASI KPIs focusing on environmental, social and employee matters, human rights, and anti-corruption and anti-bribery.

On 30 September 2022, the European Supervisory Authorities (ESAs) and the Joint Committee (JC) developed an updated draft RTS regarding the information in pre-contractual documents, on websites, and in periodic reports about the exposure of financial products to investments in fossil gas and nuclear energy activities.

In addition, PSF will need to regularly update their sustainability risk integration policies and constantly re-consider their approach to the physical and transition risks of the investment process. They will also need to disclose their remuneration policy on their website, along with the extent to which it considers sustainability risks.

Challenges

These ESG regulations require PSF to source, process, check and report non-financial information to ensure they maintain the high level of data quality the PSF sector is renowned for. Depending on the PSF entity's maturity, this may require an urgent review of its operations and entire information flow from sourcing to reporting.

Assurance services

External auditors can play an important role by helping PSF reach the level of accuracy and consistency in their ESG indicators that stakeholders demand.

Assurance readiness services and **external assurance** contribute to the transparency, accountability and comparability of ESG data and deliver added value to PSF's non-financial reports. Providing external assurance on ESG-related information will differentiate PSF's disclosures, helping them become best-in-class in their sustainability transformation journey.

For PSF in scope of the CSRD, while **limited assurance** of disclosed non-financial information is initially required, eventually, reasonable assurance will be needed. ESG information disclosed in the management report will need to follow the ESRS of the EFRAG.

In addition, for sustainable activities in scope of the EU Taxonomy Regulation, **external assurance** will become of pivotal importance for investor trust.[27] While this assurance will not be mandatory, it is set to be a common market practice for the sector, especially for PSF not in scope of the CSRD.

As assurance becomes more vital, PSF will need to constantly review the robustness of their implemented actions and operations to meet stakeholder expectations. An **audit readiness assessment** is recommended, as it can provide to management bodies fair and well-articulated feedback on the procedures and controls implemented on non-financial information, allowing them to improve their policies, processes and controls and ready themselves for audits and further assurance.

Another valuable tool for PSF and their clients is a **control report** of the entities' procedures and controls for all their non-financial information as a whole (and not just on a specific product or deliverable), which can be shared with governance and stakeholders.

Deloitte is helping PSF in their journey towards a more sustainable business model, supporting them in adopting procedures, controls and reporting disclosures to comply with the constantly evolving EU and national ESG-focused regulations.

For more information on these ESG and sustainability changes, please contact **Francesca Messini** (fmessini@deloitte.lu) or **Kevin Ventura** (kventura@deloitte.lu).

26. ESMA, *Final Report on Guidelines on certain aspects of the MiFID II suitability requirements*, September 23, 2022; ESMA, *Consultation Paper on Guidelines on certain aspects of the MiFID II suitability requirements*, January 27, 2022.

27. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

2.3 Specialized PSF

Unlike investment firms, specialized PSF do not benefit from the European passport but may carry out financial activities in Luxembourg. As of 31 December 2021, there were 96 specialized PSF, two fewer entities compared to the end of 2020. During 2021, five specialized PSF were added to the CSSF's PSF list and one switched from an investment firm, offset by eight PSF that were removed from the CSSF list, including one branch.

This category is split into three main sub-groups.

The first sub-group included the 79 corporate domiciliation agents (Art. 28-9) at year-end 2021 (79 in 2020).[28]

We note that:

- In 78 of 79 cases, these entities were also licensed as Professionals providing company incorporation and management services (Art. 28-10), and in 72 of 79 cases, they were licensed as Family offices under Art. 28-6; and
- About 81% (64) were licensed as Registrar agents (Art. 25), and about 85% (67) were Client communication agents and Financial sector administrative agents (Arts. 29-1 and 29-2).

The second sub-group included 66 registrar agents (Art. 25):

- All held support PSF licenses as Client communication agents (Art. 29-1) and Financial sector administrative agents (Art. 29-2);
- Almost all held specialized PSF licenses as Corporate domiciliation agents (Art. 28-9), Professionals providing company incorporation and management services (Art. 28-10), and Family offices (Art. 28-6); and
- Only two were licensed as IT systems and communication networks operators of the financial sector (Art. 29-3).
- The third and last sub-group included the five Professionals performing lending operations (Art. 28-4). This license appears unique in that, apart from one case, it is not held together with any other license. These entities carried out financial or operational leasing activities and were mainly the subsidiaries of banks, such as Banque Internationale à Luxembourg, ING, or BNP Paribas, and subsidiaries of international groups.

The number of licenses held by specialized PSF remained relatively stable between 2021 and 2020 (466 in 2021 and 467 in 2020).[29]

Between 2009 and 2021, the number of specialized PSF licenses rose from 254 to 466, an 83% growth over 11 years. Apart from the Family offices license launched in 2013, the most spectacular increase in specialized PSF licenses between 2009 and 2021 is that of licenses specific to support PSF, more particularly Arts. 29-1 and 29-2.

28. Figures excluding branches.
29. Figures excluding branches.

Figure 18: Licenses granted to specialized PSF (excluding branches)

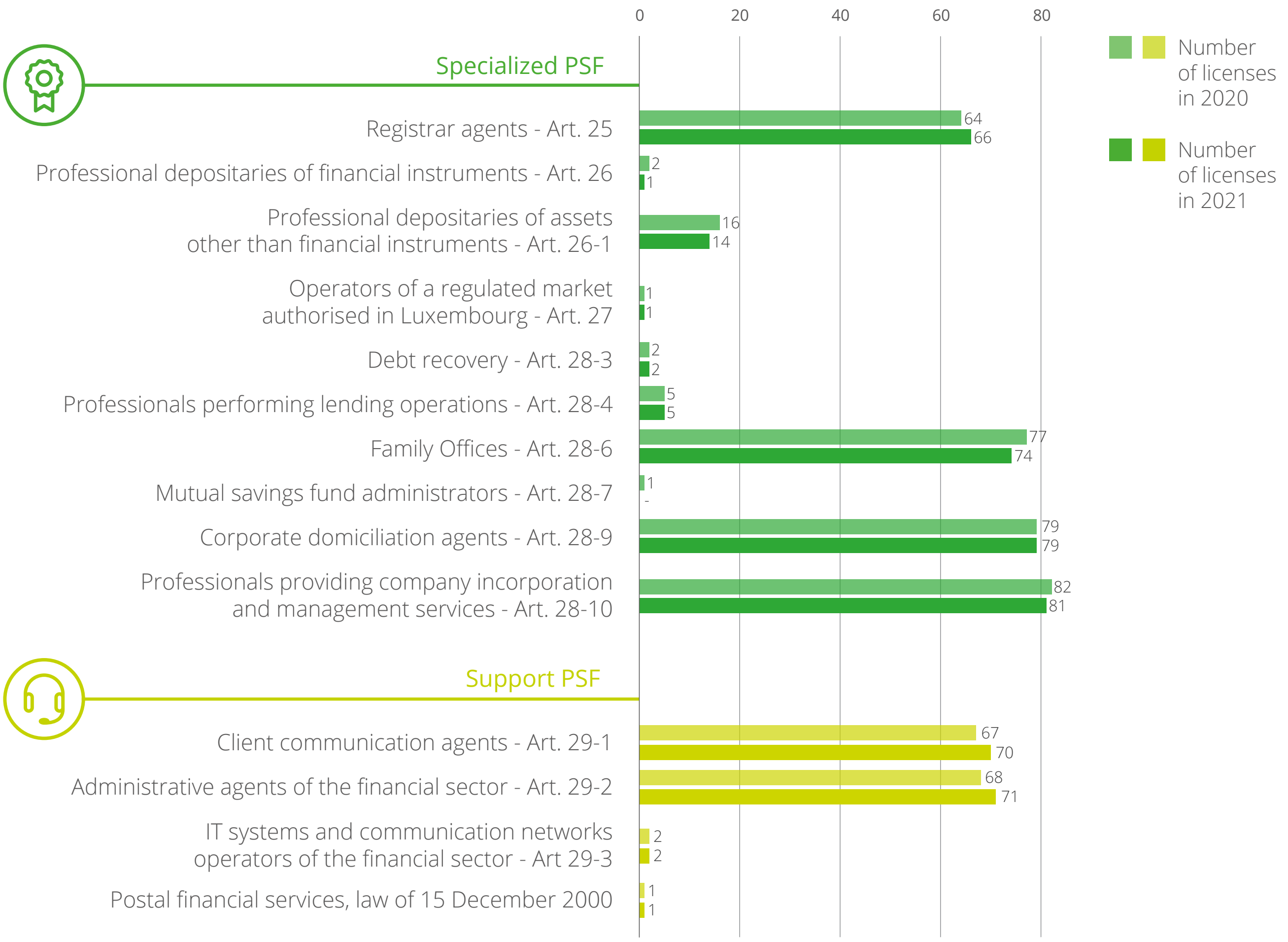
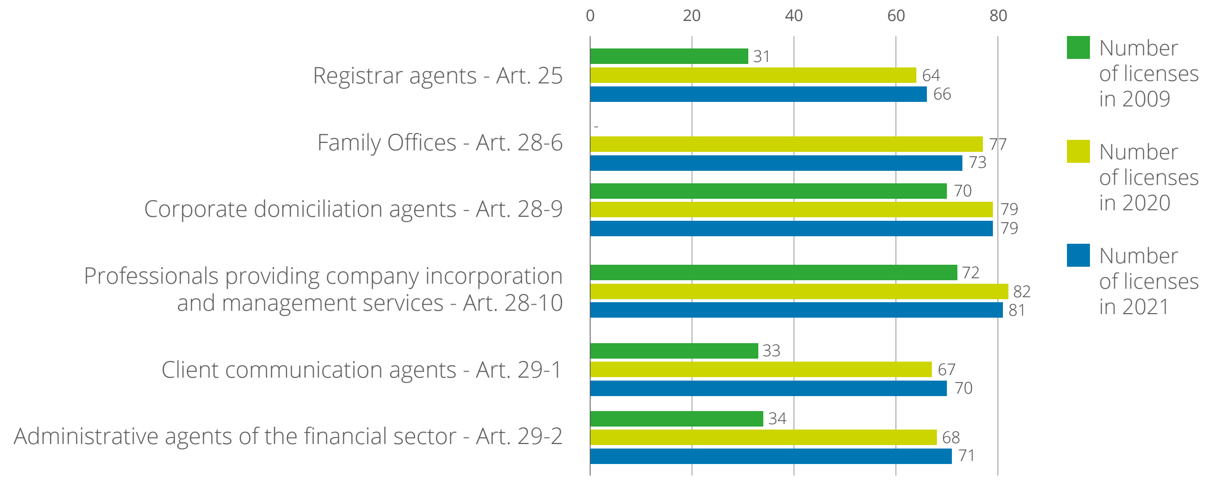


Figure 19: Change in the six main licenses held by specialized PSF as at 31 December 2021



Interview with Frederic Bilas
Chief Executive Officer at Apex Fund Services S.A.

