At the heart of regulatory and tax environments

Professionals of the Financial Sector (PSF) in Luxembourg

Update January 2022

Contents

Foreword

Given the considerable size of today's Professionals of the Financial Sector (PSF) market, we thought it appropriate to share with you our understanding of the current, highly-specific PSF environment.

The CSSF circular 20/758 was introduced and replaces the CSSF circular 12/552 from January 1, 2021 for investment firms. The CSSF circular 20/758 precises the measures to be taken by the investment firms regarding central administration, internal governance and risk management and integrates orientations and recommendations of EBA and ESMA.

On 26 June 2021 a new prudential regime entered into force for investment firms, composed by the Regulation (EU) 2019/2033 (hereinafter IFR) and the Directive (EU) 2019/2034 (hereinafter IFD).
The investment firms were categorised into 3 classes, impacting the reporting requirements.
The Law of 5 April 1993 on financial sector have also been updated by the Law of 21 July 2021: the changes impacted the 3 PSF categories. Articles included in the section of investment firms were revised. For specialized PSF, article 28-2 (Currency exchange dealers) has been repealed and for support PSF, article 29-3 and article 29-4 (Primary IT system operators and secondary IT system and communication network operators of the financial sector) have been combined into a new article 29-3 (IT systems and communication networks operators of the financial sector).

This 2022 edition of our guide aims to provide you with a detailed view of this ecosystem, without being strictly exhaustive as per the latest changes. This is an overview.

In the first chapter, we address the essential aspects of the legal and regulatory framework.
We primarily cover the authorization and licensing procedure, but also the supervision resources of the *Commission de Surveillance du Secteur Financier*, the supervisory authority, and the role played by *réviseurs d'entreprises agréés* who contribute to that supervision.

Chapter two describes the tax environment of PSF from a direct corporate tax and VAT perspective. This chapter further highlights some hot tax topics applicable to PSF and gives an overview of incentives relevant to the PSF industry.

Lastly, we present a profile analysis of PSF, together with individual fast-reference sheets for each PSF setting out the most significant characteristics.

We hope you will gain a deeper insight into PSF regulation and enjoy this regulatory update.

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This booklet has been prepared by our leading audit, tax, and regulatory compliance experts. We have strived to ensure the accuracy of the information contained within this brochure. Nevertheless, Deloitte cannot be held responsible for any errors or omissions.

Introduction

As at 31 October 2021, 265 PSFs (Professionals of the Financial Sector) were subject to the prudential supervision of the CSSF compared to 267 as of 31 December 2020. By the end of September 2021, they employed about 16,710 people in total compared to 16,248 as of 31 December 2020, with their total balance sheet having amounted to €9,313 million as of 30 September 2021, compared to €8,645 million as of 31 December 2020. Their net results year-on-year decreased from €458 million in 2019 to €233 million for the year 2020.

Over the first three quarters of 2021, there has been a net increase of the employment and a slight decrease in the number of PSF under CSSF supervision, which is a sign of consolidation in a sector that remains resilient. There are disparities within the three categories of PSF. Between 2019 and 2020, the net result of the three PSF categories recorded a decrease: by 5% for investment firms, 36% for support PSF, and 66% for specialized PSF.

PSF sector is maturing, consolidates in terms of number of PSF but has indicators showing progress, within a continuously evolving regulatory and tax environment. We therefore thought it is appropriate to help decision-makers (whether already established and seeking to expand operations or keen to establish a PSF in the Grand Duchy) better understand the statuses that the name PSF encompasses, and the relevant regulatory requirements necessary to obtain such status.

This document aims to provide readers and decisions-makers with a practical tool summarizing the advantages and conditions of obtaining PSF status licenses. Through a dynamic presentation of the main categories of PSF, we will present the various PSF statuses that make up the financial sector landscape in Luxembourg, focusing additionally on the tax matters inherent to these structures. Lastly, fast-reference sheets are provided for each sub-group summing up the required conditions to retain PSF status depending on the licenses.

To begin with, to enlighten readers about the world of PSF, we will give brief but precise insight into the legal, regulatory and tax environments, including the framework of prudential supervision, applicable to PSF in Luxembourg.

Evolution in the number of PSF by category

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	09/2021
Investment firms	85	92	100	110	109	116	109	110	112	107	108	102	97	99	98	98
Specialized PSF	111	68	90	102	113	119	124	126	123	124	119	108	109	105	98	98
Support PSF	0	55	67	74	79	87	83	82	81	78	77	79	74	74	71	69
Total	196	215	257	286	301	322	316	318	316	309	304	289	280	278	267	265

Legal Environment

1 Legislative framework and key obligations

a. Definition of PSF

PSF are defined as those persons *"whose regular occupation or business is to exercise a financial sector activity or one of the connected or ancillary activities referred to in sub-section 3 of section 2 of [Chapter 2, part I of the Law] on a professional basis"*, to the exclusion of credit institutions and those persons contemplated in paragraph (2) of Article 1-1 of the Law (hereinafter the 'Law').

PSF can thus be defined as regulated entities providing financial services, which are not solely reserved for credit institutions, i.e. the receipt of deposits from the public.

The category of Professionals of the Financial Sector (PSF) encompasses three sub-groups, classified and defined as follows[1], depending on the type of business conducted and the nature of services provided:

Investment firms (article 24-1 to 24-9 of the Law)

With the Law of 21 July 2021, the articles affecting investment firms have been updated in order to harmonize the Luxembourg Regulation with the European Regulation. Consequently the provisions for investment firm activities have been updated in the Law of 5 April 2021 as amended.
They are defined as undertakings providing or performing respectively, on a professional and regular basis, investment services or investment operations for third parties, as defined in section A of Annex II of the Law:

1. Reception and transmission of orders in relation to one or more financial instruments (Art. 24-1)
2. Execution of orders on behalf of clients (Art. 24-2)
3. Dealing on own account (Art. 24-3)
4. Portfolio management (Art. 24-4)
5. Investment advice (Art. 24-5)
6. Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis (Art. 24-6)
7. Placing of financial instruments without a firm commitment basis (Art. 24-7)
8. Operation of an Multilateral Trading Facility (OTF) (Art. 24-8)
9. Operation of an Organised Trading Facility (OTF) (Art. 24-9)

The financial instruments referred to as part of the services and operations above are as follows (section B of Annex II of the Law):

1. Transferable securities
2. Money-market instruments
3. Units in undertakings for collective investment undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
6. Options, futures, swaps, and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market or an MTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6, and not being for commercial purposes, which have the characteristics of other derivative financial instruments
8. Derivative instruments for the transfer of credit risk
9. Financial contracts for differences
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF or an OTF
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC

In the same way as EU credit institutions, investment firms licensed in another Member State are, by virtue of Article 30 of the Law, authorized to conduct their business in the Grand Duchy of Luxembourg, either by establishing a branch or using the freedom to provide services by means of a simple notification to the authorities of the other European Union Member States.

These investment firms may only provide the ancillary services referred to in section C of Annex II of the Law in Luxembourg in conjunction with one of the above-mentioned investment services or operations.

1 See licenses in detail on first page of section III PSF profile analysis and specific data

These ancillary services are:

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/ collateral management
2. Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
3. Advice to undertakings on capital structure, industrial strategy and related matters; advice and services relating to mergers and the purchase of undertakings
4. Foreign exchange services where these are connected with the provision of investment services
5. Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments
6. Services related to underwriting
7. Investment services and activities as well as ancillary services of the type included under section A or C of appendix II of the Law relating to the underlying of derivatives included under points 5, 6, 7 and 10 of section B, where these are connected with the provision of investment or ancillary services

Specialized PSF[2]

Specialized PSF do not benefit from the European passport, but may carry out financial operations in Luxembourg.

Specialized PSF provide financial services in various sectors such as investment funds, company incorporation, management and domiciliation, securities lending, specific loan operations (leasing and factoring) or debt collection.

A list of the investment services provided by this type of PSF is given below in section III, paragraph 2-b (page 79).

Investment firms benefit from the European passport to offer their services and products.

2 Law of 28 April 2011

Support PSF
This category is specific in that it may not receive deposits from the public and acts principally as subcontractor of operational functions for the account of other financial sector professionals. They correspond to the PSF defined in Articles 29-1 to 29-6 of the Law.

The services provided by this type of PSF are as follows:

1. Client communication agents
2. Financial sector administration agents
3. IT systems and communication network operators of the financial sector
4. (Repealed by the Law of 21 July)
5. Dematerialization service providers
6. Conservation service providers

A comprehensive definition of the services provided by this category of PSF is given below in section III, paragraph 3-b (page 98).

PSCD *(Prestataires de Services de Communication de Données)*
These actors introduced by the law dated 30 May 2018 are entities providing at least one of the following activities:

- Approved Publication Arrangement (APA)
- Consolidated Tape Provider (CTP)
- Approved Reporting Mechanism (ARM)

b. Legal requirements
Although PSF are not commercial entities like others, they are nonetheless governed by the modified law of 10 August 1915. They are, however, also governed by the Law on the financial sector, which is completed by a multitude of national rules, CSSF circulars or other laws governing all aspects of the very diversified activities carried on by PSF.

Modified law of 5 April 1993[3]
The Law forms the basis of rules governing players in the financial sector and transposes into Luxembourg law many European directives applicable to the financial industry and particularly the banking sector.

This Law sets forth in particular the regulation on access to the financial services industry, professional obligations and other prudential rules and rules of conduct, prudential supervision, proceedings for the reorganization and winding up of financial sector professionals, as well as deposit guarantee and investor compensation schemes.

c. Professional obligations, prudential rules and rules of conduct
The Law specifies, particularly in part II, the professional obligations and rules that PSF and credit institutions must meet or observe. It should be noted that among these core requirements, some are only applicable to investment firms.

Applicable to all PSF
1. KYC[4] and combating money laundering and terrorist financing (Art. 39 of the Law and Art. 3 to 5 of the modified law of 12 November 2004)
Pursuant to the modified law of 12 November 2004 and to the amended CSSF regulation 12-02 PSF are subject to a set of rules necessary to combat money laundering and terrorist financing, giving rise to obligations in terms of due diligence in relation to their clients, appropriate internal organization and cooperation with authorities.

When initiating business relationships and throughout the term thereof, for any transaction in excess of €15,000[5] or if money laundering or terrorist financing[6] is suspected, and if in doubt about the initial identification of clients, PSF must take due diligence measures, including among others:

- Identifying clients on a through documentation basis and checking that such documents are genuine
- Identifying the beneficial owner of any legal entity, structure or group
- Obtaining information about the nature of the business relationship contem-plated and, throughout this business relationship, examining the transactions performed and the origin of funds to make sure that flows are consistent with the PSF's knowledge of their clients' activities

PSF must set up relevant measures and internal procedures in order to prevent and combat money laundering and terrorist financing.

3 www.cssf.lu section Laws, regulations and other texts, then Professionals of the financial sector (PSF)
4 'Know Your Customer' refers to the due diligence obligations vis-à-vis clients who are satisfied by proven knowledge of clients and the transactions they perform
5 Threshold reached in one or several transactions
6 In this case, the threshold of €15,000 does not apply

The monitoring measures taken are adapted to the risks inherent in the apparent nature of the business relationship. If these measures are introduced for any new client, they must nonetheless be appropriately reiterated for the PSF's existing clients.

If the PSF's client is an entity subject to the modified law of 12 November 2004 or another law or regulation requiring similar supervision, such as a credit institution, or a natural or legal person subject to heavy transparency requirements[7], the PSF is not obliged to apply the same due diligence as above.

In the event that money laundering or terrorist financing enquiries are conducted by the Luxembourg authorities and in order to meet the relevant legal requirements, PSF must keep documents concerning the due diligence measures taken for five years after the end of the business relationship. The same period of five years applies to the evidence supporting transactions from the date of execution or the end of the business relationship.

PSF must introduce appropriate internal measures and procedures to meet all the requirements described in the previous paragraphs with a view to preventing money laundering and terrorist financing.

To this end, PSF must in particular train their employees and raise their awareness. They must also apply a unique ID or specify an account number to the instructing party of an intercommunity transfer (the instructing party's address, name and account number are always required for a transfer outside the EU).