INTERVIEWED BY
RAPHAËL CHARLIER AND ADIL SEBBAR
14 SEPTEMBER 2022

WHAT CHANGES DO YOU EXPECT TO SEE IN THE FUTURE FOR THE SPECIALIZED PSF?
Our activities remain focused on volume businesses, where fixed costs are high and are subject to strong upward pressure – something that has picked up of late. This means that it is necessary to develop and expand our activities, not just internally but also at the group level in a firm like ours, in order to develop synergies with other entities and to provide as wide a range of services as possible. As such, Apex Fund Services has undergone significant changes in recent years, whether in terms of our internal business, size, governance or technology, regarding the scope of services that we deliver, or the way in which we interact and cooperate with the other entities of our Group both locally and globally. This is of course fully aligned with Apex Group's global business model based on our single-source solution covering all needs and services required by our clients, such as banking, depositary, ManCo/AIFM, Corporate Services and, of course, Fund Services.

This strong growth is also supported by an increasing trend among our clients to outsource to specialists capable of maintaining expensive tools and having access to skills that are often sought after, allowing our clients to benefit from both increased quality and economies of scale. This trend is even more relevant in Luxembourg, with the CSSF publishing a Circular in April 2022 specifying the rules for the outsourcing notification process for both IT and Business, and to some extent simplifying it. This is a major change that should benefit all industry players.

Another trend related to this objective of development and growth is the constant need to have the financial capacity to make the required technical or human investments. This may lead to further sector consolidation and raise the barriers to entry into these markets for new players, who will have to identify and focus on niche activities or grow concurrently with other existing activities.

WHAT ARE THE MAIN OPPORTUNITIES FOR THE PSFS YOU REPRESENT?
The development of the asset management sector, the distribution and the administration activities remains significant in the Luxembourg market, which retains an advantage over other financial hubs thanks to a reputation for quality. We have even noted that some clients are prepared to pay a premium for higher-quality services, which is obviously a good thing but also requires managing and retaining the required skills, and this is a concern given the current overall lack of resources on the marketplace.

We are also still seeing strong growth in the sector traditionally referred to as private equity (PE) or private assets (PA), although it is now essential that funds are differentiated according to their investment targets, with distinctions in venture capital, debt funds, real estate/real assets and funds of funds. Each sector requires specific skills and tools as well as dedicated teams, which all generate significant funding needs that can only be justified when a critical size can be reached. Being able to implement specific product-oriented technology and to make optimal use of the workforce to consolidate and grow the specific knowledge and expertise that the clients need is now a prerequisite to deliver the best services that clients are looking for.

WHAT ARE THE MAIN CHALLENGES FACING LUXEMBOURG FOR THE BUSINESS SECTOR YOU ARE INVOLVED IN?

As is probably the case for all actors of the financial sector in Luxembourg, the shortage of skilled resources on the marketplace remains one of our major concerns. Finding, training and retaining the right talent is a priority, not only for our sector but for the whole Luxembourg marketplace. We all need to find alternatives to ensure we have the skills and experts to support the expected growth of our activities. In that sense, Apex Group started a global mobility program earlier this year with up to 50 Apex experienced colleagues from several locations abroad relocating to Luxembourg for a period of two years. We really see this initiative as a win-win combination and intend to keep this global program permanent.

Furthermore, we also need to take into consideration the expectations of the new workforce. In particular, with regard to their flexibility requests, which also includes a certain level of working from home, while at the same time wanting to ensure that our teams physically meet and work together on a very regular basis, for obvious reasons. The Circular on Teleworking has clarified the rules and the overall framework that needs to be put in place, which is positive.

HOW DO YOU SEE THE IMPACT OF THE DEVELOPMENT OF THE REGULATION FOR YOUR INDUSTRY?

Luxembourg has always embraced a business-minded approach towards regulation and I would expect that this continues. The level of regulation needs to be balanced as increased regulation contributes to higher costs, but is at the same time a guarantee of the quality and of the protection that our clients and their investors are looking for. As stated above, the recent 22/806 circular simplifying the outsourcing notification process should have a positive impact on the whole industry and the Telework circular clarified the framework in which our working business model can evolve. In terms of evolution, it would be certainly appreciated if one could consider an even more flexible approach for outsourcing to service providers belonging to the same group.

The CSSF also recently announced a revision of circular 02/77 which deals with investors protection in case of NAV calculation errors or non-compliance of investment vehicles with their investment policies, as well as the future publication, still in 2022, of a new circular on UCI administration. These two will obviously impact our business.

Finally, as with many other players of the financial services industry, we have been working on setting up satellite offices close to the borders with neighboring countries, as these allow to limit the commute time of our non-resident employees and to take their tax situation into consideration. In that respect, the definition of a level-playing field for all actors of the industry (banks, auditors, PSFs...) would be very useful as we note some discrepancies currently existing at that level.

WHAT COULD YOU EXPECT AS SUPPORT FOR YOUR SECTOR?

We should firstly be thankful for all the measures that were implemented during the Covid-19 period, which clearly allowed to lessen the impact of the crisis on our industry and, more globally, on the country. We should also acknowledge the efforts and proposals made by the Luxembourg authorities to increase the number of days that non-resident workers are allowed to work from their home country. In that context, we should certainly ask them to continue the negotiations not only so that the already-agreed tolerance is fully applied by the other countries (as this is not always the case), but also to further increase it. This can only be beneficial for the workers and the different countries, be it only in terms of environmental impact, flexibility and quality of life or, much more pragmatically, on the cost of transportation for the workers who commute by car to their workplace. In that context, it is necessary and critical to re-explain the resources-shortage challenge the sector faces and to continue to focus on the development of affordable housing together with accompanying infrastructure to easily transport people to and from home.

The VAT status of directors

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In 2016, the Luxembourg VAT authorities issued Circular 781, obliging many directors of Luxembourg companies to apply VAT on their remuneration and to register for VAT, as well as companies to pay Luxembourg VAT on remuneration paid to foreign directors. The "TP" case,[30] which the Luxembourg Civil Tribunal recently lodged with the Court of Justice of the European Union (CJEU), could lead to a revision of the VAT status of natural persons acting as directors of Luxembourg companies. If the CJEU decides that a natural person who acts as a director is not a VAT-taxable person, it may result in a reduction of their administrative burden, the removal of VAT on their fees, and a reduction of unrecoverable VAT for companies such as many professional of the financial sector (PSF) with nil or partial VAT deduction rights.

The Luxembourg VAT authorities' Circular 781 clarified that a company director is a VAT-taxable person providing taxable services. The Circular aimed to harmonize the different approaches being applied in Luxembourg—with some directors and practitioners considering, as in Belgium and France, that the director is the "organ" of the company and, therefore, not a VAT-taxable person, while others, as in Germany and the Netherlands at that time, considered it as a supply of services that was not exempt from VAT.

Directors could apply the small undertaking regime if their turnover is less than €35,000 per annum, which implies their services would be VAT-exempt. It is also accepted that director fees could benefit from the fund management VAT exemption of Art. 44.1.d) of the Luxembourg VAT law when paid by an entity such as a UCI(TS), AIF, SICAR, SV, or a pension fund.

"TP", a lawyer member of the Luxembourg bar and also a non-executive director of different Luxembourg companies, decided not to apply the VAT on his director fees and was reassessed by the VAT authorities. As he did not accept the VAT authorities' position, the affair came to the Luxembourg Civil Tribunal, which referred the following two questions to the CJEU:

1. Is a natural person who is a member of the board of directors of a public limited company incorporated under Luxembourg law carrying out an "economic" activity within the meaning of Art. 9 of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, and more specifically, are percentage fees received by that person to be regarded as remuneration paid in return for services provided to that company?

2. Is a natural person who is a member of the board of directors of a public limited company incorporated under Luxembourg law carrying out his or her activity "independently", within the meaning of Arts. 9 and 10 of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax?

WHAT DOES THE REQUEST TO THE CJEU SAY?

It is important to note that we are at an early stage of the process. In a few months, hearings will take place where the parties can develop their arguments and answer the CJEU's questions, which may provide additional information. The Advocate General's opinion may also be sought. Therefore, the CJEU should not issue its decision less than 12 months from now. That being said, the analysis of the 26 pages of the preliminary ruling request already provides a lot of interesting factors that we summarize here.

The discussion's starting point is to determine whether a director of a company meets the requirements to qualify as a VAT-taxable person, which is defined as "any person who, independently, carries out in any place any economic activity, whatever the purpose or results of this activity"[31], knowing that the concept of economic activities includes the supply of goods and services.