2. Obligation to cooperate with authorities (Art. 40 of the Law and Art. 5 of the modified law of 12 November 2004)

In anti-money laundering and the fight against terrorism matters, PSF must cooperate with the Luxembourg authorities through their representative[8], managers and employees. The representatives, managers or employees report by means of a declaration, as soon as possible and spontaneously, any suspicion of money laundering or terrorist financing to the State Prosecutor at the Luxembourg District Court. Similarly, they provide the State Prosecutor with all information necessary for procedures to be applied.

In such a case, the PSF must not perform any transaction it considers suspicious and it must not inform the client or the third party involved of the investigations in progress.

3. Professional secrecy (Art. 41 of the Law)

In the same way as credit institutions and other specific players in the financial sector in Luxembourg, natural and legal persons subject to the supervision of the CSSF, as well as all directors, members of management and supervisory bodies, managers, employees and other persons working for the PSF or natural and legal persons involved in the liquidation of PSF and all the persons designated, employed or appointed for any duty as part of a liquidation procedure, are required to keep secret any information confided to them in the context of their professional activities or appointment[9]. Disclosing such information covered by professional secrecy is punishable by the penalties laid down in Article 458 of the Penal Code, which makes provision for a prison sentence of between eight days and six months as well as fines from €500 to €5,000.

This obligation is limited: either the disclosure of such information is authorized or required by law, or it is required as part of exchanges of information with other domestic or foreign authorities in charge of financial sector prudential supervision and themselves subject to professional secrecy rules.

7 *Refer to Article 3-1 (2) of the modified law of 12 November 2004 for more information*
8 *Person appointed by the PSF, approved by the CSSF and interfacing with the CSSF in these matters*
9 *This obligation to maintain professional secrecy extends in the same way to the persons referred to in Article 16 of the modified law of 23 December 1998 on the creation of the CSSF (CSSF staff, registered company auditors, experts)*

Furthermore, the obligation does not apply specifically to shareholders or partners whose status or capacity is a precondition for the PSF to be licensed insofar as knowledge of the information is required for the sound and prudent management of the entity. The duty of professional secrecy is not applicable either to credit institutions and support PSF provided that the services these professionals extend are governed by a clear services agreement. Lastly, the duty is not effective for entities of a financial conglomerate regarding the disclosure of information required to perform supplementary supervision: through internal control departments of the group to combat money laundering and terrorist financing and for the relevant persons at the head of the group, concerning information disclosed to the State Prosecutor with the latter's consent. In February 2018, Article 40 of the Law was modified. The aim of this amendment was to modernize the current provisions and to facilitate the provisions on outsourcing.

Applicable only to investment firms

1. Organizational requirements (Art. 37-1 of the Law)

Even though all PSF are subject to organizational requirements, Article 37-1 strengthens these organizational obligations for investment firms since they provide investment services and operations for third-party clients who must be protected by sound and standardized management structures.

Therefore, investment firms must:

- Establish adequate policies and procedures, including their managers, employees and tied agents, to comply with their legal obligations
- Define appropriate rules governing transactions performed by their managers and employees
- Maintain and apply effective organizational and administrative arrangements with a view to preventing conflicts of interest as defined in Article 37-2 of the Law (see next page) from adversely affecting the interests of their clients
- Take reasonable steps to ensure continuity and regularity in the performance of their services and activities. To this end, they must establish appropriate and proportionate systems, resources and procedures
- Have a well-organized administrative and accounting system
- Where they rely on third parties for the performance of operational functions which are critical for the provision of services or the performance of activities, take reasonable steps to avoid undue additional operational risk
- Ensure records are kept of all services and transactions undertaken by them, in accordance with the provisions of the Commercial Code, which must be sufficient to allow the CSSF to monitor compliance with requirements and, in particular, obligations towards clients
- Where they hold financial instruments or funds belonging to clients, make appropriate arrangements to safeguard clients' ownership rights, especially in the event of insolvency, and to prevent the use of clients' financial instruments or funds for their own account except with clients' express consent

2. Conflicts of interest (Art. 37-2 of the Law)

Anticipating the existence of a residual risk in spite of the measures described above relating to the organizational or administrative arrangements to be made to prevent and manage conflicts of interest, the Law advises investment firms to clearly inform their clients of the general nature and sources of conflicts of interest before undertaking business on their behalf. In any case, investment firms must take all reasonable steps to identify conflicts of interest between themselves - i.e. their managers, employees and tied agents, or any person directly or indirectly linked to them by control - and their clients or between one client and another that arise in the course of providing any investment and ancillary services, or a combination thereof.

3. Rules of conduct when providing investment services to clients (Art. 37-3 of the Law)

The overall aim is to ensure that the investment firm has sufficient and adequate structures to serve clients appropriately, openly and in line with the client's risk profile.

As part of the investment activities and services provided to clients, investment firms must act fairly and honestly in the best interest of the client. To do so, they must particularly:

- Provide clients with clear and understandable information about themselves and the services they offer, for example about the financial instruments and investment strategies proposed, and the costs of such services
- Whether they provide investment advice services and asset management services or not, respectively obtain or seek the necessary information to assess their clients' knowledge and experience, financial situation or investment objectives. In certain circumstances, this may not be compulsory for investment firms providing only client order execution and/or receipt and transmission services
- Create a file with the documents approved by the parties specifying the rights and obligations of each of the parties for the provision of investment services
- Send their clients reports on the services provided

4. Best execution[10] (Art. 37-5 of the Law)

Through an efficient system applying an order execution policy known and approved by clients, investment firms must achieve the best possible result for clients when executing orders, given the relevant parameters, i.e. price, cost, speed, likelihood of execution and settlement, size and nature of the order.

For each category of financial instrument, the order execution policy particularly includes information about the execution systems and factors impacting the choice of the execution system, to guarantee that systems offering the best possible result for the execution of clients' orders are used.

Investment firms must be able to prove to their clients at any time that they executed their orders in accordance with their execution policy.

5. Client order handling (Art. 37-6 of the Law)

Investment firms authorized to execute orders on behalf of clients must implement procedures, which provide for the prompt and fair execution of client orders, relative to other client orders or their own trading interests. These procedures provide for execution depending on the date orders are received by the investment firm.

d. Reorganization, winding-up, and penalties

Here we examine the legal framework applicable to certain PSF suffering serious financial difficulties, as well as the penalties applied to PSF and more especially their managers, before focusing on the details of the authorization procedure.

1. Reorganization procedure (Art. 122 of the modified law of 18 December 2015 on the failure of credit institutions and certain investment firms

Like the next section on winding-up, the reorganization procedure or suspension of payments only applies to PSF responsible for managing third party funds: execution of orders on behalf of clients (Art. 24-2), dealing on own account (Art. 24-3), portfolio management (Art. 24-4), underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis (Art. 24-6), placing of financial instruments without a firm commitment basis (Art. 24-7), transfer agents or registrars (Art. 25), professional depositaries of financial instruments (Art. 26) and professional depositaries of assets other than financial instruments (Art. 26-1). Suspension of payments, which may only be sought of the Court by the CSSF or the PSF in question, may occur in the following cases:

10 Or duty to execute orders on the best possible terms for the client

- The PSF finds itself in an insoluble liquidity crisis
- The entire ability of the PSF to meet its commitments is compromised
- The PSF's license has been withdrawn but the withdrawal decision has not yet become final

Appointed by the judicial authorities, the administrator is responsible for managing the reorganization measures, and as such must authorize in writing any act or decision made by the PSF under penalty of it being null and void. The scope of the transactions subject to this authorization procedure may be adapted. In this management role, administrators partake in the governance of the PSF and make proposals that are submitted to the company's decision-making bodies.

2. Legal winding-up proceedings
A PSF may only go into voluntary winding-up if it informed the CSSF at least one month before calling the general meeting to decide on the winding-up. This voluntary winding-up decision shall not preclude the CSSF or the State Prosecutor from asking the Court for an order declaring the procedure for judicial winding-up applicable.

The dissolution and winding-up of the PSF in question occur when:

- The suspension of payments system is obviously not sufficient to remedy the situation
- The PSF's financial situation is such that it can no longer meet the commitments to all of its debtors, obligees and holders of participatory rights
- The authorization has been withdrawn and the withdrawal decision has become final

When ordering the winding-up, the Court shall appoint an official receiver and one or more liquidators. Please refer to the details of the modified law of 18 December 2015 on the failure of credit institutions and certain investment firms in Article 129 for a description of the manner in which the winding-up is to be carried out.

3. Administrative and criminal penalties (Art. 63 and 64 of the Law)
The persons responsible for the administration and management of PSF supervised by the CSSF may be fined from €250 to €250,000 in the event that:

- They fail to comply with applicable laws, regulations, statutory provisions or other requested information
- They refuse to provide accounting documents or other requested information
- They have provided documentation or other information that proves to be incomplete, incorrect or false
- They preclude performance of the CSSF's powers of supervision, inspection and investigation
- They contravene the rules governing the publication of balance sheets and accounts
- They fail to act in response to injunctions of the CSSF
- They act such as to jeopardize the sound and prudent management of the PSF concerned
- They do not comply with the provision of Regulation (EU) No 575/2013 and its implementing measures, insofar as these provisions shall apply to them

In the event of more serious acts, criminal sanctions are provided for that combine a prison sentence of between eight days and five years and a maximum fine of €125,000.

A PSF may only go into voluntary winding-up if it informed the CSSF at least one month before calling the general meeting to decide on the winding-up.

2 Authorization procedure

After defining the core legal bases forming the rules applicable to PSF, we will now describe in further detail the steps necessary to obtain a PSF's 'birth certificate': the authorization procedure to obtain the required PSF license.

a. License

To ensure that the financial sector is recognized for its quality and reliability, the regulating body requires that players in the sector, i.e. persons engaged in business in the financial sector on a regular and professional basis, or in any business related or complementary to an activity in the financial sector, undergo a license procedure to obtain the desired status. In addition, such activities may not be carried out (and the license will not be issued) through another person or as an intermediary.

However, pursuant to Article 1-1 (2) of the Law, the license is not required for those persons:

"[...] b) which provide investment services exclusively for their parent undertaking, for their subsidiaries or for another subsidiary of their parent undertaking;

c) which provide a service under this Law, exclusively to one or more undertakings forming part of the same group as the undertaking providing the service, unless otherwise provided; [...]."

Legal entities whose company's purpose requires that they obtain a license under the Law may be incorporated with this company purpose even before obtaining such a license from the Ministry of Finance, provided they applied for a license to the CSSF and undertook in writing not to conduct the business before obtaining it.

A change to the company's purpose, corporate name or legal form of a company already incorporated is issued directly by the CSSF. Similarly, the CSSF's license is sufficient to create and acquire subsidiaries in Luxembourg and abroad. The creation of agencies and branches in Luxembourg is no longer subject to a license.

Furthermore, the license that investment firms must have to extend their business to investment services or activities, or ancillary services not governed by their current license, now falls within the exclusive scope of the CSSF.

A company or other legal person, which has a license for a specific financial sector business, must not have a company purpose covering a business in the financial sector, which is not also covered by such license.

b. License procedure

The license is subject to obtaining a written authorization from the Ministry of Finance, which handles the license documentation filed to obtain the desired status. This written request is made to the CSSF, which prepares an application aiming to meet the requirements of the Law[11].

The application (see next point) may give rise to additional questions or requests after being examined.

Before transmitting the application to the CSSF, the applicant may contact the CSSF to request information on the qualification of an activity, on the need for an authorization, on the status requested, on the application documentation for the authorization file or any other important question relating to the applicant's project. The applicant may also request a meeting to present the project and to discuss certain aspects of it.

The absence of an answer from the authority within twelve months of receiving the application shall be deemed notification of a decision refusing it. An appeal against the CSSF's decision may be lodged with the administrative tribunal within one month after which it will be time-barred.

It should be noted that an authorization from the CSSF is required for any PSF established in Luxembourg wishing to change its purpose, name, legal form or to create or acquire agencies, branches or subsidiaries in Luxembourg or abroad. The same is true for any investment firm wishing to extend its business to other investment services or activities or to other ancillary services not covered by its license.

Once obtained, the license is valid for an unlimited length of time and the PSF may immediately commence business.

Moreover, the Law specifies that once a license is obtained, the members of the administrative, management and supervisory bodies of the PSF must notify the CSSF on their own initiative and in writing, in a complete, consistent and comprehensible manner, of any change to the material information on which the CSSF based its decision. This information particularly concerns the professional standing of the members of the above-mentioned bodies, the structure of the PSF's shareholding as well as its central administrative office and its infrastructure. By disclosing such information, the CSSF will have updated data.

c. Application file

The license application file must be sent together with all information as may be needed for the assessment thereof and with a schedule of operations specifying the type and volume of business envisaged and the administrative and accounting structure planned. In practice, this application for status as PSF generally includes the following information[12], which reflects a part of the requirements to be met to obtain the license:

- Presentation of the natural or legal person, where applicable, of the group to which this person belongs, with a presentation of the financial statements available for the last three years
- The reasons for and objectives of establishing the PSF in Luxembourg
- The information concerning the identity of shareholders
- A three-year business plan including the balance sheet and income statement
- The company's draft articles of association
- The CVs together with certificates of respectability of the directors and managers of the company in Luxembourg as well as criminal records from the authorities in their respective country of residence

11 If the activities contemplated and the services provided involve insurance products, the Commissariat aux assurances, in addition to the CSSF, shall approve the license documentation to ensure it complies with the modified law of 7 December 2015 on the insurance sector

12 This list is not exhaustive and the applicant must ensure it complies with all regulations applicable and in force at the time of applying for the license

- Presentation and demonstration by the applicant of the existence in Luxembourg of the central administrative office in accordance with CSSF circular 95/120 or 20/758 and of its registered offices[13]
- The name of the independent auditor who must be a registered company auditor with appropriate professional experience. The PSF's annual accounts must effectively be entrusted to an auditor with such experience and any change to the approved auditor must be justified and authorized beforehand by the CSSF
- Authorization shall be conditional on participation by investment firms in an investors' compensation scheme set up in Luxembourg and operated by the CSSF, meaning that it must provide cover in respect of claims arising out of the inability of an investment firm to:
  - Repay money owed to or belonging to investors and held, administered or managed on their behalf in connection with investment business
  - Return to investors any instruments belonging to them and held, administered or managed on their behalf in connection with the investment business

  Subject to the application of Article 195, paragraph 2 of the modified law of 18 December 2015 on the failure of credit institutions and certain investment firms, the aggregate investment business of each investor is covered, regardless of the number of accounts, the currency in which they are denominated and their location within the European Union, up to a value equivalent to €20,000.

d. Professional standing and experience

The personal data of authorized directors or managers is obtained to ascertain their professional standing and experience. The persons responsible for management must be empowered to determine the direction taken by the business and must prove their level of skill by having previously carried out similar activities with a sufficient level of responsibility and autonomy. They must be at least two in number and receive their authorization from the CSSF.

Pursuant to company law, a legal entity appointed as director must designate a permanent representative to fulfil these duties for and on behalf of the legal entity (Art. 441-3 of the modified law of 10 August 1915 on commercial companies). Under Article 441-9 of the same law, a legal entity appointed as director is liable to the company, in accordance with ordinary law, for fulfilling the duties entrusted and for any misdeeds committed in its management.

Any change to the persons responsible for the day-to- day running must be notified to the CSSF, which shall be free to request additional information. The CSSF checks that such new persons comply with the legal requirements in terms of professional standing and experience.

In accordance with the rules of procedure of the Luxembourg Law Society, a lawyer may not be involved in the day-to-day management of a financial sector professional.

Authorization shall be conditional on participation by investment firms in an investors' compensation scheme set up in Luxembourg and operated by the CSSF.

e. Central administration and organization

As the decision-making center, the PSF must have a sound internal governance system in Luxembourg with a clear and consistent organization and distribution of tasks, efficient processes for detecting and monitoring risks, appropriate internal control including sound administrative and accounting procedures and mechanisms for ensuring information system control and security[14].

13 A natural person must prove that he/she effectively conducts business in Luxembourg
14 On this subject, refer to CSSF circular 95/120 for specialized and support PSF or 20/758 for investment firms

The scope of the applicable CSSF circulars covering the aspects explained above varies according to the category of PSF, i.e. investment firms (most restrictive environment), specialized PSF or support PSF (least restrictive environment)[15].

f. Shareholding

Authorization to hold the status is subject to disclosing to the CSSF the identities of the shareholders and partners, whether direct or indirect, natural or legal persons, any qualifying holding[16] and the amounts of such holdings.

Thereby, the CSSF seeks to guarantee firstly the sound and prudent management of the PSF and secondly the transparency of the shareholding structure within the PSF to clearly identify the authorities responsible for the prudential supervision of the PSF and, where applicable, perform consolidated supervision of the group to which it belongs.

Refer to Article 18 of the Law for additional requirements regarding CSSF notification for cases of acquisition or sale of PSF in Luxembourg.

Furthermore, it is essential that the shareholders or partners of a PSF have sufficient financial resources that may be used if necessary.

g. Minimum capital or financial base

Conducting business as a financial sector professional is subject to a minimum capital or financial base requirement which varies depending on the risks involved in the various PSF statuses, the major decisive factor of which lies in whether third-party funds are managed or not. The capital or financial base requirement is between €75,000 and €750,000 depending on the PSF's operations.

For a detailed description of the minimum capital requirements, please refer to the individual data sheets of each status (chapter III) and to the fast-reference tables on first page of chapter III PSF profile analysis and specific data and in appendix 2 PSF in a nutshell.

Note that when a PSF holds several licenses, it must comply with the highest minimum capital of the statuses obtained.

15 On this subject, refer to section 4 of this chapter and Appendix 1
16 Qualifying holdings means a direct or indirect holding of 10% of the capital or voting rights and/or the ability to significantly influence the business management of the PSF to be licensed

The CSSF requires that the direct shareholders finance all ownership interest with their own equity, after deduction of any other ownership interests or losses carried forward. The aim is clearly to prevent direct shareholders from refinancing their ownership interest using borrowed funds (Art. 20 of the Law). Therefore, in particular, the share capital may not be brought by means of a loan contracted by the PSF shareholder with the PSF.

The financial base includes the share capital subscribed and paid up, issue premiums, legally formed reserves and amounts carried forward, minus any potential loss in the current fiscal year. According to the same article, it must be permanently available to the PSF and be invested in its own interest.

Owing to prudential concerns, a PSF may not grant loans to its shareholders, whether directors or employees. It is vital that any acquisition of interests in the share capital of a financial sector professional be made using one's own funds and not borrowed money. Now, granting advances and loans to the shareholders amounts to giving the share capital back to shareholders.

In this context, note should be taken of Article 430-19 (1) of the modified law of 10 August 1915 on commercial companies which stipulates: "A company may not directly or indirectly, advance funds or make loans or provide security with a view to the acquisition of its shares by a third party" except under certain conditions.

h. External audit

Authorization shall be conditional on the PSF having its annual accounts audited by one or more *réviseurs d'entreprises agréés* (approved statutory auditors) who can show that they possess adequate professional experience. Those *réviseurs d'entreprises agréés* (approved statutory auditors) shall be appointed by the body responsible for managing the PSF, usually the board of directors, board of managers, or the executive board.

Any change in the *réviseurs d'entreprises agréés* must be authorized in advance by the CSSF.

i. License withdrawal

Although issued for an unlimited length of time, the license will be withdrawn if:

- The PSF does not make use of the license within 12 months of it being granted
- The PSF expressly waives its license
- The PSF has not conducted any of the activities for which the license was obtained over a period of 6 months
- The conditions of granting PSF status are no longer met
- The license was obtained through misrepresentation or by any other irregular means
- In the case of a market operator operating an MTF or an OTF or of an investment firm, it has seriously and systematically infringed one of the provisions governing the operating conditions applicable to it
- The PSF (other than an investment firm) has seriously and systematically infringed Articles 36, 36-1 or 37 of the Law

The decision to withdraw the license may be deferred to the administrative tribunal, within one month, after which the appeal will be time-barred.

The board of directors of a PSF notifies the CSSF of any planned dissolution or voluntary winding-up with at least one month's notice prior to calling the general meeting to vote on the dissolution or winding-up.

A closing balance sheet must be drawn up and sent to the CSSF. The conditions of a voluntary winding-up must also be disclosed to the CSSF.

It is essential that the shareholders or partners of a PSF have sufficient financial resources that may be used if necessary.

3 Prudential supervision

a. Competent authority: Commission de Surveillance du Secteur Financier (CSSF)

Article 42 of the Law specifies that the CSSF, the entity established by the modified law of 23 December 1998, is the competent authority for financial sector professionals. It is responsible for the cooperation and exchange of information with other authorities and namely informs the competent authorities of other Member States responsible for the supervision of credit institutions and investment firms that it is in charge of receiving requests for exchanges of information or cooperation.

The CSSF conducts its activity in the public interest and satisfies itself that the laws and regulations relating to the financial sector as well as international agreements and Community law are complied with.

The prudential supervision role fulfilled by the CSSF on the financial sector is defined in part III of the Law and the CSSF has regulatory power by means of regulations, circulars and instructions, which are addressed to financial sector players.

b. Scope

The following PSF fall within the scope of the CSSF's prudential supervision:

- PSF organized and existing under the laws of Luxembourg (Activities conducted by these entities in another EU/EEA Member State, both by establishing a branch and via the freedom to provide services, are also subject to the prudential control of the CSSF. Certain areas of prudential supervision, particularly compliance with rules of conduct for the provision of investment services to clients, fall within the scope of the supervisory authority in the host Member State.)
- Branches of investment firms that are based outside the EU/EEA
- Branches of PSF other than investment firms based inside or outside the EU/EEA

The supervision of branches established in Luxembourg by investment firms from another EU/EEA Member State is based on the principle of supervision by the regulatory authority in the country of origin. However, certain specific aspects of the supervision fall within the scope of the CSSF, as the regulatory authority in the host Member State, particularly aspects relating to combating money laundering and terrorist financing.

c. Means of supervision

The CSSF has several instruments to exercise its supervision. The key means are as follows:

- Regular receipt of financial information used to permanently monitor the PSF' business and related risks. In addition, there is a regular check of the capital adequacy ratio and the limitation of large exposure for investment firms (Art. 56 of the Law)
- The report drawn up on a yearly basis by the registered company auditor. This report includes a certificate relating to combating money laundering and terrorist financing and a management letter dealing in particular with compliance with the Law and applicable CSSF circulars

- For investment firms, a detailed analytical audit report (CSSF circular 03/113 as amended by CSSF circulars 10/486, 13/571, and 21/768) broadly covering the risk control and internal control system, including compliance with rules of conduct and a description and assessment of the Internal audit and Compliance functions (refer to part 5 Role of the *réviseur d'entreprises agréé* for PSF for a detailed view of the role of the registered company auditor and the scope of relevant certificates). The CSSF may also expressly ask a registered company auditor to audit one or more aspects of the PSF's business or operations
- The CSSF is also sent, for specialized and support PSF, the annual internal audit reports on the controls performed over the last period and the reports by the PSF's management on the status of internal control. For investment firms, once a year, the authorized management shall confirm compliance with CSSF circular 20/758 by way of a single written sentence followed by the signatures of all the members of the authorized management to the CSSF, as well as provide the ICAAP report and the summary reports of the internal control functions
- On-site audits. Furthermore, since 2009 the CSSF has stepped up its work in the field by conducting an increasing number of this type of audit including welcome visits for newly licensed PSF within the first months following the ministerial authorization
- By virtue of CSSF regulation 16-07, the CSSF is also competent to receive complaints from clients sent to PSF and to take action with them to settle these disputes amicably
- Under the provisions of Article 57 of the Law, the CSSF must grant prior authorization to PSF wishing to have a qualifying holding[17]
- Lastly, the CSSF also has powers to sanction, i.e. rights of injunction and suspension in the event that legal provisions are breached or in the absence of guarantees with respect to the management and durability of the PSF's operations and commitments. The penalties also referred to in Article 59 of the Law, where the PSF has failed to remedy the injunctions within the allotted time, extend from suspending the persons responsible for the PSF's governance and management, to suspending the voting rights attached to the stocks or shares held by shareholders or partners having a negative influence on the sound and prudent management of the PSF, or suspending operations or a given business line of the PSF

17 Defined as being more than 10% of the capital or of the voting rights of the company in which the PSF invested

d. Supervision of investment firms on a consolidated basis

Consolidated supervision of investment firms is addressed by CSSF circular 00/22.

This circular only targets investment firms (company falling within the scope of Art. 24 of the Law) holding direct or indirect interests in other investment firms, financial institutions or credit institutions.