Firstly, TP argues that directors are only members of the board of directors which is the company's legal representatives. Therefore, they do not act independently which is further demonstrated by the fact

30. C-288/22, "TP", was lodged on 29 April 2022 with the Court of Justice of the European Union (CJEU) and published in the Official Journal of the European Union on 29 August 2022, and the request for a preliminary ruling was available as from this date.

31. Art. 9 of the Council Directive 2006/112/EC implemented in Art. 4 of the Luxembourg VAT law.

that decisions are taken collectively by the board and bound directors with diverging views. TP also adds that when directors assume a task outside the director function's scope, they are usually remunerated for this task. One widespread example is when a director is also in charge of the company's day-to-day management and receives a specific remuneration that qualifies as a salary for income tax purposes.

TP also mentions that the economic risk arising from the director's activity is borne by the company. Directors have no personal obligations or liability towards the company and third parties unless they manifestly exceed the limits of acceptable conduct, which is a wrongful act separable from the director function.

In addition, TP quotes the "IO" case 3, where the CJEU ruled that a natural person who acts as a supervisory board member of a Dutch foundation is not a VAT-taxable person because they do not act independently and support no economic risk. At first glance, this reference may be seen as decisive; however, it did not lead to the Luxembourg VAT authorities changing their position when that ruling was issued, nor in the current trial. This is probably because while there are similarities between the two cases, there are also differences in terms of roles and responsibilities.

Consequently, TP considers that a director does not act independently and, therefore, is not a taxable person for VAT, which implies that this remuneration should not be subject to VAT.

One of the Luxembourg VAT authorities' counterarguments is that directors organize their work independently and are revocable "ad nutum" (without any delay), which is different from the work condition and protection granted to employees.

The VAT authorities also disagree with TP regarding the responsibility of a director towards third parties. They point out that directors are being more frequently made responsible for the non-payment of VAT of the company for which they act as directors when the non-payment results from their deficient behavior.[32]

The VAT authorities also argue that directors' remunerations are, at least partly, dependent on the company's results to incentivize. However, a 2020 ILA[33] study clearly indicates that 88% of directors receive fixed remuneration, while only 1% of directors receive a variable remuneration exclusively. The remaining 11% receive only attendance fees or a mix of attendance fees and fixed or variable remuneration.

WHAT HAPPENS IF THE CJEU DECIDES A DIRECTOR IS NOT A TAXABLE PERSON?

First of all, a favorable decision would not affect directors of investment funds and similar entities in scope of Art. 44.1.d) of the Luxembourg VAT law (known as the "fund management exemption") because their remuneration is already not subject to VAT due to this exemption.

For other directors whose remuneration is currently subject to VAT, different solutions could be applied. One of the most straightforward cases is probably when a Luxembourg company pays fees to a foreign director, where the company would simply stop paying the VAT. The situation becomes more complex when the director is a Luxembourg resident. In this case, it must be evaluated who would effectively benefit from removing the VAT, based on whether the remuneration is VAT exclusive or inclusive.

The VAT deduction right of the company paying the director fees should also be considered. A company with full VAT deduction rights rarely cares about the VAT applied to its cost. In fact, all companies, including many professional of the financial sector (PSF) and other entities like banks, insurance firms and real estate companies, with a partial or nil VAT deduction right would welcome the absence of VAT on director fees because it will lower the burden of unrecoverable VAT.

In addition, if directors are considered non-taxable persons and their remuneration becomes VAT free, they will no longer be able to deduct the VAT incurred on their costs, and may need to reimburse the VAT authorities any VAT they deducted on capital goods and services if the 5-year (or 10 for immovable goods) adjustment period is still open. On the other hand, in most cases, they will no longer need to register for VAT, file VAT returns and issue invoices.

An intriguing question is one of companies that are directors of other companies. As the questions to the CJEU only refer to "natural" persons, this may mean the CJEU's decision ignores legal ones. However, limiting a favorable decision to natural persons would contradict two VAT's fundamental principles: on the one hand, the principle of equal treatment between persons in a similar situation, and, on the other hand, the principle that VAT should be applied based on the activity's economic nature and not on the legal status of the person performing this activity.

In other words, we may end up with two different VAT treatments for the same activity due to the difference in legal status, which would be strange and impractical. The CJEU's narrative would probably influence the answer to this question.

WHAT HAPPENS IF THE CJEU DECIDES THAT A DIRECTOR IS A TAXABLE PERSON?

If the CJEU confirms the Luxembourg VAT authorities' position, the impact would be limited to definitively close the question.

In conclusion, this case is undoubtedly important for the Luxembourg marketplace. Concerned persons should closely follow the next steps, which include hearings, the Advocate General's opinion and the CJEU's decision, to be aware of how they could be affected.

32. This responsibility hangs on the "de jure" or "de facto" manager of any entity that qualifies as a VAT-taxable person, including not-for-profit entities (Art. 67.3. of the Luxembourg VAT law). It is increasingly the case that the VAT authorities action this responsibility.
33. Institut luxembourgeois des administrateurs: "Remuneration of non-executive directors – Market practice in Luxembourg"

A world of tax transparency: increasing tax regulations in a complex environment

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At the request of the G8 and the G20, in July 2013, the Organisation for Economic Co-operation and Development (OECD) launched its Base Erosion and Profit Shifting (BEPS) initiative to fight against international tax evasion and harmful tax competition by introducing more coherence, substance and transparency in international tax. While the OECD's 15-point Action Plan is not new, its pace of implementation has accelerated in recent years and impacts PSF in various ways.

These OECD recommendations became mandatory regulations in Luxembourg through the transposition of EU Directives drafted in reaction to the BEPS project — such as the first and second Anti-Tax Avoidance Directives (ATAD 1 and 2), of which the third revision is on the horizon (ATAD 3)[34] —or through updates of the Directive on Administrative Cooperation (DAC), of which its seventh version incorporates regulations on cryptoassets and cryptocurrencies.[35]

To amplify the BEPS Action Plan's impact, the OECD has introduced certain measures through a Multilateral Agreement for the Implementation of the Tax Treaty Measures (MLI). The MLI aims to modify, through a single multi-party agreement, multiple bilateral tax treaties without waiting for further negotiations.

The law implementing MLI in Luxembourg entered into force on 1 August 2019. The application of its provisions depends on the pace of transposition of other signatory States, and its pragmatic impacts were felt from 1 January 2020 onwards.

The transparency trend is also seen in the negotiations of the new bilateral conventions, the so-called post-BEPS double tax treaties, which have integrated several BEPS factors. These include a broader definition to recognize a taxable presence in the renegotiated Luxembourg-France treaty, as well as the new anti-fragmentation principle in the new Luxembourg-United Kingdom treaty, which should enter into force in 2023.

The automatic exchange of information is also being affected by new rules. One good example is the DAC 6 tsunami, which requires intermediaries and taxpayers to disclose reportable cross-border arrangements to the tax authorities and mandates the automatic exchange of this information among the EU Member States.[36] From 1 January 2021, those under scope of DAC 6 must file reports if a so-called arrangement meets the cumulative criteria transposed in Luxembourg by the Law dated 25 March 2020.

The Luxembourg regulator's willingness to comply with tax transparency is also reflected by its latest AML regulations,[37] including for tax purposes, notably with the Financial Action Task Force visit at the end of 2022 that will evaluate Luxembourg's AML system.

Finally, but not exhaustively, transfer pricing rules and the related arm's length principle are still hot topics for Luxembourg market players. From 1 January 2015, Luxembourg's legal provisions for transfer-

34. Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (ATAD 1); Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (ATAD 2); and Proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU (ATAD 3).
35. Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation.
36. Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.
37. CSSF Circulars 17/650 and 20/744, as well as CAA Regulation No 20/03.

pricing issues requires taxpayers, including PSF, that carry out intra-group transactions to deliver, upon request, the appropriate transfer-pricing documentation proving the remuneration applied to the related party is at arm's length.

These regulations have recently led to the Luxembourg tax authorities increasing their tax audits and requests for information, requiring market players to gather more information and perform further analyses to comply with all these new requirements.

WHY PSF SHOULD CARE, AS TAXPAYERS AND ALSO FOR THEIR CLIENTS

PSF must be cautious when applying these rules, because regulated entities do not generally benefit from certain carve-outs that apply to other regulated entities like banks or insurance companies. Specific measures, such as a limitation on the deductibility of interest and the ATAD 1 rule on controlled foreign companies, can significantly impact certain Luxembourg PSF not concerned by carve-outs. As a result, they could see part of their interest expenses no longer being tax-deductible or a portion of their subsidiaries' profits being taxed at the PSF level.

PSF also need to be aware of new tax regulations that concern factors linked to their clients, especially AML developments and exchange of information requirements. PSF must have robust tax governance that ensures their clients are well-monitored to avoid material penalties due to non-compliance as well as reputational risk that could hurt their competitiveness.

One example is Luxembourg introducing the Foreign Account Tax Compliance Act (FATCA)[38] into its domestic law on 24 July 2015 and transposing the EU Directive on the mandatory automatic exchange of information in tax matters (CRS)[39] in its domestic law on 18 December 2015.

On 18 June 2020, a new law was passed amending the documentation and information requirements for assessing Luxembourg FATCA and CRS compliance, confirming what the Luxembourg tax administration had already formally requested of several financial institutions. If a Luxembourg institution fails to comply with its obligation, such as not communicating this information or sending a zero-value message to the Luxembourg tax administration, they could suffer a lump sum fine of €10,000 and a €250,000 fine for non-compliance.

There is a similar trend regarding DAC 6 requirements that enhance transparency, reduce uncertainty over beneficial ownership and dissuade intermediaries from designing, marketing and implementing harmful tax structures. DAC 6's principal challenge resides in its reporting frequency, which is not annual as for FATCA or CRS but performed continuously. It also has a very short deadline, as reports must be filed within 30 days of specific trigger points, depending on the assistance given. Also, if some PSF are protected by legal professional privilege, they need to file a notification to another intermediary of the same arrangement or to the taxpayer (usually the PSF's client) within 10 days. A late, missing or incorrect DAC 6 report can result in a penalty of up to €250,000 per report.

As these rules are also very likely to impact PSF's clients, it is crucial that PSF know these measures to remain a trusted partner for their clients. Since tax authorities are increasing their inquiries on these topics, market players must comply with all new requirements, such as transfer pricing and ATAD rules, and be able to prove this compliance through proper documentation. This is also an opportunity for PSF to diversify their assistance offerings.

38. IGA dated 28 March 2014.
39. Directive 2014/107/EU.

MANDATES: AN ACTIVITY ESPECIALLY EXPOSED

A common service offered by PSF, notably specialized PSF, is assistance by providing mandates, i.e., providing an independent director to their clients.

Substance requirements have impacted this mandate activity for many years, as independent directors must have sufficient knowledge and experience to meet these rules and mitigate the tax residency challenges of the company they are assisting.

Independent directors are facing increasing responsibilities to ensure boards can adequately analyze the opportunities and risks of their decisions, for example, new DAC 6 risks. While independent directors may be PSF employees, they are also seen as part of the client entity due to their mandate activity, so they must act accordingly.

This is likely to continue being a hot topic due to upcoming regulations, notably the draft ATAD 3 of December 2021, also known as the Unshell Directive. This Directive aims to prevent shell entity misuse for tax purposes by standardizing the assessment criteria and processes to identify shell entities and by coordinating their tax treatment among EU Member States. To identify and target these cases, ATAD 3 requires a substance test, imposes additional tax compliance obligations on taxpayers, sets sanctions, and extends the scope of the automatic exchange of information between EU Member States.

ATAD 3 still needs to be unanimously agreed upon by all EU Member States. If approved, its provisions will likely be transposed into each Member State's laws by 30 June 2023 and be affective as from 1 January 2024. While ATAD 3 may still be amended and clarified based on comments from various public and private bodies, its main concepts are likely to be adopted at some point in time.

Initially, ATAD 3 distinguishes companies and arrangements that risk lacking substance and may be misused for tax purposes by applying three gateway criteria:

1. If more than 75% of the company's revenue in the preceding 2 tax years is "relevant" income, i.e., passive income;
2. If there is a cross-border element of their revenues and/or charges; and
3. If corporate management and administration services are performed in-house or are outsourced.

If a company meets all three gateways, it will be required to report further information to the tax authorities and state whether it meets ATAD 3's minimum substance requirements annually via its tax return. This information notably concerns the company's premises, bank statements and its directors or employees. Regarding the latter, ATAD 3 lists several indicators, such as whether the company's employees are not employees of non-associated enterprises, and do not perform the function of director or equivalent of other non-associated enterprises. Therefore, this could directly impact PSF's mandate services.

If a reporting company is presumed to have insufficient substance, it would no longer receive a tax residency certificate. Also, if it remains fully taxable in its country of residence, other parties like shareholders would not be able to use agreements that eliminate double taxation, such as double tax treaties or the Parent-Subsidiary Directive.

Therefore, clients of PSF will need to check all these tests and reporting requirements to ensure the company concerned is not qualified as a shell company. The way PSF provide their mandate activity may need to be revisited, and the impact on their business model should be assessed according to the ATAD 3's final version.

CONCLUSION

The implementation of the BEPS's 15-point Action Plan is gathering pace, and a wind of change in the tax landscape is blowing.

Governments are better equipped with domestic and international instruments to address tax avoidance, ensuring that profits are taxed in the jurisdictions where economic activities generating the profits are performed and value is created. Exchange of information requirements leads to massive amounts of data and an increased compliance cost for market players, including PSF, to deal with the various reporting, documentation and process requirements.

Of the new wave of regulations to come, ATAD 3 may significantly impact certain PSF, requiring them to keep a close eye on its development.

Robotic process automation for finance and accounting: is there a case to be made?

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You may know that robotic process automation (RPA) is a software solution for automating high-volume, repetitive, rule-based tasks. But have you ever wondered how RPA can help your company enhance operational efficiency, accuracy and even compliance? What processes are good candidates for being automated? Is it expensive and complicated to implement?

Robots can perform predefined processes that are well-structured and do not require subjective judgment. They can access various applications; launch commands; fill in data entry forms; read screens, mails or reports; download or upload information; and read files of different formats and even images or captcha ("I am not a robot" tests).

Offering a progressive decrease in cost, RPA solutions are thriving in businesses of all sizes. Depending on the application's complexity, small to medium RPA solutions can take 4-6 weeks to conceptualize and implement. Nowadays, **RPA solutions are affordable to most companies' budgets** and, in most cases, can break even in as little as 12-18 months.

SOME TYPICAL USE CASES FOR RPA

RPA can be adapted to many fields and departments, including finance and control functions. To give you a flavor of how RPA can transform your applications, here are some cases performed by robots:

- Data inputs, such as recording sales requests-orders/invoices in a company's accounting system that are received by email, or inputting salaries elaborated from a company's payroll system into its accounting system.
- Data validations, such as a three-way match that follows approval workflows according to certain thresholds.
- Reconciliations, such as bank statements and accounting system or fixed assets to general ledger can be automated.
- Compliance control of accounting documents. These can include invoice accuracy controls that check VAT rates and arithmetic validity, and invoice completeness controls that check the presence of a purchase order number and the correct item code.
- Master data updates, such as updating vendor or client information in accounting systems by comparing data with other internal systems or any other external verified sources, including tax office public databases, and solvency/creditworthiness data for evaluating clients' companies.
- Preparing and communicating reports, such as periodic reports by running calculations and distributing them by email, or when certain conditions occur, by automatically generating reminder emails for past due clients.

These are only a few of RPA's possible applications; many more can be developed and customized to the specific needs of your company.

Master data	Accounts Payables	Revenue Accounting	Claims
General Accounting	Reconciliation	Closing Process	Financial Reporting Preparation
Cash Collection	Bank Statements	Tax Operations	Internal/ SOX Controls

If you are interested in RPA or have any questions, please get in touch to schedule a free collaborative workshop.

We will provide you an overview of RPA for finance and accounting and brainstorm on the **potential areas of automation in accounting and financial reporting processes.**

Upon completion of the workshop, we can provide a list of potential processes that can be enhanced by RPA solutions, prioritized according to the process' suitability to automation and the project's estimated return on investment (ROI).

2.4 Support PSF

Similar to specialized PSF, support PSF do not benefit from a European passport. Three-quarters of these entities are from other countries and are part of a group; while a few belong to banks, the majority belong to specialized IT groups, such as Xerox, IBM, HP, Tata and Atos. The remaining one-quarter are local and standalone.

Our analysis shows that three main licenses co-exist in this category.

The first group of 32 entities held Client communication agent licenses under Art. 29-1 at the end of 2021 (compared with 33 entities at the end of 2020), of which 41% also held Administrative agents licenses under Art. 29-2 (13 entities). Administrative agents are automatically authorized to carry out activities as client communication agents.

The second group of 55 PSF held licenses under Art. 29-3 as IT systems and communication networks operators of the financial sector at the end of 2021 (56 at year-end 2020). In 18 cases, they also held licenses under Art. 29-1, while 12 held licenses under Art. 29-2 as at December 2021.

The third group includes Providers of dematerialization services to the financial sector (Art. 29-5) and of Conservation services to the financial sector (Art. 29-6). The number of licenses held by support PSF slightly decreased between 2020 and 2021 (from 115 licenses to 111).