Supervision on a consolidated basis concerns at least the following:

- Supervision of the solvency and capital adequacy in relation to market risks
- Supervision of large exposures
- Appropriate organization of the group, particularly on administrative, accounting and internal control levels and in terms of group structure in general

e. Financial information to be regularly reported to the CSSF

CSSF circular 05/187 as amended and supplemented by CSSF circular 10/433 presents the outlines of financial information to be submitted to the CSSF.

f. Investment firm classification

On 26 June 2021, a new prudential regime entered into force for investment firms, composed of Regulation (EU) 2019/2033 (IFR) and Directive (EU) 2019/2034 (IFD).

Consequently, investment firms are now categorized into three different classes. The IFR/IFD regime applies to small and non-interconnected investment firms (Class 3); and other small and non-interconnected investment firms (Class 2). Large and systemically relevant investment firms (Class 1s) will continue to fall under the prudential regime of the CRR/CRD VI.

For Class 2 investment firms, the assessment of own funds must consider a broad range of aspects, namely:

a. The permanent minimum capital requirement;
b. The overheads requirement; and
c. The K-factor requirement.

For Class 3 investment firms, part (c) does not apply.

As for liquidity, the regulation determines that firms must hold liquid assets, such as cash and government bonds, for an amount at least equal to one third of the overheads requirement. In addition, investment firms that belong to Class 2 are obligated to constantly monitor and manage the concentration risk. As they are limited to hold an exposure to an individual client or group of connected clients of 25% of their own funds, further IFR/IFD lay out a comprehensive set of remuneration practices and rules.

As the global framework increasingly seeks to strengthen the ability to deal with the impacts of climate change, the EBA are producing a report introducing technical criteria for assessing exposures to activities primarily related to ESG. As of 26 December 2022, Class 2 investment firms must publish a report containing details about ESG-related risks.

The CSSF Circular 21/784 has introduced, Reporting Handbook for Investment Firms, a guide which combines, in one single document, the details as well as the technical specifications of the periodic prudential reporting of investment firms. It applies to all Class 2 and Class 3 investment firms.

The table below summarizes all the reports to be submitted to the CSSF:

<table>
<tr><th>Class 1</th><th>Class 1 Minus</th><th>Class 2</th><th>Class 3</th></tr>
<tr><td>Investment firms considered as credit institutions</td><td></td><td></td><td>Small and non-interconnected investment firms to which simplified requirements apply</td></tr>
<tr><td colspan="2">The firm deals on own account and/or underwrite financial instruments.

The firm is not a commodity/emissions allowance dealer.</td><td></td><td></td></tr>
<tr><td>Total consoli-dated assets > 30 billion</td><td>• Total consolidated assets > 15 billion
OR
• Total consolidated assets > 5 billion
• The firm elects to be subject to the CRR
• The firm is part of a group containing an EU credit insti-tution and subject to consoli-dated supervision under CRR
• The authority is satisfied that the election does not reduce your own funds requirements and is not for purposes of regulatory arbitrage</td><td>All investment firms unless they meet the specified criteria to be either “Class 1”, “Class 1 Minus” or “Class 3”.</td><td>• Investment firms that meet all the following:
• AUM < €1.2 billion;
• COH < (i) €100 million/day for cash trades; or (ii) €1 billion/day for derivatives;
• ASA, CMH, DTF, NPR or CMG, and TCD is zero;
• The on and off balance sheet total of the invest-ment firm is < €100 million;
• The total annual gross revenue from investment services and activities of the investment firm is less than €30 million, calculated as an average on the basis of the annual figures from the two year period immediately preceding the given financial year.</td></tr>
<tr><td>CRR - CRDIV Single super-visory mecha-nism, if located in the Eurozone</td><td>• CRR - CRDIV</td><td>IFR - IFD</td><td>IFR - IFD with exemption to report the following:
• Part 2 on own funds
• Part 3 on capital requirement
• Part 4 on concentration risk
• Part 6 on disclosure by investment firms
• Part 7 on reporting by investment firms</td></tr>
</table>

The table below summarizes all the reports to be submitted to the CSSF:

Table Ref	Title of the report	Frequency	Deadline
I.	Financial situation	Monthly	The 20th of the next month
II. 1.	Financial advisers	Monthly	The 20th of the next month
III. 2. A.	Brokers	Monthly	The 20th of the next month
II. 2. B.	Commission agents	Monthly	The 20th of the next month
II. 3.	Private portfolio managers	Monthly	The 20th of the next month
II. 4.	Professionals acting for their own account	Monthly	The 20th of the next month
II. 5.	Professional custodians of securities or other financial instruments	Monthly	The 20th of the next month
II. 6.	Distributors of units of investment funds	Monthly	The 20th of the next month
II. 7.	Underwriters	Monthly	The 20th of the next month
II. 8.	Registrar and transfer agents	Monthly	The 20th of the next month
II. 9.	Market makers	Monthly	The 20th of the next month
II. 10.	Professionals performing cash-exchange transactions	Monthly	The 20th of the next month
II. 11.	Debt recovery	Monthly	The 20th of the next month
II. 12.	Professionals performing credit offering	Monthly	The 20th of the next month
II. 13.	Professionals performing securities lending	Monthly	The 20th of the next month
II. 14.	Professionals performing money transfer services	Monthly	The 20th of the next month
II. 15.	Administrators of collective savings funds	Monthly	The 20th of the next month
II. 16.	*Managers of non-coordinated UCIs (REPEALED)*		
II. 17.	Client communication agents	Monthly	The 20th of the next month
II. 18.	Administrative agents of the financial sector	Monthly	The 20th of the next month
II. 19.	IT systems and communication networks operators of the financial sector	Monthly	The 20th of the next month
II. 20.	Professionals performing services of setting-up and management of companies	Monthly	The 20th of the next month
II. 21.	Corporate domiciliation agents	Monthly	The 20th of the next month
II. 22.	Professionals authorized to exercise all the activities permitted by Article 28 of the law of 15 December 2000 on postal services and financial postal services	Monthly	The 20th of the next month
III. 1.	Off-balance sheet	Quarterly	The 20th of the next month
III. 2.	P&L	Quarterly	The 20th of the next month

4 Key laws, CSSF circulars, and regulations

While this regulation can be regarded as central to the practical system introduced by the lawmaker to combat money laundering and terrorist financing, it must be taken as part of a broader regulatory fabric based on the modified law of 12 November 2004 and the Law (Art. 39 and 40).

The CSSF regulations and circulars form the core 'practical' dispositions with which PSF must comply. They apply to all or some PSF, meet legal obligations specific to the financial industry (combating money laundering and terrorist financing) or organizational requirements for one of the three categories of PSF, and further specify the systems introduced by the CSSF as part of its financial sector supervision (regular reporting) or impose financial ratios (capital adequacy). They provide guidance in establishing and maintaining the relevant financial or financial sector ancillary activities.

The main regulations and circulars issued by the CSSF are presented below. A fast-reference table of the regulations and circulars specifying their respective scopes of application is included in Appendix 1.

a. CSSF regulation 16-07 and CSSF circular 17/671 relating to the out-of-court resolution of complaints[18]

These are applicable to all PSF.

This regulation aims at defining the rules applicable to the requests for the out-of-court resolution of complaints filed with the CSSF and is specifying certain obligations incumbent on professionals in relation to the handling of complaints.

The procedure for handling the requests aims at facilitating the resolution of complaints against PSF without judicial proceedings. It is not a mediation procedure. The CSSF's intervention shall be subject to the principles of impartiality, independence, transparency, expertise, effectiveness and fairness.

The regulation points out the following obligations:

- Each PSF shall have a complaint management policy that is defined, endorsed and implemented by the management. It shall be set out in a written document and shall be formalized in an internal complaint settlement procedure made available to all relevant staff. Any possible conflicts of interests shall be able to be identified and mitigated
- The PSF shall ensure that each complaint as well as each measure taken to handle it are properly registered
- Clear, precise and up-to-date information on the complaint handling process shall be provided
- Data relating to complaint handling shall be analyzed, on a permanent basis, in order to enable the identification and treatment of any recurring or systemic problem, as well as any potential legal and operational risks
- The PSF shall provide contact details of the person responsible at the level of the management of the implementation and the efficient operation of the policy. The latter is required to communicate to the CSSF and to provide it with an as comprehensive as possible answer and cooperation. On an annual basis, a table including the number of complaints registered by the PSF, classified by type of complaints, as well as a summary report of the complaints and of the measures taken to handle them, must be communicated to the CSSF.

CSSF circular 17/671 provides details concerning the regulation, mentioning namely that the recording of complaints

18 www.cssf.lu section Laws, regulations and other texts, then Professionals of the Financial Sector (PSF) must be computerized and secured; that the respect of the policy must regularly be controlled by the compliance and internal audit functions; and that annual documents (table and report) shall be communicated to the CSSF no later than 1 March of each year and shall cover the previous calendar year.

b. CSSF regulation 12-02 on the fight against money laundering and terrorist financing[19] as amended by CSSF regulation 20-05

While this regulation can be regarded as central to the practical system introduced by the lawmaker to combat money laundering and terrorist financing, it must be taken as part of a broader regulatory fabric based on the modified law of 12 November 2004 and the Law (Art. 39 and 40). Together, these form the cornerstone of the subject, supplemented by other circulars, particularly CSSF circular 17/660 on instructing party information accompanying transfers of funds. This is in accordance with the EU regulation 2015/847 and the CSSF circular 17/650 relating to predicate tax offences. CSSF regulation 12-02 was amended in August 2020 by the CSSF regulation 20-05, and CSSF circular 17/650 was amended in July 2020 by the CSSF circular 20/744.

The modified law of 12 November 2004 points out the following elements:

- **Scope:**
  This law, relating to combating money laundering and terrorist financing, applies to PSF in Luxembourg, to branches and majority subsidiaries based in a third-party country (outside the EU), and to Luxembourg branches of foreign professionals

Professional obligations:

- Obligation to apply customer due diligence (cf. chapter 2 - Art. 3)
- Obligation to have adequate internal organization (cf. chapter 2 - Art. 4)
- Obligation to cooperate with authorities (cf. chapter 2 - Art. 5)
- Obligation to comply with the rules set forth in the EC Regulation 2015/847 dated 20 May 2015 on instructing party information accompanying transfers of funds

19 *www.cssf.lu section financial crime, then anti-money laundering and counter-terrorist financing*

CSSF regulation 12-02, as amended, reinforces and completes the applicable regulatory framework (which evolved following the law dated 18 February 2018) with regards to the following topics:

- Risk-based approach: equivalent countries are not exempted from risk assessment
- Overall risk related to the activity
- Individual risk related to the business relationship
- Customer due diligence:
  - Adequate documentation of all business relationships by adequate client questionnaire
  - Minimum documentation for legal entities
  - Verification of the validity of the proxies' mandate
  - Thresholds of ownership and control that may be below 25%
  - Information on the source of funds required for all clients
  - Documentation and safekeeping all information, documents, analysis and decisions for Client Due Diligence
  - Politically exposed persons to be detected with 'progressing' methods, including information obtained from the client, public sources, private information databases or other adequate measures
- Adequate internal management requirements: training program goes beyond an annual training session
- Cooperation with authorities
- Review by the *réviseur d'entreprises agréé*

This regulation gives a formal and legally binding nature to existing professional guidance set out previously by CSSF circulars.

CSSF circular 11/529 specifies the requirements for the risk analysis inherent to each PSF's business activities that must be set down in writing. The management shall first identify the risks of money laundering or terrorist financing. The management shall further set up a methodology in order to categorize these risks, and afterwards define and implement measures to mitigate the identified risks.

CSSF circular 17/650 introduced new requirements for professionals subject to the CSSF supervision and to requirements relating to money laundering and terrorist financing as amended by CSSF circular 20/744:
PSF now must consider the new predicate tax offenses such as aggravated tax fraud and tax evasion; namely the tax crimes related to direct and indirect taxes. CSSF circular 17/650 includes in its appendix examples of indicators likely to reveal potential laundering of a predicate tax offense. CSSF circular 20/744 issued in July 2020 amended annex 1 of the CSSF circular 17/650 and introduced new indicators to be taken into account in the context of collective investment activities.

c. CSSF circular 20/758 (replacing 12/552 as amended) – central administration, internal governance, and risk management[20]

This circular replaces CSSF circular 12/552 as amended for investment firms and is applicable from January 1, 2021.

The CSSF recently published updates to its CSSF Circular 12/552 dealing with internal governance and risk management:
The CSSF Circular 20/758 is applicable to investment firms; and the CSSF Circular 12/552 as amended remains, applicable to professionals performing lending operations.

The CSSF Circular 12/552 is thus once again amended in order to incorporate the principles of the EBA in terms of internal governance, as well as the regulatory requirements as set out in the CRR.

The CSSF decided to distinguish regulatory requirements applicable to investment firms through the CSSF Circular 20/758 and credit institutions and professionals performing lending operations through the CSSF Circular 12/552 as amended.

The CSSF circulars now apply to financial holding companies and mixed financial holding companies as well as to group companies when head offices are located in Luxembourg. The principle of proportionality is clarified depending on the level of complexity observed by the investment firm. The analysis of the application of principle must be effective, documented, and then validated by the management body in light of the activities, their volume, and their complexity in order to ensure sound and prudent monitoring of its risks.

This circular gathers the regulatory obligations that investment firms PSF will need to satisfy. As regards professionals performing lending operations as defined in Article 28-4 of the modified law of 5 April 1993 relating to the financial sector, only the chapter on credit risk in the risk management section of the amended CSSF circular 12/552 shall apply (Part III Chapter 3, except sub-chapter 3.4, and Part III Chapter 2 paragraph 12).

This new CSSF Circular repeals CSSF Circular 12/552 (which remains applicable for credit institutions and PSF having the

20 www.cssf.lu section Laws, regulations and other texts, then Professionals of the Financial Sector (PFS)

Art. 28-4) and introduces a new governance framework specifically applicable to investment firms. It is jointly published with CSSF Circular 20/757, highlighting the main changes between CSSF Circular 12/552 and CSSF Circular 20/758.

The CSSF Circular 20/758 implements four EBA guidelines in Luxembourg, updating the governance framework in force of investment firms:
EBA Guidelines on internal governance (EBA/GL/2017/11);
Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12);
EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02); and
EBA Guidelines on corrections to modified duration for debt instruments (EBA/GL/2016/09).

The implementing procedures on central administration as specified in CSSF circular 95/120 are also integrated, as well as all the provisions on risk management. Thus, while the majority of the provisions in the CSSF circular 20/758 (replacing CSSF circular 12/552) are not new per se, there is a strong emphasis on further formalization needed in order to document internal governance arrangements and the way internal control activities are conducted.

What is the three-lines-of-defense model?
The institutions shall establish internal governance arrangements, which are consistent with the three-lines-of-defense model:

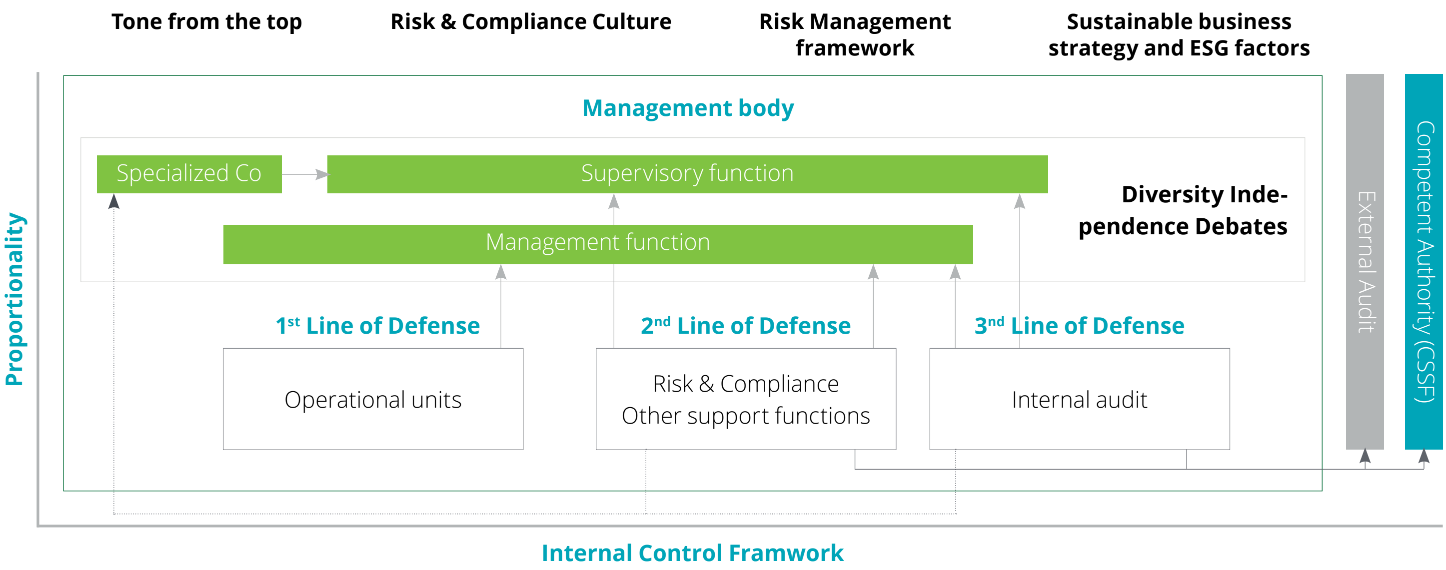
- The first line of defense consists of business units that take or acquire risks under a predefined policy and limits, and carry out controls
- The second line is formed by the support functions, including the financial and accounting function, the IT function, as well as the compliance and risk control functions which contribute to the independent risk control
- The third line consists of the internal audit function which provides an independent, objective and critical review of the first two lines of defense

The three-lines-of-defense are complementary, each line of defense assuming its control responsibilities regardless of the other lines.

What is new for the board of directors?
The concept of 'fit and proper' is introduced, meaning that the collective skills of a board of directors should be in line with the complexity and the challenges of the business and that sufficient time must be dedicated to the role of director, with disclosure of other mandates and on-going training required. The CSSF circular 20/758 reflects the final guidelines from the European Banking Authority on the assessment of the suitability of members of the management body and key function holders in terms of reputation, experience and governance.

Independent board members are recommended (especially for larger institutions): independent means the absence of "any conflict of interest which might impair his/her judgment because he/she is bound by a business, family or other relationship with the institution, its

The 3 Lines of Defense Model



controlling shareholder or the management of either". The chairman cannot be a member of the authorized management.

At least annually, the board of directors should assess and approve the alignment of the risk and capital profile with business strategy, the adequacy of the organizational and operational structure and the efficiency and effectiveness of the internal control, including appointments and revocations of the persons in charge of the internal control functions (internal audit, compliance and risk control) in written.

What is new for the authorized management?
The same 'fit and proper' concept as for the board of directors applies and the authorized management should have an absolute understanding of the organizational and operational structure of the institution, in particular in terms of the underlying legal entities.

Regularly and at least annually the authorized management reports to the board of directors on the implementation, adequacy, effectiveness and compliance with the internal governance arrangements, including the state of compliance and internal control. An annual written and signed confirmation of full compliance with the CSSF circular 20/758 shall be transmitted to the CSSF and explanations in case of non-full compliance.

The authorized management implements all the strategies and guiding principles through written policies and procedures, in particular the risk policy (with risk tolerance and limits) and the capital and liquidity policy.

What is new for the internal control functions?
At least once a year, each internal control function shall prepare a summary report on its activities and operation, which should include a statement to the authorized management of the main recommendations on existing or emerging problems, significant shortcomings and irregularities since the last report, the measures taken in this respect, etc. This summary report is submitted to the board of directors and, where appropriate, the specialized committees for approval and to the authorized management for information.

A new product approval process shall be defined in written. In particular, it describes the changes in the activities subject to the approval process as well as the implementation of the approval process, including the responsibilities. It includes a risk analysis including compliance aspects and can be triggered by the internal control functions.

The outsourcing policy should include reporting requirements to which the service providers and control mechanism which the institution implements in this respect are subject from inception to the end of the outsourcing agreement. For each outsourced activity, a person must be designated to manage the outsourcing relationship and access to confidential data. Specific rules are required for IT outsourcing.

Specific requirements

Know your structure
- The management body should fully know and understand the legal organizational and operational structure of the institution

Outsourcing
- The management body approves regularly reviews and updates the outsourcing policy

Complex structures and non standard activities, or potentially non transparent
- Guiding principles set up the Bank to ensure that complex and unusual activities or potentially non transparent are subject to an enhanced assessment and an ongoing follow up of risks with a particular focus on financial crime.

New product approval
- Apply to all **new products, services, markets systems** and **processes or customers**
- Should be align with risk strategy and appetite
- All necessary conditions to address the requirements of the new activity should exist
- The risk management and compliance functions should be involved and provide **a full and objective assessment of risks**
- No new activity should be undertaken before formal **approval**
- The compliance function should systematically provide **a prior assessment** and documented opinion for new products or significant changes to existing products.

Management of Conflicts of Interest
- **All conflicts of interest** existing or potential must be identified, assessed, managed and mitigated or avoided when conflicts continue to exist, the policy determine

In addition to the new CSSF Circular 20/758 and in light of the COVID-19 pandemic, the CSSF Circular 21/796 outlines rules for governance and security requirements for supervised entities to perform tasks or activities through tele-work.

The CSSF reiterates its concerns on adequate identification and assessment of all forms of concentration risks, not only credit. In particular, it can take the form of intra-risk concentration (groups of customers or counterparties, countries, sectors, specific products or markets) or inter-risk concentration as a result of various risks combined. Intra-risk or inter-risk concentration may result in economic and financial losses as well as in a significant and negative impact on the risk profile of the institution, so that the various consequences should be assessed as well.

A pricing mechanism that takes into account all risks incurred should be implemented, documented, approved by the authorized management and supervised by the risk control function. The objective is to act as an incentive to effectively allocate the financial resources in accordance with the risk tolerance and the principle of sound and prudent business management. While the circular pays specific attention to the liquidity transfer-pricing system, other forms of risks should be considered in the exercise.

What is new for the other functions?
The Information Security Officer is in charge of the protection of the information. An escalation mechanism should be in place to report any exceptional issue to the highest level of the hierarchy, including the board of directors.

A policy on management of conflicts of interest, notably for transactions with related parties (not only should they be at arms' length, but they should not impair solvency, liquidity situation or risk management capacities from a regulatory or internal point of view) as well as internal whistleblower arrangements should be in place.

d. CSSF circular 95/120 – central administration[21]

This circular is applicable to specialized and support PSF. It has been replaced by CSSF circular 12/552 as amended for investment firms and recently by CSSF circular 20/758. However, the concepts, the principles are the same.

This circular reflects Article 17 of the Law and stipulates that to obtain a license for PSF status, the entity must not merely have a legal registered office in Luxembourg, but its central administrative office, thus inferring the existence of its decision-making center and its administrative center in Luxembourg.

The circular specifies the meaning of 'central administration' which corresponds to managerial and business functions, as well as operational and control functions. It further defines the notion of 'center' to and from which extend all the PSF's components, implying the existence of sufficient technical and human resources necessary for its operations.
The first notion does not simply stop at the managers (of which there must be at least two) authorized by the CSSF, who are responsible for managing the PSF and empowered to direct the PSF's business. It further includes the persons responsible for the various administrative and business units or departments forming the entity's infrastructure, who must also, in principle, be permanently based in Luxembourg.

If the PSF conducts business abroad through branches, the day-to-day running of such branches is carried out by managers assigned to them who are granted powers by the registered office bodies. The latter must be able to monitor and be involved in such branches' operations and major decisions.

The second notion of 'center' implies that the PSF has, in Luxembourg:

- Its own skilled operating staff in sufficient numbers to carry out the decisions made
- Its own operating systems, i.e. procedures and technical infrastructure
- Documentation relating to operations
- Support functions in accounting and data processing
- Internal control

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More specifically, the organization must satisfy the following requirements:

- The PSF must have sufficient, skilled operating staff whose tasks, duties, powers and reporting relationships are described and set out in an organizational chart. The principle of separation of tasks must be observed in order to prevent mistakes and improper acts
- Correct conduct of operations requires that PSF draft complete, clear and monitored procedures describing execution systems, i.e., the logical steps involved in operations from initiation to archiving, as well as the documents used and the regular checks to be performed
- All the commitments made by the PSF and the related decisions must be documented. This documentation must be kept up-to- date, retained according to legal requirements and be easy to consult
- The administrative infrastructure of the business functions must guarantee correct application of decisions made
- Accounting must be based on an accounting department responsible for the accounting management of the PSF. This department must centralize the accounting entries recorded by other departments, as applicable, and is responsible for preparing the PSF's annual accounts and regular reports to be sent to the CSSF

e. The amended CSSF circulars 96/126[22] 17/656[22] and 06/240[22] – administrative and accounting organization and IT subcontracting

These circulars are applicable to specialized and support PSF. They have been replaced by CSSF circular 12/552 for investment firms and recently by CSSF circular 20/758. However, the concepts, the principles are the same.