Figure 20: Distribution of support PSF licenses as at 31 December 2021

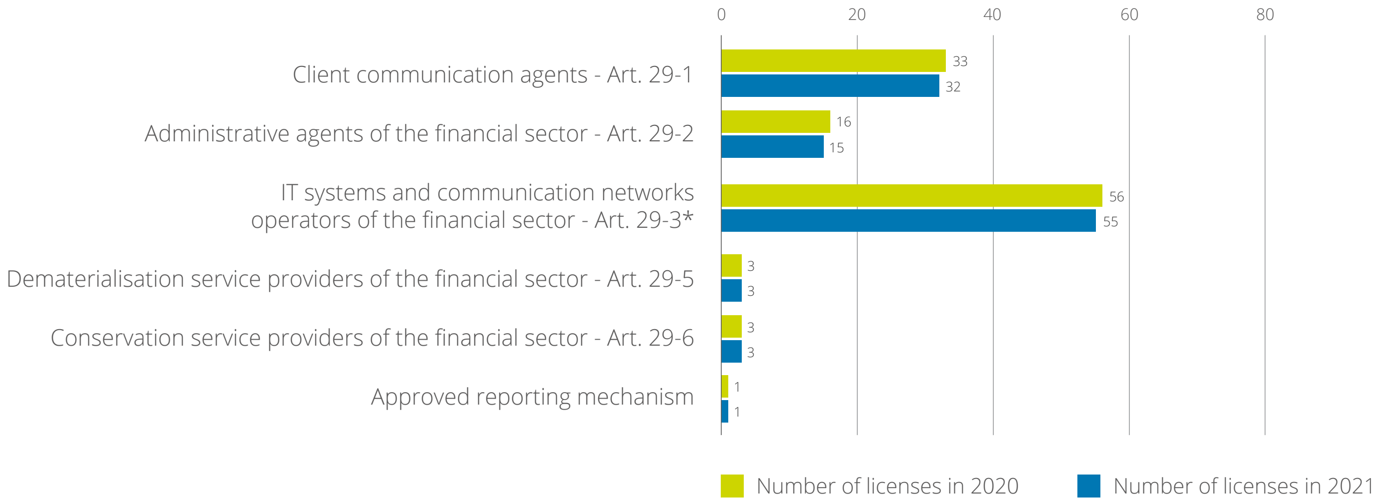
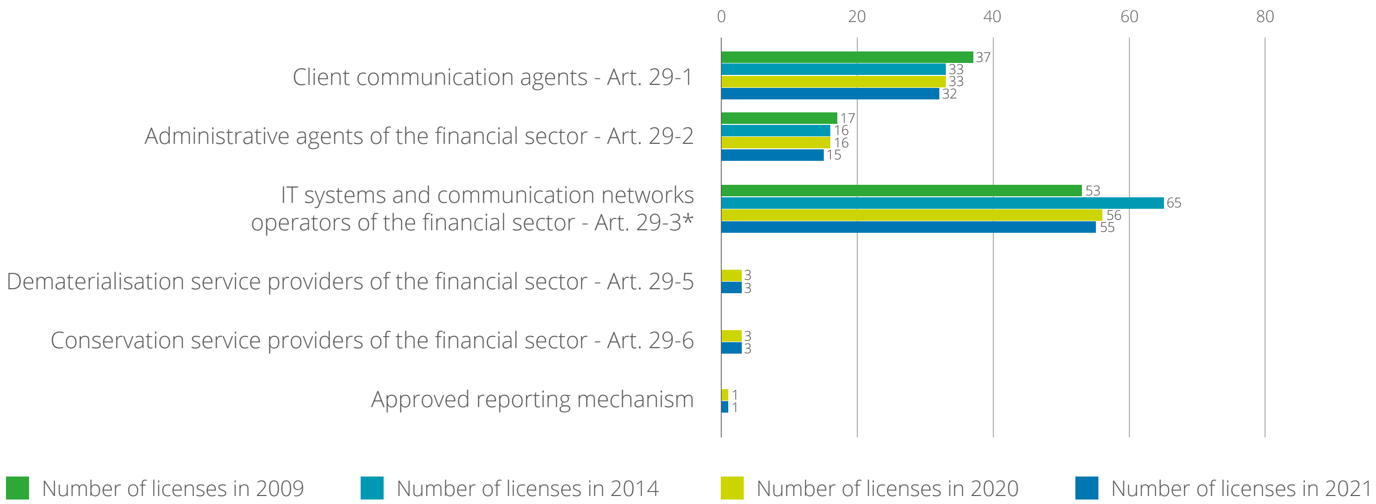


Figure 21: Change between 2021, 2020, 2014 and 2009 of licenses granted to support PSF



* Articles 29-3 and 29-4 merged as a result of the law of 21 July 2021. The comparative figure indicated for article 29-3 - IT systems and communication networks operators of the financial sector represents the sum of the number of licences granted for articles 29-3 and 29-4 according to the previous framework.

Interview with Serge Thavot
Managing Director at DXC Technology Luxembourg S.A.

INTERVIEWED BY
RAPHAËL CHARLIER, ADIL SEBBAR AND KEVIN VENTURA
15 SEPTEMBER 2022

HOW HAS YOUR BUSINESS CHANGED, AND WHAT CHANGES DO YOU FORESEE?

The CSSF Circulars 22/805 and 22/806 about the application of the EBA guidelines on outsourcing arrangements set the rules [and] limits and defined the operating models for the supervised entities of the financial sector. This will help reduce any room for interpretation and bring clarity for all actors.

One of the missions of support PSF is to assist their customers with the interpretation of Circulars and rules to respect. Support PSF regularly have to explain the regulatory constraints applicable to their activities in Luxembourg and to fight against their image deficit. The creation of a dedicated label (as the one on which the FTL is currently working) would definitely help them solve this situation [not only] locally, but also abroad. Luxembourg is [one] of the most regulated countries: this constraint is also a key competitive advantage ... which our sector needs to leverage.

In terms of service offering, we do not expect that cloud services will make managed services disappear (even if some layers could). Our role is to guide customers in assessing the different options: some would prefer to move their data to a private cloud, while others will go for a public cloud.

Automation and artificial intelligence (AI) are clearly a non-negotiable source of growth for support PSF. The same can be expected for blockchain. The financial sectors' actors have to consider the legal and regulatory framework, such as data protection rules imposed by GDPR in the EU, to grab the whole potential of this new trend.

WHAT ARE THE MAIN CHALLENGES THAT YOUR INDUSTRY IS FACING?

Talent acquisition, development and retention remain a key challenge for our sector. Small-and-medium-sized companies have to make significant efforts to remain attractive to staff and competitive for their customers. The absence of harmonization in terms of the number of remote working days for resident and cross-border workers is an additional challenge for talent management and retention: staff has become accustomed to being able to work remotely. Our group has decided to implement an international mobility program where group employees from other locations can come and work for a defined period of 3 or 6 months with our local team or being definitely incorporated. This is an option that players with an international presence can use to ensure sufficient and qualified resources remain available to satisfy clients' needs and strengthen the group's culture.

WHAT ARE THE MAIN OPPORTUNITIES FOR SUPPORT PSF?

The financial sector in Luxembourg remains strong, especially when we consider the events and the related consequences we have faced, and are still facing (such as COVID-19, the Russia-Ukraine conflict or the energy crisis). Our sector offers a diversified range of services and our market is not saturated. We can observe the arrival of new foreign players in Luxembourg and large international actors acquiring competitors or companies with specific competencies, such as cybersecurity, to increase their footprint. The market remains very active!

WHAT ARE YOUR EXPECTATIONS?

The CSSF Circular 21/769, as amended by the CSSF Circular 22/804, defines for the financial sector's actors the regulatory requirements to fulfill when they implement teleworking solutions for their staff. This Circular defines the requirements in terms of internal organization (including the creation of policy and procedures, risk management assessment, and monitoring activities), documentation requirements, ICT and security risk monitoring. From a tax perspective, it would be good that Luxembourg and neighboring countries agree on a harmonized number of remote working days applicable to cross-border workers to ensure Luxembourg keeps its attractiveness and to reduce the administrative burden.

The EU's Digital Operational Resilience Act is nearing the finish line: implications for financial services firms

Laureline Senequier
Director
Risk Advisory
Deloitte Luxembourg

The proposed Digital Operational Resilience Act represents a significant development for a broad scope of financial service firms across the EU.[40] It aims to establish a unified set of requirements in the areas of cyber and ICT risk management, incident reporting, resilience testing and third-party outsourcing. The proposal also introduces a framework that allows financial service supervisors to oversee critical ICT third-party providers (CTTPs), including cloud service providers (CSPs).

The European Parliament and the European Council have reached their respective positions on the DORA package and have begun inter-institutional negotiations, called "trilogues," which are the final talks before the proposal can become law. These trilogues aim to align the Parliament and Council's differing positions. Publication of the Regulation is now expected Q4 2022/Q1 2023.

WHEN WILL FIRMS HAVE TO IMPLEMENT DORA?

The European Commission originally proposed a 12-month implementation period for most of DORA's requirements and a 36-month period for its resilience testing requirements. While both the Parliament and the Council want to extend the general implementation period to 24 months, they disagree on the implementation timeline for resilience testing requirements. The Parliament wants to keep the original 36-month implementation period, while the Council wants it reduced to 24 months.

A shorter timeframe could be difficult for mid-size firms that have never run tests like threat-led-penetration testing (TLPTs) before. While these timeframes can still change, the Council's text is likely to strongly influence the outcome; therefore, we believe that firms should assume a 24-month implementation period for all of DORA's requirements, running from H1 2023 to H1 2025.

WHAT IS THE STATE OF PLAY OF DORA'S KEY COMPONENTS?

There are several important takeaways, based on our analysis of where the Council and the Parliament agree and disagree on DORA's requirements. These are:

- **ICT risk management requirements:** the Council and the Parliament's positions on ICT risk management and governance are mostly aligned. Both have a similar approach to proportionality and agree that smaller and less-complex financial service firms should implement a simpler set of rules. Crucially, both delegate much of the detailed ICT risk management rulemaking to the ESAs to produce the RTS, which are likely to be an evolution of the ESAs' existing Guidelines on ICT Risk Management.[41] Some significant differences include the Parliament wanting firms to disclose a record of all ICT-related incidents in an annual public report, and the Council using more specific language to require firms to conduct a business impact analysis of their exposure to severe disruptions.

40. Proposal for a regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014.

41. As DORA is cross-sectoral, Level 2 rulemaking will be done jointly by the EBA, ESMA and the European Insurance and Occupational Pensions Authority (EIOPA), often working in their Joint Forum composition.