Reflecting Article 17 (2) of the Law which requires PSF to furnish evidence of good administrative and accounting organization, these circulars follow on from the previous circular 95/120 and provide guidelines on how such an organization functions (they should, in fact, be read in conjunction). They further specify the IT security measures that PSF must put in place to meet banking secrecy requirements. The recommendations made in these circulars are to be adapted to each PSF according to operations and size.

The department in charge of the day-to-day management is responsible for implementing this organization the rules of which are defined in writing and which reflect its powers and the way they are delegated while pursuing the following goals:

- Correctly manage assets and property
- Adequately conduct operations
- Fully and correctly record operations and produce reliable and swiftly available information
- Implement the decisions made by management and by persons acting on its authority and under its responsibility and ensure compliance with rules governing the PSF's business

A procedures manual is drafted and contains at least the procedures applying to administrative organization and accounting, plus definitions of positions and related responsibilities.

The accounting management must:

- Identify and record all the transactions undertaken by the entity
- Explain changes to the accounting balances from one cut-off to the next by tracking flows that have impacted the accounting items
- Draw up the accounts in accordance with the accounting and valuation rules defined by accounting legislation and applicable CSSF regulations
- Produce and disclose information on a regular basis to the supervisory authority
- Keep all accounting documents according to the legal provisions in force
- Prepare, as applicable, financial statements according to the chart of accounts in force in the shareholder's country of origin with a view to preparing consolidated accounts
- Produce reliable management information that is swiftly available to management so that it can closely monitor the entity's financial situation and its compliance with budgetary data. This information will be used as a management control instrument and will be all the more effective if it is based on cost accounting

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As regards IT, CSSF circular 17/656 covers four cases in detail:

- Use of an IT subcontractor for services that are not IT system and communication network management and operations services
- Use of IT subcontracting within the group
- Use of IT subcontracting within the group, but abroad
- Use of IT subcontracting provided by a related PSF in Luxembourg

In all cases, use of a third party for IT services must comply with the fundamental rules, which aim to ensure that IT subcontracting is properly managed and that financial professionals retain responsibility for organizing and overseeing these delegated operations.

Subcontracting must be managed within the framework of a documented policy approved by the board of directors. The latter must base its decision to outsource on an in-depth analysis of the financial, operating, legal and reputation risks in particular.

Subcontracting will give rise to a services agreement with specifications containing the following information: continuity and revocability of the relationship subcontracting, maintained integrity of internal and external control, a clear description of the parties' responsibilities, and explicit conditions concerning the possibilities of cascade subcontracting.

PSF planning to contract out operations must check, by means of contract or legal analysis, whether or not they need to inform their partners and particularly their clients.

For each subcontracted activity, a manager will be appointed to handle the subcontracting relationship.
The PSF must find the means to operate despite the occurrence of unforeseen events such as failures in communication with the IT services provider.

The PSF must be able to transfer subcontracted services to another provider or to handle them internally again when the continuity or quality of the service is jeopardized.

A PSF using the services of a support PSF (Art. 29-1 to 29-6 of the Law) must notify the CSSF thereof and furnish evidence that it has observed the conditions presented in CSSF circular 17/656.

Pursuant to Article 41 (5) of the Law, the obligation to maintain secrecy does not exist in relation to credit institutions and support PSF (targeted by Art. 29-1 to 29-4) insofar as the information communicated to those professionals is provided under an agreement for the provision of services.

In all the other cases, a PSF using such IT subcontracting shall not be relieved of its responsibility as regards professional secrecy.

Circular 06/240 provides certain clarifications particularly on the responsibilities of the PSF in matters of confidentiality when it uses a support PSF for services other than those requiring a license, on the qualification of a subcontracted technical service to determine whether or not it requires an OSIRC license (IT system and communication network operator), on the migration of systems and data, and on use of IT subcontracting by a subsidiary or branch of a financial professional located abroad.

The CSSF Circular 17/654 amended by 19/714, 21/777, and 21/785 is intended to clarify the regulatory framework applicable to the use of a cloud computing infrastructure provided by a third party. This circular discloses the definition of cloud computing and the requirements to respect in case of outsourcing based on a cloud computing infrastructure.

The new CSSF Circular 21/777 amends CSSF Circular 17/654 with the guidelines of the ESMA on outsourcing to cloud service providers and the reliance on a cloud computing infrastructure.

f. CSSF circular 98/143 – internal control[23]

This circular is applicable to specialized and support PSF. It has been replaced by CSSF circular 12/552 for investment firms and recently by CSSF circular 20/758. However, the concepts, the principles are the same.

This circular presents and develops the principles of adequate internal control applicable to PSF in accordance with Article 17 (2) of the Law.

To satisfy the following aims:

- The objectives set by the undertaking are achieved
- Resources are used efficiently and economically
- Risks are adequately managed and assets are protected
- Financial and management information is complete and reliable
- Laws and regulations as well as in-house policies, plans, rules and procedures are observed

The circular specifies the respective responsibilities of the entity's board of directors and management and the internal control system to be introduced.

It must comprise three components:

- It must comply with CSSF circulars 95/120 and 96/126 examined above for specialized and support PSF and CSSF circular 20/758 for investment firms
- There must be a system of identifying, measuring, limiting and reporting on the PSF's operational and financial risks
- There must be an internal audit function to regularly assess internal control

This internal control system must also include various levels of control set out as follows in the circular:

- Daily controls performed by operating staff
- Ongoing critical controls performed by people responsible for the administrative processing of operations
- Controls performed by managerial staff on the activities and duties for which they are directly responsible
- Controls performed by the internal audit department, which must have a number of characteristics: internal audit must be independent, be conducted on a permanent basis and be described, together with the relevant objectives and, powers within an audit charter. The members of this department must also be objective and have proven professional skills. Lastly, the extent of the audit work may not be restricted and it must be carried out according to an audit plan containing the audit engagements which give rise to written reports highlighting recommendations

g. CSSF circular 07/307 as amended by CSSF circulars 13/560, 13/568 and 14/585 – rules of conduct in the financial sector[24]

This circular, which applies solely to investment firms, defines the organizational requirements and rules of conduct in the financial sector (transposing the Directive on Markets in Financial Instruments (MiFID) 2004/39/EC and Directive 2006/73/EC).

Regarding organizational requirements, chapter 3 of this circular includes the board of directors' responsibility, the authorized management's responsibility and provides further detail about risk management, compliance and internal audit functions.

In October 2013, the European Securities and Markets Authority (ESMA) published the French version of its guidelines on remuneration policies and practices (MiFID). Circular 14/585 transposes these guidelines into Luxembourg regulation in the form of an annex V of CSSF circular 07/307.

The rules of conduct are set forth under the following principles:

1. Client categorization (chapter 5)

The MiFID provides for a differentiated application of the rules of conduct depending on the type of client. It draws a distinction between retail clients, professional clients and eligible counterparties

2. The assessment of whether the service to be provided is suitable for and appropriate to the client (suitability and appropriateness tests) (chapter 6)

Article 37-3 (4) of the Law and Article 41 (2) of the MiFID Grand-Ducal regulation require that when undertakings provide investment advice or portfolio management services, they must take into account the client's knowledge of and experience in investing, its financial situation and investment objectives so as to recommend suitable investment services and instruments (suitability test).

When the investment service provided is other than investment advice or portfolio management, undertakings must check, in accordance with Article 37-3 (5) of the Law, whether the client has the necessary experience and knowledge to understand the risks involved in the investment product or service proposed or requested (appropriateness test)

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3. Conflicts of interest (chapter 7)
All undertakings must take reasonable measures to detect potential conflicts of interest between their own interests (including those of their managers, employees and any tied agents), on the one hand and, on the other, their duties to each of their clients, and between the diverging interests of two or more of their clients, the undertaking having obligations vis-à-vis each of their clients

4. Benefits (inducements) (chapter 8)
Article 30 of the MiFID Grand-Ducal regulation provides that, to be acceptable, remuneration, commission or non-monetary benefits paid to or collected by a firm in connection with an investment service must firstly aim to improve the quality of the service provided to the client, and secondly, be disclosed to the same. Furthermore, benefits paid to or collected by an undertaking must not prevent it from fulfilling its obligation to act in the client's best interests

5. Obligation of best execution (chapter 9)
Article 37-5 of the Law and Articles 51 to 54 of the MiFID Grand-ducal regulation set forth in detail the reasonable steps to be taken by firms to obtain the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order

6. Client order handling rules (chapter 10)
Undertakings are required to introduce procedures and provisions guaranteeing prompt and fair execution of client orders relative to other client orders or their own trading interests

7. Information to existing and potential clients (chapter 11)
Superseded CSSF circular 2000/15 already included an obligation to make adequate disclosure of relevant information in dealings with clients, with the aim of enabling the client to make a well- considered investment decision on an informed basis. The obligations of which the undertakings have to inform their clients are considerably reinforced by the MiFID law. Thus, all information, including marketing communications, addressed by the undertaking to existing or potential clients, must be fair, clear and not misleading

8. The need for a written document establishing the rights and duties of the parties (chapter 12)
Under paragraph (7) of Article 37-3 of the Law, undertakings providing clients with investment services must establish in writing the terms and conditions governing the provision of services and the rights and duties of the parties. They may be incorporated by reference to other documents or legal texts. A framework agreement or the general terms and conditions between the undertaking and the client may, if necessary, fulfill this requirement

9. Reports to be provided to clients (chapter 13)
The MiFID law provides that reports on the execution of orders which do not come within the scope of portfolio management (Art. 47 of the MiFID Grand-ducal regulation), reports concerning portfolio management (Art. 48 of the MiFID Grand-ducal regulation) and statements of clients' financial instruments and funds (Art. 50 of the MiFID Grand- ducal regulation) must be sent to clients on a regular basis. The detailed rules concerning information to be sent to clients and the frequency of reports vary depending on the nature of the investment service provided and the client category, i.e. retail or professional

10. Records to be retained (chapter 14)
Under Article 61 (3) of the MiFID Grand-ducal regulation, the CSSF is responsible for drafting and updating a list of minimum obligations regarding records with which undertakings are required to comply. Account is taken, inter alia, of the terms of Article 37-1 (6) of the Law requiring that undertakings keep a record of any service they have provided and of any transaction they have executed to enable the CSSF to monitor their compliance with all obligations arising under MiFID, namely their obligations towards their clients

11. Rules applicable in specific competitive situations (chapter 15)
The undertaking must refrain from taking or from attempting to take clients from a competitor using methods contrary to fair competition practices. It must not, in particular, seek to receive and use for this purpose any confidential information about a competitor's clients that is available to a member of its staff previously employed by the competitor. It shall also ensure that employees do not make any active use of such information for the same purpose

h. CSSF circular 07/290 as amended by CSSF circulars 10/451, 10/483, 10/497 and 13/568 - definition of capital adequacy ratio[25]
Circular 07/290 as amended by CSSF circulars 10/451, 10/483, 10/497 and 13/568 applies solely to investment firms, excluding all enterprises only authorized to provide investment advisory services and/or receive and communicate orders from investors without holding any funds and/or securities of their clients. It defines a capital adequacy ratio, seeking to ensure that investment firms have sufficient capital with regard to credit, dilution, operational and foreign exchange risks, risks of basic product price fluctuations and portfolio risks.

The capital adequacy ratio is the ratio between eligible capital and the global capital required to cover the different types of risks. Investment firms must have sufficient capital at all times to cover their global capital requirement on an individual basis and, as applicable, on a consolidated basis. Eligible capital forming the numerator of the ratio includes tier-1 capital, tier-2 capital, and tier-3 capital.

i. CSSF circulars 01/28[25], 01/29[25], 01/47[25] and 02/65[25] - concerning domiciliation
In the context of the modified law of 31 May 1999 governing domiciliation of companies, these four CSSF circulars address various aspects of the domiciliation activity in Luxembourg.

CSSF circular 01/28 stipulates the persons and companies authorized to operate as corporate domiciliation agents.