- **ICT incident reporting requirements:** both the Council and the Parliament agree with a harmonized reporting requirement for major ICT-related disruptions, as well as instructions to the ESAs to develop RTS to further specify the materiality threshold for reporting disruptions and the information and timing of these reports. These reporting requirements will supersede equivalent ones in other EU regulations, such as the Network Information Security Directive (NISD),[42] and are likely to broaden the reporting requirements of most firms. Firms may also be asked to report significant cyberthreats to competent authorities; however, the Parliament wants this to be voluntary, whereas the Council is seeking for it to be mandatory. However, the outcome is likely to be aligned with requirements in the reviewed NISD, which is also undergoing legislative negotiations due to conclude this year.
- **Resilience testing requirements:** DORA will introduce a requirement for firms to regularly carry out different tests of their operational resilience, with certain firms subject to "advanced" testing, including TLPTs. The TLPT requirement will roll out a consistent "red-team" testing framework that, so far, only some EU countries have adopted for financial service firms. While the Parliament and the Council are agreed on this, they need to align on the scope of firms included and the required frequency of TLPTs. The Parliament is seeking a 3-year frequency, while the Council wants to delegate the decision to authorities. The ESAs will elaborate advanced testing methodologies in their RTS, but we believe firms can use the ECB's Threat Intelligence-Based Ethical Red-Teaming (TIBER-EU) framework as a guide before these RTS are available.
- **ICT third-party risk management:** both the Parliament and the Council agree on most of DORA's proposed requirements for firms that use third-party providers (TPPs) to support critical or important functions, including the introduction of key contractual provisions. However, the Parliament wants to add further requirements, namely contractual provisions requiring TPPs to provide financial service firms with higher levels of assurance, by allowing audits and ongoing monitoring of their performance. The Parliament is also seeking to ensure that contracts with third-country TPPs are governed by the law of an EU Member State. Overall, these represent new requirements for firms and will require significant work both regarding mapping and negotiating contractual provisions and gathering the necessary assurance from TPPs.
- **CTTP oversight:** the Parliament and the Council agree that certain ICT TPPs designated as "critical" should come under the direct oversight of EU financial authorities. Both have agreed with the Commission's initial proposal of designating one of the ESAs to act as a "lead overseer" of the CTTPs and to have powers to inspect and require changes to CTTPs' practices. The Parliament and the Council have also made similar amendments requiring a CTTP to have a legal subsidiary in the EU if it is to offer services to financial service firms. The Parliament and the Council have different ideas about the oversight mechanism's institutional design, with the Parliament proposing a more complex "Joint Oversight Forum" of authorities that would assist the Lead Overseer. This requirement will bring new non-financial service firms and TPPs into the financial service regulatory perimeter. It will be a significant change for in-scope non-financial service TPPs, whose risk and resilience frameworks have not historically been subject to financial service supervisory oversight and scrutiny.
- **Cryptoassets:** DORA makes a series of amendments to existing EU Directives to align them with the proposed new operational resilience framework. One is an amendment to include distributed ledger technology (DLT)-enabled products in the MiFID II's definition of a financial instrument. This will help reduce the scope for arbitrage in the regulatory treatment of certain cryptoassets (security tokens) across EU Member States. The Parliament and the Council's positions are aligned on this.

LEVEL 2 RULEMAKING WILL BE AN IMPORTANT PART OF NEW REQUIREMENTS

The DORA package delegates significant decision-making authority to the ESAs to create RTS specifying the rules that firms will have to follow. The RTS on ICT risk management will set out more detailed rules for the governance, security policies and event detection procedures firms will need to implement, as well as more detail on the required content of their business continuity plans. Further RTS on reporting major ICT-related incidents, the approach and methodology for TLPT testing, and on third-party risk management and registers will all be crucial for firms to understand the full spectrum of their DORA requirements.

The ESAs will only begin to draft these RTS once DORA is finalized later this year or early next year, and timelines for secondary rulemaking vary. The Council is asking for all RTS to be produced within 18 months after DORA enters into force, while the Parliament sets different timelines for each. However, all RTS are due to be finished before the likely 24-month implementation period ends.

Nevertheless, this will affect firms' clarity as they prepare for DORA's implementation, and any delays in producing the RTS (which are not uncommon) will exacerbate this. This underlines the need for firms to assess and identify no-regret actions they can take to prepare for the new rules, including when implementing technological and infrastructure upgrades or negotiating new TPP contracts.

The ESAs will also have to conduct a feasibility study on establishing a centralized solution for EU ICT incident reporting. This will lay the groundwork

42. Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union.

for introducing a pan-European Systemic Cyber Incident Coordination Framework (EU-SCICF), which the ESAs publicly committed to working towards in a January 2022 statement.[43] This initiative will primarily drive supervisory efficiency across the EU. However, any indirect benefits for firms will only become apparent over time.

INTERNATIONAL REGULATORY ALIGNMENT CANNOT BE IGNORED

Firms operating cross-border business models—e.g., operating in both the EU and UK—will need to consider how DORA's requirements will fit with their work in other jurisdictions. One notable difference is that DORA addresses operational resilience as a detailed set of legislative requirements, whereas supervisors in the UK and elsewhere handle operational resilience as a principles-and-outcomes-based initiative. DORA also focuses on digital and ICT risks, whereas the UK and other frameworks consider operational resilience more broadly. This may contribute to the EU placing greater emphasis on cyberthreats and other technology-related risk scenarios.

However, there are a set of outcomes in DORA's requirements that are similar to the UK supervisory framework and, for banks, the Basel Committee on Banking Supervision's (BCBS) 2021 Principles on Operational Resilience.[44] Both frameworks require identifying critical parts of the business (i.e., important business services in the UK, and critical or important functions in DORA), and the alignment between jurisdictions here will be a key area for supervisors to determine. The Council's amendment requiring firms to conduct business impact analysis of their severe disruption exposure also brings DORA closer to the UK and the BCBS introduction of testing resilience against "severe but plausible scenarios." [45]

We believe that cross-border firms will gain efficiencies when adopting a consistent, group-wide approach to operational resilience, while modifying it in each jurisdiction to meet specific requirements. There are clear signs that DORA will be compatible with this approach, but much will depend on the ESAs' Level 2 work and authorities' supervisory approach, the ECB being chief among them. The 2020 ECB, US, and UK authorities' statements committing to deliver a joined-up approach to the supervision of operational resilience shows encouraging cooperation. [46]

EARLY IMPLEMENTATION ACTIONS NEED TO BE IDENTIFIED

Firms need to identify steps they can take now, before the primary legislation is finalized and the ESAs' Level 2 standards are available. In our experience of working with UK firms, where the regulatory initiative on financial services' operational resilience is more advanced, preparing for the initial implementation of the new rules has taken more time and resources than many firms anticipated.

In a recent executive survey we conducted for our 2022 Regulatory Outlook, UK firms highlighted the identification and management of TPP vulnerabilities as the most important challenge they faced in implementing operational resilience requirements.[47] EU firms will likely face a similar challenge with DORA as well.

In our view, several "no regret" steps that firms should be considering include:

- **On ICT risk management:** conducting a gap analysis of existing ICT risk management and governance practices, specifically through a critical function lens. Additionally, increasing resources dedicated to threat and incident detection and improving firm-wide ICT security awareness training programs with a particular focus on awareness of management bodies.
- **On incident reporting:** running an incident management and reporting maturity evaluation to understand the firm's current-state capabilities and evaluate its awareness of the multiple ICT incident reporting requirements that apply in the financial service sector.
- **On resilience testing:** understanding the skills and capabilities required to shape and run resilience testing, including training sessions for board members on resilience testing methods (including TLPTs if the firm is likely to be in scope of advanced testing requirements), and the implications for remediation.
- **On TPP risk management:** focusing on improving the mapping of TPP contracts and connections, and documenting and reviewing third-party vulnerabilities to help inform the development of a risk containment strategy.

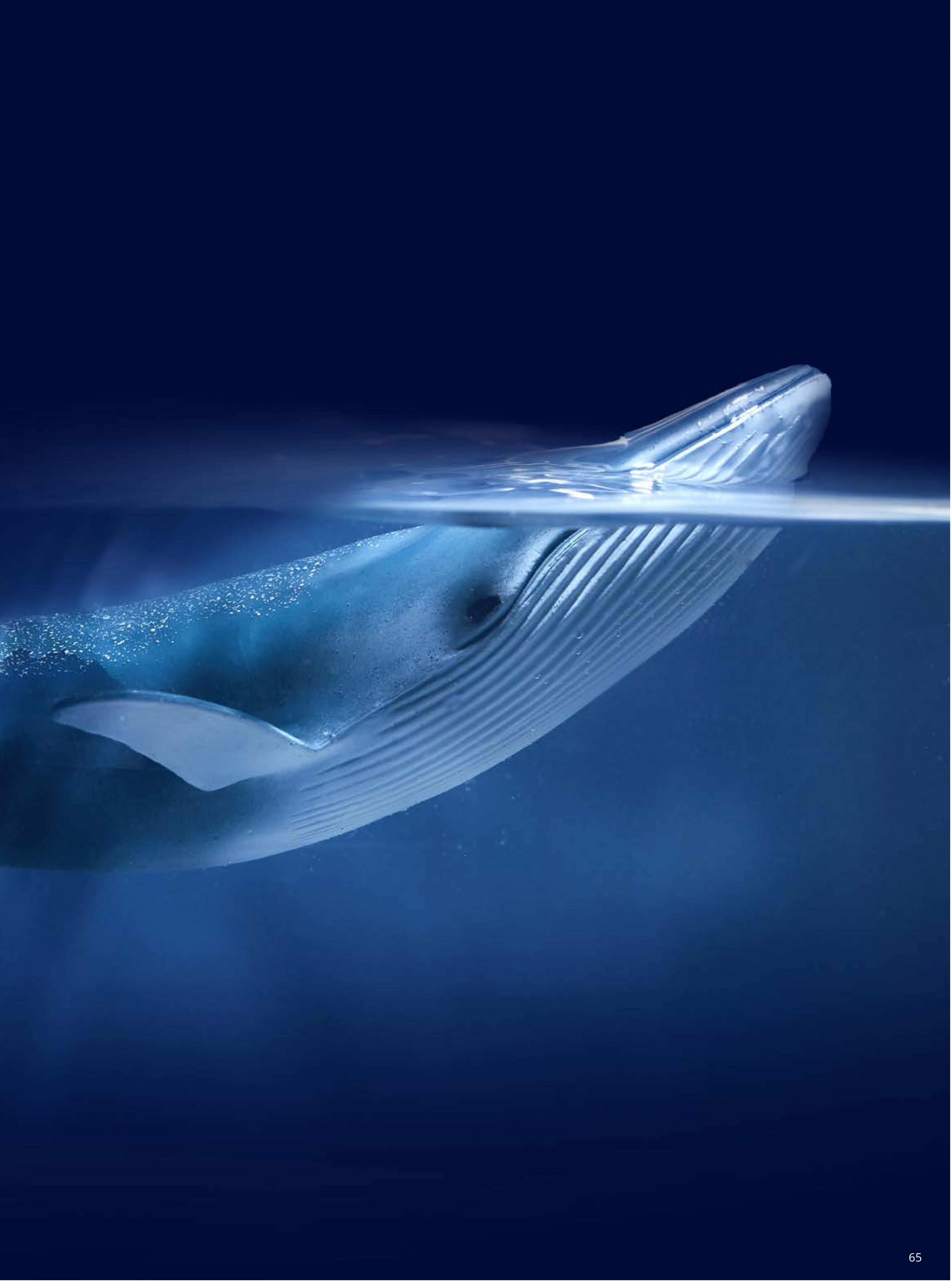
CONCLUSION

As DORA moves towards finalization, the legislation's final shape is becoming clearer. EU-based firms should take note of the current state of play to better understand DORA's requirements and the related implementation challenges.