CSSF circular 01/29 lists the minimum content of a corporate domiciliation agreement.

CSSF circular 01/47 defines the professional duties applying prior to and after entering into a domiciliation agreement for corporate domiciliation agents subject to CSSF supervision. It also provides general guidelines for domiciliation agents encountering conflict of interest situations.

Lastly, CSSF circular 02/65 provides further detail to the modified law of 1999 as regards the notion of registered office.

j. CSSF circular 10/437 - guidelines concerning compensation policies in the financial sector[25]
This circular aims to improve the way financial institutions take, manage and control risks, by defining guidelines namely on the structure of compensation and the process of preparing and implementing compensation policies.

From this perspective, CSSF circular 10/437 stipulates the scope of application, the exclusions, the structure of the compensation policy, and the disclosure, monitoring and entry into effect of the guidelines.

k. CSSF circular 12/544 - optimization of the supervision exercised on the support PSF by a risk-based approach[25]
This circular implements a risk assessment and management process for the provision of services to the financial sector for support PSF, relying on:

1. The application of the principle of proportionality according to the importance of the activity exercised in the financial sector by the support PSF
2. Self-assessment and management taken into account regarding risks the support PSF exposes the financial sector to and which are subject to an annual risk assessment report (RAR) by the support PSF; a description of the activities exercised in the financial sector, the organization and infrastructure—to be

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provided annually in a descriptive report (DR)—will facilitate the understanding and analysis of the risks reported in the RAR

l. CSSF circular 13/554 – evolution of the usage and control of the tools for managing IT resources and management access

This circular applies to all PSF and concerns the tools allowing the management of access rights to IT resources connected to a network and/or the centralized registration and administration of most of these resources.

The PSF must always have full control over the resources under their responsibility and the corresponding access to these resources, primarily for compliance and governance reasons and secondly in order to protect confidential data subject to professional secrecy.

The technical note annexed to the circular provides the mandatory technical rules and focus on preventive controls implementation since corrective controls are not considered as sufficient and should be performed as a contingency solution in case of preventive control failover.

m. CSSF circular 18/697 – relating to alternative investment fund managers

This circular applies to depositaries of alternative investment fund managers AIFs. It presents the depositaries' duties with regard to asset custody, supervisory obligations, and obligations regarding the monitoring of financial flows. It establishes a custodian liability regime for alternative investment funds and their investors.

It presents the legal framework applicable to the AIFs, the criteria of eligibility, and approval in order to be depository of AIFs. It also presents in terms of governance and organization, the need for conflict of interest policies and internal procedures, internal rules, and the specific obligations of the depositary.

The CSSF states that in order to avoid any conflict of interest, no delegation or sub-delegation of the investment management function can be accepted by the depositary.

n. CSSF circular 18/698 – relating to investment fund managers incorporated under Luxembourg law

This circular applies to investment fund managers under Luxembourg law (IFM) and sets out the specific anti-money laundering and terrorist financing provisions applicable to IFMs and entities exercising the function of registrar agent.

The important points of this circular are:

- A list of all important definitions, such as "delegate" and "key functions"
- The conditions for obtaining and maintaining approval for an IFM
- The organization of the IFM with the conditions of exercise for the members of the IFM governing body(1,900 hours and 20 mandates maximum per year)
- The system of central administration and internal governance, with the requirements in terms of organization, procedures, and reporting.
- The specific organizational arrangements including the framework and limits of the delegation
- The conditions for obtaining and maintaining the approval of IFMs that have UCI management activities.

Any new IFM must, as part of the approval file, be submitted to the CSSF, include a risk management procedure (RMP) in accordance with the appropriate framework. Next, an update must be communicated to the CSSF at least once a year within five months of the end of the IFM financial year.

o. CSSF circular 20/750 – relating to requirements regarding information and communication technology (ICT) and security risk management

This circular implements in Luxembourg the EBA Guidelines on ICT and security risk management (EBA/GL/2019/04, "the guidelines"). The guidelines establish the requirements for credit institutions, investment firms, payment institutions and electronic money institutions to mitigate and manage their ICT risks, aiming to ensure a consistent and robust approach across all European Union (EU) member states. However, the circular extends the scope of the guidelines to include all PSF. The guidelines give financial institutions a better understanding of the supervisory expectations for risk management, covering areas such as ICT governance and strategy, ICT risk management frameworks, information security, ICT operations management, ICT project and change management, and business continuity management. The guidelines are principle-based and flexible enough to be applied to all the sector's relevant institutions.

p. Law of 10 July 2020 establishing a register of fiducies and trusts

This law dated July 2020 is in line with European regulations on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

Under Directive 2018/843 of the European Parliament and the Council of 30 May 2018 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the Fifth AML Directive), Member States are required to maintain inter-connected and publicly available national ultimate beneficial owner (UBO) registries. Following the adoption of the law of 13 January 2019 (the "RBE Law") establishing a register of beneficial owners of Luxembourg entities, Luxembourg is fully transposing the Fifth AML Directive into national law by establishing a register of fiducies and trusts (the "RFT Law"). The RFT Law repeals the law of 10 August 2018 on the information that Luxembourg fiducies must obtain and hold, as its relevant provisions have been directly incorporated into the RFT Law.

The law has several components:

- **Obliged entities:** all fiducies (including foreign) and express trusts for which a fiduciaire or a trustee is established or domiciled in Luxembourg, as well as all fiducies and express trusts for which the fiduciaire or trustee is established in a third country, where the fiduciaire or trustee enters into a business relationship in Luxembourg with a professional subject to the AML Law of 12 November 2004.

- **Obligation for trustees and fiduciaires to obtain and keep data relating to beneficial owners:** trusts or fiducies will need to be transparent about all the parties involved in these particular structures, including the person who set up the fiducies/trust, the fiduciaire/trustee, and the beneficiaries that the assets belong to. Failing to comply with the new law could lead to fines of up to €1.250 million. Trusts/fiducies can apply for exemptions if the beneficiaries are at risk of fraud, kidnapping, blackmail, extortion, harassment, violence or intimidation, or if the beneficial owner is a minor or legally incapable.

  Administration of the register of fiducies and trusts: the Administration of Registration, Domains and VAT (AED) will oversee the register wherein the trustees and fiduciaries will have to enter certain information they are obliged to collect.

- **Access to the register of fiducies and trusts:** in principle, access to the register will be reserved for national authorities; self-regulatory bodies exercising their supervisory role in the fight against money laundering and the financing of terrorism; and for professionals in the context of applying customer due diligence measures. However, the law leaves the door open to any natural or legal person who demonstrates a legitimate interest in the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

- **Cooperation:** the Financial Intelligence Unit (FIU), supervisory authorities, and self-regulatory bodies will be able to cooperate closely and exchange any information obtained, which is necessary to fulfill their respective missions in the fight against money laundering and the financing of terrorism. In addition, the supervisory authorities will be able to cooperate with their foreign counterpart authorities.

q. CSSF circular 20/750 requirements regarding information and communication technology (ICT) and security risk management

This circular implements in Luxembourg the EBA Guidelines on ICT and security risk management (EBA/GL/2019/04, "the guidelines"). The guidelines establish the requirements for credit institutions, investment firms, payment institutions and electronic money institutions to mitigate and manage their ICT risks, aiming to ensure a consistent and robust approach across all European Union (EU) member states. However, the circular extends the scope of the guidelines to include all PSF. The guidelines give financial institutions a better understanding of the supervisory expectations for risk management, covering areas such as ICT governance and strategy, ICT risk management frameworks, information security, ICT operations management, ICT project and change management, and business continuity management. The guidelines are principle-based and flexible enough to be applied to all the sector's relevant institutions.

Key regulatory aspects
Along with implementing the guidelines, the circular:

- Updates the existing CSSF Circular 12/552 (replaced by the CSSF Circular 20/758 for investment firms from January 1, 2021) to align it with the guidelines
- Repeals Circular CSSF 19/713, which implemented EBA/GL/2017/17

  The circular also includes additional requirements for payment service providers (PSPs), which are required to provide an up-to-date and exhaustive risk assessment to the CSSF annually. The form and deadlines are as follows:

  - For credit institutions, this assessment, signed by the

management body, must be submitted as soon as possible after the closing of the financial year and no later than 30 April of each year.
- For payment institutions and electronic money institutions, this assessment must be included in a dedicated section of the management report on internal control, which must be published in accordance with the requirements set out in Circular CSSF 15/614, no later than the last day of the third month following the closing date of the financial year.

r. CSSF Circular 20/743 - on the provision in Luxembourg of investment services or performance of investment activities and ancillary services

The circular is an amendment of CSSF Circular 19/716, which specifies the concept of services provided "in Luxembourg". In this matter, the circular clarifies the procedure that third-country firms must comply with in order to benefit from the regime laid down in Art. 32-1 of the Law of 1993, after which third-country investment firms may benefit from the free provision of services and EU passporting in Luxembourg.

If one of the following conditions is met, the CSSF considers the investment service as provided in Luxembourg:

- The third-country firm has an establishment (e.g. a branch) in Luxembourg;
- The third-country firm provides an investment service to a retail client established or situated in Luxembourg; or
- The place at which the "characteristic service" is supplied, i.e. the essential service for which payment is due, is in Luxembourg.

s. CSSF Circular 21/785 - Replacement of the prior authorization obligation by a prior notification obligation in the case of material IT outsourcing

The circular applies to all PSF which intend to rely on material IT outsourcing, now require formal approval by the CSSF. This circular also specifies the requirements related to cloud computing services.

5 Role of the *réviseur d'entreprises agréé* for PSF

a. The *réviseur d'entreprises agréé's* mission in relation to investment firms

The role of the *réviseur d'entreprises agréé* in relation to investment firms is fully set out in the amended CSSF circular 03/113 and supplemented by CSSF circulars 13/571 and 21/768.

These circulars define, in general, the role and mission of the *réviseur d'entreprises agréé* as regards of the statutory audit of the annual accounts, and more specifically, they stipulate the subjects that must be analyzed in the analytical audit report.

Report on the annual accounts

The annual accounts must be audited in accordance with International Standards on Auditing (ISAs) published by the International Federation of Accountants (IFAC), adapted or completed as required by national legislation or practices.

Audit work and compliance with legal and prudential provisions

The audit must encompass all areas of the investment firm, i.e. balance sheet and off-balance sheet operations.

It must cover all branches abroad and all of the investment firm's foreign subsidiaries for the purpose of monitoring compliance with Luxembourg's anti-money laundering standards and rules of conduct, in particular.

In accordance with the circulars, the auditor must verify compliance with all of the following legal and prudential provisions:

- Compliance with part II of the Law and the provisions laid down by CSSF regulation 12-02 on the fight against money laundering and terrorist financing as amended and, with particular regard to the new CSSF circulars 21/765 and 21/768. These amend Part 10 of the long-form audit report by providing further details on investment firm procedures concerning the prevention of money laundering and terrorist financing.
- Compliance with Article 37 of the Law concerning prudential rules in the financial sector and particularly the principles laid down by CSSF circular 91/78 on the segregation of assets and the proper application of internal procedures in force in this respect.
- Compliance with Article 37-1 to 37-9 of the Law and the principles laid down by CSSF circular 07/307 MiFID as amended concerning rules of conduct in the financial sector, and proper application of internal procedures for the implementation of such rules of conduct.
- Compliance with the principles enacted by the CSSF circular 20/758 as amended, on central administration, internal governance and risk management; the following items are highlighted as mentioned in CSSF circular 13/571:
  - Chapter 5 of Part II dealing with the administrative, accounting and IT organization.
  - Chapter 6 of Part II on internal control.
  - Sub-chapter 7.4 of Part II relating to outsourcing.
  - Chapter 3 of Part III on credit risk.
  - Chapter 5 of Part III relating to private wealth management.
- Compliance with all other circulars applicable to the PSF referred to in CSSF circular 03/113 as amended, and other circulars subsequently issued by the CSSF and specifically requesting the involvement of the *réviseur d'entreprises agréé*.

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Annual analytical audit report

The report must include the following sections:

1. Mandate
2. Significant events
3. Organization and administration
4. Activities and analysis of related risks
5. Scheduled reporting to the CSSF
6. Prudential ratios
7. Analysis of the annual accounts
8. Professional anti-money laundering and anti-terrorism financing obligations
9. Professional obligations in respect of rules of conduct
10. Branches
11. Relations with affiliated undertakings
12. Monitoring of problems raised in previous reports
13. General conclusion

Consolidated analytical audit report

The consolidated analytical audit report must be drawn up in accordance with the same principles and framework as the annual analytical audit report. It does, however, focus on information specific to the consolidated reporting entity.