DORA will likely have a 24-month implementation period, but important Level 2 technical standards will take longer to finalize, leaving firms with less time to prepare to comply with the new requirements. Therefore, firms cannot afford to wait for the political process to conclude but should already be assessing the impact of the requirements and developing a realistic implementation plan.

43. European Supervisory Authorities, *ESAs welcome ESRB Recommendation on a pan-European systemic cyber incident coordination framework for relevant authorities*, January 27, 2022.
44. Basel Committee on Banking Supervision, *Principles for Operational Resilience*, March 2021.
45. Ibid.
46. European Central Bank Banking Supervision, *Statement regarding supervisory cooperation on operational resilience*, December 2020.
47. Deloitte's EMEA Centre for Regulatory Strategy, *2022 Financial Markets Regulatory Outlook*, 2022.

3 Deloitte's proposed services



Over many years, Deloitte has developed its competencies and services to support and advise all types of PSF, whatever their stage of development.

Click here to access our wide range of services, or scan the below QR code

4 Useful addresses

Organizations representing PSF

Expanding representation across professional associations

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

The following professional associations are the most representative in terms of defending the interests of PSF:

Finance & Technology Luxembourg (FTL)

This association, formed in 2007, currently consists of over 50 companies providing services to financial institutions. The association's mission is to inform its members about changes in prospects for the professions in question, and create synergy between players to secure 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.financeandtechnology.lu

Association Luxembourgeoise des Family Office (LAFO)

This Luxembourg professional association has about 50 members and specializes in Family offices. A Family office is a service provider for "families and asset entities", i.e., it coordinates, controls and supervises all professionals involved in providing services to clients (asset managers, attorneys, tax advisers, banks, trustees, notaries, etc.).
Tel: +352 621 135 933
www.lafo.lu

Luxembourg Association of Wealth Managers (LAWM)

This association aims to bring together all wealth managers by facilitating relations and contact between them. In addition, LAWM promotes, organizes and disseminates scientific, technical, ethical, and educational information referring to wealth management techniques and its related branches by all appropriate means to its members. LAWM encourages exchanges between all wealth managers based in Luxembourg and abroad.
Email: lawm.info@gmail.com
linkedin.com/company/lawm

Luxembourg Alternative Administrators Association (L3A)

Created in 2004, this association's purpose is to promote the Luxembourg trust industry and the representation of the professional interests of its members. It organizes 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 trust companies' commercial interests and defends their interests with the authorities, in particular by participating in commissions and working groups. It has contacts with authorities, professional chambers and other professional organizations and corporate institutions.
Tel: +352 621 33 98 98
Email: contact@l3a.lu
www.l3a.lu

Numerous other organizations pertain to PSF, including the following:

The International Facility Management Association (IFMA)

Founded in 1980, IFMA is the largest international association for facility management professionals. With over 24,000 members in more than 100 countries, it is open to facility managers to give them the skills necessary for their business.
www.ifma.org

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 dematerialization and electronic archiving. It aims to bring together Luxembourg players, such as market experts, users and suppliers of information lifecycle management, dematerialization, electronic archiving and storage products and services, such as OSIPs and OSISs (support PSF).
www.fedisa.lu

ISACA

With more than 145,000 members in over 188 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 reviews, 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

Foundation LHoFT (Luxembourg House of Financial Technology)

The foundation LHoFT is an initiative by the Luxembourg public and private sectors to stimulate technological innovation for the financial services sector in Luxembourg, connecting the national and international financial technology community to develop the solutions that will shape tomorrow's world.
Tel: +352 28 81 02 01
www.lhoft.com

Luxembourg Capital Markets Association (LuxCMA)

LuxCMA, created on 1 March 2019, is a not-for-profit association (a.s.b.l.) and has established four working groups and three task forces. Its main goal is to bring all

primary capital market players around the table and realize their common interests. In particular, LuxCMA focuses on facilitating access to a wide network of capital market professionals; exchanging views about the future of the industry; sharing best practices with peers; communicating the latest information concerning legal and regulatory developments; setting market standards; and providing input for capital markets sector proposals in cooperation with other industry associations, thereby influencing future policy-making.
Tel: +352 47 79 36 1
www.luxcma.com

Association des Banques et Banquiers, Luxembourg (ABBL)
The ABBL was constituted in 1939. The association represents the majority of financial institutions, regulated financial intermediaries, and other professionals established in Luxembourg, as well as lawyers, consultants, and auditors working in or for the financial sector. The ABBL provides its members with guidance and knowledge to operate in the financial market and under its regulatory environment. Furthermore, the ABBL provides a platform to discuss key industry issues and to define common best practice standards.
Tel: +352 46 36 60-1
www.abbl.lu

Association Luxembourgeoise des Fonds d'Investissement (ALFI)
The ALFI was established in 1988 and represents Luxembourg's asset management and investment funds. The association aims to lead industry efforts to make Luxembourg the most attractive international investment fund center.
Tel: +352 22 30 26-1
www.alfi.lu

Luxembourg Private Equity and Venture Capital Association (LPEA)
The LPEA was constituted in 2010 and represents the interests of the Luxembourg private equity and venture capital industry. The association provides its members with analysis and industry trends, forums to exchange experiences, and training and workshops.
Tel: +352 28 68 19 602
www.lpea.lu

Other useful addresses

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

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

Association Luxembourgeoise des Compliance Officers (ALCO)
Tel.: +352 28 99 25 00
www.alco.lu

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

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

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

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

Fedil
Tel.: +352 43 53 66-1
www.fedil.lu

Système d'indemnisation des investisseurs Luxembourg (SIIL)

House of Training
Tel.: +352 46 50 16-1
www.houseoftraining.lu

Institut des Auditeurs Internes Luxembourg (IIA Luxembourg)
Tel.: +352 26 27 09 04
www.theiia.org/sites/luxembourg

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

Institut Luxembourgeois des Administrateurs (ILA)
Tel.: +352 26 00 21 488
www.ila.lu

5 Appendices

5.1. PSF in a nutshell

Investment firms

PSF activities	Article	Minimum capital or capital base €	Definition of the services
Reception and transmission of orders in relation to one or more financial instruments	24-1	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000	**Reception and transmission of orders in relation to one or more financial instruments** means receiving or transmitting orders in relation to one or more financial instruments, without holding the clients' funds or financial instruments.
Execution of orders on behalf of clients	24-2	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000	**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 and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance.
Dealing on own account	24-3	€750,000	**Dealing on own account** means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments.
Portfolio management	24-4	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000	**Portfolio management** means 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.
Investment advice	24-5	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000	**Investment advice** means the provision of personal recommendations to a client, either upon its request or at the investment firm's initiative, in respect of one or more transactions relating to financial instruments.
Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	24-6	€750,000	Underwriters of financial instruments are professionals whose business is to **underwrite financial instruments and/or place financial instruments on a firm commitment basis.**
Placing of financial instruments without a firm commitment basis	24-7	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000	This activity comprises the placing of financial instruments **without** a firm commitment basis.
Operation of an MTF	24-8	€150,000	A **multilateral trading facility (MTF)** means a multilateral system that brings together multiple third-party buying and selling interests in financial instruments—in the system and in accordance with nondiscretionary rules—in a way that results in a contract.
Operation of an OTF	24-9	€150,000 or €750,000 where this firm engages in dealing on own account or is permitted to do so	An **organized trading facility (OTF)** means a multilateral system that is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.

Specialized PSF

PSF activities	Article	Minimum capital or capital base €	Definition of the services
Registrar agents	25	€125,000	**Registrar agents** are professionals whose business is to maintain the register of one or more financial instruments. Maintaining 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: – specialized investment funds within the meaning of the law of 13 February 2007, as amended, – investment companies in risk capital within the meaning of the law of 15 June 2004, as amended, – alternative investment funds within the meaning of Directive 2011/61/ EU, which have no redemption rights that can be exercised during five years as from the date of the initial investments and which, pursuant to their main investment policy, generally do not invest in assets which shall be held in custody pursuant to Article 19(8) of the law of 12 July 2013 on alternative investment fund managers or which generally invest in issuers or non-listed companies in order to potentially acquire control thereof in accordance with Article 24 of the law of 12 July 2013 on alternative investment fund managers.
Operators of a regulated market authorized 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 authorized in Luxembourg, excluding investment firms operating an MTF or an OTF in Luxembourg.
Professionals performing lending operations	28-4	€730,000	**Professionals performing lending operations** are professionals engaging in the business of granting loans to the public for their own account. The following, in particular, shall be regarded as lending operations for the purposes of this article: (a) financial leasing operations involving the leasing of moveable or immoveable property specifically purchased with a view to such leasing by the professional, who remains the owner thereof, where the contract reserves unto the lessee the right to acquire, either during the course of or at the end of the term of the lease, ownership of all or any part of the property leased in return for payment of a sum specified in the contract; (b) factoring operations, either with or without recourse, whereby the professional purchases commercial debts and proceeds to collect them for his own account "when he makes the funds available to the transferor before maturity or before payment of the transferred debts". This article shall not apply to persons engaging in the granting of consumer credit, including financial leasing operations as defined in paragraph (a) above, where that activity is incidental to the pursuit of any activity covered by the law of 2 September 2011 regulating the access to the professions of craftsmen, salesmen, industrials as well as to some liberal professions, as amended. This article shall not apply to persons engaging in securitization operations.

Specialized PSF

PSF activities	Article	Minimum capital or capital base €	Definition of the services
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 law of 21 December 2012 are Family Offices and regarded as carrying on a business activity in the financial sector.
Mutual savings fund administrators	28-7	€125,000	**Mutual savings fund administrators** are natural or legal persons engaging in the administration of one or more mutual savings funds. No person other than a mutual savings fund administrator may carry on, even in an incidental capacity, the business of administering mutual savings funds. For the purposes of this article, "mutual savings fund" means any undivided fund of cash deposits administered for the account of joint savers numbering not less than 20 persons with a view to securing more favourable financial terms.
Corporate domiciliation agents	28-9	€125,000	**Corporate domiciliation agents** referred to as other professionals of the financial sector in the list of paragraph 1 of Article 1 of the law of 31 May 1999, 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.
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	-	**Central account keepers** are persons whose activity is to keep issuing accounts for dematerialized securities.

Support PSF

PSF activities	Article	Minimum capital or capital base €	Activity covered by the status
Client communication agents	29-1	€50,000	**Client communication agents** are professionals engaging in the provision, on behalf of credit institutions, PSF, payment institutions, electronic money institutions, insurance undertakings, reinsurance undertakings, pension funds, UCIs, SIFs, investment companies in risk capital (*sociétés d'investissement en capital à risque*) and authorized securitization undertakings established under Luxembourg law or foreign law, of one or more of the following services: – the production, in tangible form or in the form of electronic data, of confidential documents intended for the personal attention of clients of credit institutions, PSF, payment institutions, electronic money institutions, insurance undertakings, reinsurance undertakings, contributors, members or beneficiaries of pension funds and investors in UCIs, SIFs, investment companies in risk capital and authorized securitization undertakings; – the maintenance or destruction of documents referred to in the previous indent; – the communication to persons referred to in the first indent, of documents or information relating to their assets and to the services offered by the professional in question; – the management of mail giving access to confidential data by persons referred to in the first indent; – the consolidation, pursuant to an express mandate given by the persons referred to in the first indent, of positions which the latter hold with diverse financial professionals.
Administrative agents of the financial sector	29-2	€125,000	**Administrative agents of the financial sector** are professionals who engage in the provision—on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, SICARs, authorized securitization undertakings, RAIFs, 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.
IT systems and communication networks operators of the financial sector	29-3	€125,000	**IT systems and communication networks operators of the financial sector** are professionals who are responsible for the operation of IT systems and communication networks that are part of the IT and communication systems of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, SICARs, authorized securitization undertakings, RAIFs, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law. Their activity includes IT processing or the transfer of data stored in IT systems. These networks may either belong to the credit institution, PSF, payment institution, electronic money institution, UCI, pension fund, SIF, SICAR, authorized securitization undertaking, RAIF, insurance undertaking or reinsurance undertaking established under Luxembourg law or foreign law, or be provided to them by the operator.

Support PSF

PSF activities	Article	Minimum capital or capital base €	Activity covered by the status
Dematerialization service providers of the financial sector	29-5	€50,000	**Dematerialization service providers of the financial sector** are dematerialization or conservation service providers within the meaning of the Law of 25 July 2015 on e-archiving in charge of the dematerialization of documents on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, SICARs, pension funds, authorized securitization 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 dematerialization 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, SICARs, pension funds, authorized securitization 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 6 December 2022)

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
Organization and internal control				
91/78	Segregation of assets for portfolio managers	X (1)		
93/95 and 11/515	License requirements	X	X	X
93/102	Activities of brokers or commission agents	X (2)		
95/120 (as amended by 22/806)	**Central administration**		X	X
96/126 (as amended by 22/806)	**Administrative and accounting organization**		X	X
98/143 (as amended by 22/806)	**Internal control**		X	X
04/146	Protection of undertakings for collective investment and their investors against Late Trading and Market Timing practices	X (3)	X (3)	X (3)
04/155 (as amended by 22/806)	Compliance function		X	X
12/538	Lending in foreign currencies	X	X (4)	
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
17/651	Credit agreements for consumers relating to residential immovable property	X	X	X
17/669	Prudential assessment of acquisitions and increases in holdings in the financial sector	X	X	X
Reg. 16-07, 17/671 and 19/718	Out-of-court resolution of complaints	X	X	X
Reg. 20-04	Measures for a high common level of security of network and information systems		X	

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
Organization and internal control				
20/743:19/716	Provision in Luxembourg of investment services or performance of investment activities and ancillary services in accordance with Article 32-1 of the Law of 5 April 1993 on the financial sector	X		
20/750	**Information and communication technology (ICT) and security risk management**	X	X	X
20/758	**Central administration, internal governance and risk management**	X		
12/552 as amended by 13/563, 14/597 and 16/642, 16/647, 17/655, 20/750, 20/758, 20/759, 21/785 and 22/807	Central administration, internal governance and risk management		X (5)	
07/325 and 07/326 as amended by 10/442 and 13/568 and 21/765	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)		
21/769 as amended by 22/804	Governance and security requirements for supervised entities to perform tasks or activities through **telework**	X	X	X
22/806 repealing 17/656 and 17/654	**Outsourcing arrangements**	X	X	X

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
Remuneration				
10/437	Remuneration policies in the financial sector	X	X	X
Fight against money laundering and terrorist financing				
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
17/650 as amended by 20/744	**Application extended to primary tax offences**	X	X	X
Reg. 12-02 as amended by CSSF regulation N°20-05 and the Circulars 10/495, 15/609, 18/701	**Fight against money laundering and terrorist financing**	X	X	X
19/732	Prevention of money laundering and terrorist financing: clarifications on the identification and verification of the identity of the ultimate beneficial owner(s)	X	X	X
20/740	AML/CFT implications during the COVID-19 pandemic	X	X	X
21/782	Adoption of the revised guidelines, by EBA, on money laundering and terrorist financing risk factors	X	X	

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
MiFID				
21/783	Application of the Guidelines of the European Securities and Market Authority on the MiFID II/MiFIR obligations on market data	X		
19/723	ESMA Guidelines on the application of the definitions of commodity derivatives in Sections C6 and C7 of Annex I of MiFID II	X		
21/779	Adoption of the Guidelines of the European Securities and Market Authority ("ESMA") on certain aspects of the MiFID II compliance function requirements (ESMA35-36-1952)	X		
21/783	Application of the Guidelines of the European Securities and Market Authority on the MiFID II/MiFIR obligations on market data	X		
07/307 as amended by Circulars CSSF 13/560, CSSF 13/568 and 14/585	As amended by Circulars CSSF 13/560, CSSF 13/568 and 14/585	X		

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
Prudential ratios				
09/403	Sound liquidity risk management	X		
06/260 **06/273 as amended by 07/317, 10/450, 10/475, 10/496, 11/501 and 13/568** **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, 13/565 and 20/753** **11/501** **12/535** **13/572**	**Capital adequacy ratios/large exposures; assessment process/ ICAAP/ILAAP**	X		
16/02 (CPDI)	Scope of deposit guarantee and investor compensation	X		
17/03 CODERES, 17/649	Adoption of the guidelines issued by the EBA on the methods of providing information in summarized or collective form for the purposes of the Banking Recovery and Resolution Directive (BRRD)	X		
21/784: Reg. 14-01, 15-01 and 15-02 and 13/575, 14/582, 14/583, 15/606, 15/618, 15/620, **15/622, 20/756 and 21/784 as well as Regulation (EU) No 575/2013, ad hoc Commission Delegated Regulations (EU) and ad hoc Commission Implementing Regulations (EU)**	Supervisory reporting requirements (IFD/IFR/FINREP)	X (3)		
Reporting				
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
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	Specialized PSF	Support PSF
Reporting				
18/696	Update of table B.4.6. on Persons responsible for certain functions and activities		X	X
18/699	Update of table Investment Firms	X		
05/187 completed by 10/433, 19/709 and 21/770	Financial information to be submitted to the CSSF on a periodic basis	X	X	X
22/793	Electronic transmission of the annual closing documents to the CSSF		X	
Domiciliation and UCI administration				
01/28, 01/29, 01/47 and 02/65	**Domiciliation**		X (6)	
22/811	**UCI administrators**	X (7)	X (7)	
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 updated by 19/727	Optimization of the supervision exercised on the support PSF by a risk-based approach		X	
19/716 as amended by 20/743	Provision in Luxembourg of investment services or performance of investment activities and ancillary services in accordance with Article 32-1 of the LFS	X		
External audit				
03/113 as amended by 10/486 and 21/768	**Practical rules concerning the mission of external auditors of investment firms**	X		
19/717 as amended by 22/794	Update of the general provision of the Law of 23 July 2016 and regulation related to the audit profession	X	X	X

(1) Relevant for Portfolio management - Article 24-4

(2) Relevant for Execution of orders on behalf of clients - Article 24-2 and Reception and transmission of orders in relation to one or more financial instruments - Article 24-1.

(3) Depending on the PSF's activity.

(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 (except sub-chapter 3.4) and paragraph 12 of chapter 2 of part III of the applicable Circular.

(6) Applicable only to PSF providing domiciliation activities.

(7) Applicable to all entities carrying out the activity of UCI Administration or part thereof

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