The consolidated analytical audit report must explain the scope of consolidation in detail and any changes that have occurred in the scope during the year under review, together with the list of interests that are not included within the consolidated report, with the reasons for such exclusion. For each consolidated entity, the method of consolidation must be specified.
If an investment firm subject to CSSF consolidated supervision is exempt from publishing consolidated accounts or when the scope of consolidation of the consolidated accounts published differs from the scope of consolidated supervision, the consolidated analytical audit report must be based on the consolidated accounting situation corresponding to the scope of consolidated supervision performed by the CSSF.

The consolidated analytical audit report briefly sets out the various points in the framework for each consolidated subsidiary.

b. The *réviseur d'entreprises agréé*'s mission in relation to specialized and support PSF

There is not (yet) any circular dedicated to the mission of the *réviseur d'entreprises agréé* in relation to specialized and support PSF.

For both specialized and support PSF, the *réviseur d'entreprises agréé* must, however, certify in a compliance report that the entity complies with professional anti-money laundering obligations and rules of conduct.

The *réviseur d'entreprises agréé* also issues a letter of recommendation once a year to the board of directors, which the latter forwards to the CSSF. This letter contains the observations relating particularly to compliance with laws and circulars applicable to the PSF. The *réviseur d'entreprises agréé* considers:

The consolidated analytical audit report aims to provide an overview of the group's situation and information about the group's organization and operations as well as its management and risk structure.

- Compliance with part II of the Law and the provisions laid down by CSSF regulation 12-02 on the fight against money laundering and terrorist financing as amended
- Article 36-1 of the Law
- CSSF circular 95/120 on central administration
- CSSF circular 96/126 on administrative organization and accounting procedures
- CSSF circular 98/143 on internal control, as amended
- CSSF circulars 01/47 and 01/29 applicable to company administrators, if relevant
- The amended CSSF circulars 17/656 and 06/240 relating to administrative organization and accounting procedures and IT outsourcing reports significant deficiencies in the letter of recommendation attached to the compliance report.

Lastly, the *réviseur d'entreprises agréé* is required by law to promptly report to the CSSF any serious facts discovered during the audit.

c. The *réviseur d'entreprises agréé's* mission in relation to branches of PSF

For the purpose of the task of auditing accounts, the *réviseur d'entreprises agréé* must, in certain cases, express an opinion on the PSF's branches. The *réviseur d'entreprises agréé*'s mission depends primarily on the nationality of the PSF's branch.

Non-European branches

Whatever the type of PSF chosen, the *réviseur d'entreprises agréé* must assess compliance with regulatory provisions concerning:

1. The central administrative office of the branch
2. The branch organization
3. Internal branch supervision and internal audit
4. The branch's IT organization and subcontracting
5. The financial information to be reported on a regular basis to the CSSF by PSF
6. Anti-money laundering and combating terrorist financing within the branch

In the analytical audit report drafted for investment firms only, the registered company auditor must include an assessment of branches concerning:

1. Compliance with regulations relating to asset managers, as applicable
2. Compliance with regulations on consolidated supervision
3. The Compliance function
4. Compliance with regulations relating to rules of conduct in the financial sector (MiFID)

The analytical audit report is designed to describe and analyze the financial and organizational findings made by the réviseur d'entreprises agréé during the audit

European branches

The *réviseur d'entreprises agréé*'s task is less extensive for European branches owing to the fact that they are subject to equivalent rules as those in force in Luxembourg.

The *réviseur d'entreprises agréé* must nonetheless ensure that European branches of investment firm PSF comply with regulations on rules of conduct in the financial sector (MiFID) and comply with regulations on combating money-laundering and terrorist financing within the branch, irrespective of the category of PSF.

6 Accounting requirements

PSF are subject to the accounting principles set forth by the modified law of 19 December 2002 (title II, chapters II and IV) for the annual accounts and by the modified law of 10 August 1915 (section XVI) on commercial companies, for consolidated accounts.

The annual accounts must give a true and fair view of the assets, the liabilities and the income statement of the PSF. Furthermore, the presentation of the balance sheet and the income statement may not change from one year to the next.

Under the modified law of 19 December 2002, a Grand-Ducal regulation made with the benefit of an opinion of the *Commission des normes comptables* determines the form and content of the layouts of the balance sheet and the profit and loss account.

According to Grand-Ducal regulation of 18 December 2015, the balance sheet is presented as follows:

Assets	Capital, reserves, and liabilities
A. Subscribed capital unpaid **I. Subscribed capital not called** **II. Subscribed capital called but unpaid**	**A Capital and reserve** **I. Subscribed capital** **II. Share premium account** **III. Revaluation reserve** **IV. Reserves** 1. Legal reserve 2. Reserve for own shares 3. Reserves provided for by the articles of association 4. Other reserves, including the fair value reserve a. Other available reserves b. Other non-available reserves **V. Profit or loss brought forward** **VI. Profit or loss for the financial year** **VII. Interim dividends** **VIII. Capital investment subsidies**
B. Formation expenses	**B. Provisions** 1. Provisions for pensions and similar obligations 2. Provisions for taxation 3. Other provisions
C. Fixed assets **I. Intangible fixed assets** 1.Intangible assets 2. Concessions, patents, licenses, trade marks and similar rights and assets if they were: a. acquired for valuable consideration and need not be shown under C.I.3 b. created by the undertaking itself 3. Goodwill, to the extent that it was acquired for valuable consideration 4. Payments on account and intangible fixed assets under development	**C. Creditors** 1. Debenture loans a. Convertible loans: i. becoming due and payable within one year ii. becoming due and payable after more than one year b. Non-convertible loans: i. becoming due and payable within one year ii. becoming due and payable after more than one year 2. Amounts owed to credit institutions: a. becoming due and payable within one year b. becoming due and payable after more than one year

II. Tangible assets

1. Land and buildings
2. Plant and machinery
3. Other fixtures and fittings, tools and equipment
4. Payments on account and tangible assets either under construction or in the course of construction

III. Financial assets

1. Shares in affiliated undertakings
2. Loans to affiliated undertakings
3. Participating interests
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests
5. Investments held as fixed assets
6. Other loans

3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
4. Trade creditors:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
5. Bills of exchange payable:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
6. Amounts owed to affiliated undertakings:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
8. Other creditors
   a. Tax authorities
   b. Social security authorities
   c. Other creditors:
      i) becoming due and payable within one year
      ii) becoming due and payable after more than one year

D. Current assets

I. Stocks

1. Raw materials and consumables
2. Work in progress
3. Finished goods and goods for resale
4. Payments on account

II. Debtors

1. Trade debtors:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
2. Amounts owed by affiliated undertakings:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year
4. Other debtors:
   a. becoming due and payable within one year
   b. becoming due and payable after more than one year

III. Investments

1. Shares in affiliated undertakings
2. Own shares
3. Other investments

IV. Cash at bank and in hand

D. Deferred income

E. Prepayments

According to Grand-Ducal regulation of 18 December 2015, the profit and loss account is presented as follows:

1. Net turnover

2. Variation in stocks of finished goods and in work in progress

3. Work performed by the undertaking for its own purposes and capitalized

4. Other operating income

5. Raw materials and consumables and other external expenses
   a) Raw materials and consumables
   b) Other external expenses

6. Staff costs
   a) Wages and salaries
   b) Social security costs
      i) Relating to pensions
      ii) Other social security costs
   c) Other staff costs

7. Value adjustments
   a) In respect of formation expenses and of tangible and intangible fixed assets
   b) In respect of current assets

8. Other operating expenses

9. Income from participating interests
   a) Derived from affiliated undertakings
   b) Other income from participating interests

10. Income from other investments and loans forming part of the fixed assets
   a) Derived from affiliated undertakings
   b) Other income not shown under a)

11. Other interest receivable and similar income
   a) Derived from affiliated undertakings
   b) Other interest and similar income

12. Share of profit or loss of undertakings accounted for under the equity method

13. Value adjustments in respect of financial assets and of investments held as current assets

14. Interest payable and similar financial expenses
   a) Concerning affiliated undertakings
   b) Other interests and similar expenses

15. Tax on Profit or loss

16. Profit or loss after taxation

17. Other taxes not shown under items 1 to 16

18. Profit or loss for the financial year

The Accounting Law permits small-size undertakings to draw up abridged balance sheets, profit and loss accounts, and notes to annual accounts.

According to the modified Law of 19 December 2002, the notes to the accounts must contain information concerning in particular:

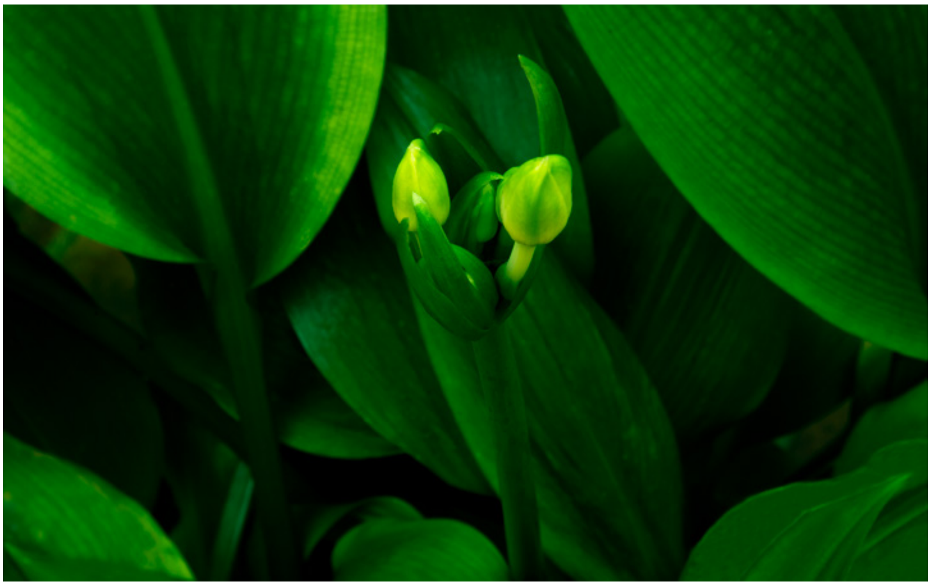
- The accounting policies and measurement bases applied to the various items of the annual accounts
- The name and registered office of undertakings in which the undertaking, either itself or through a person acting in its own name but on the undertaking's behalf, holds at least 20% of the capital with the percentage of capital held as well as the amount of capital and reserves and the profit/loss of the last year of the undertaking in question for which the accounts have been approved
- The average number of staff employed during the financial year
- The amount owed by the undertaking becoming due and payable after more than five years as well as the undertaking's entire debts secured by collateral on assets furnished by the undertaking with an indication of the nature and form of the collateral
- The name and registered office of the company, which prepares the consolidated accounts of the largest group of companies of which the undertaking is a subsidiary, etc.

The minimum content of the notes to the annual accounts is stipulated in section 8 of the modified law of 19 December 2002.

The law of 30 July 2013 reforming the Commission des Normes Comptables and amending various provisions relating to the accounting and annual accounts of undertakings as well as consolidated accounts of certain forms of companies has introduced requirements for support PSF which are thereby required to comply with the standard chart of accounts (*plan comptable normalisé*). They are no longer exempt and have to file their annual accounts applying the eCDF platform.

The Accounting Law permits small-size undertakings to draw up abridged balance sheets, profit and loss accounts, and abridged notes to annual accounts provided they do not exceed at least two of the three limits mentioned in the Law dated 18 December 2015 (relating to the total balance sheet, the net turnover and the average number of full-time staff employed during the financial year). These options do not apply to undertakings whose securities are admitted to trading on a regulated market of any Member State of the European Union. Please refer to our brochure "Illustrative Annual Accounts in accordance with Luxembourg GAAP" dated November 2020 for more detail.

Support PSF are, since the law of 30 July 2013, required to comply with the standard chart of accounts.



Tax Environment

1 Corporate Income Tax (CIT)

Taxable income

CIT is calculated on the operating profit as posted in the balance sheet. Certain restatements must be made on that basis to obtain the taxable base to which the tax rate will apply, as certain categories of income are exempt and certain expenses are not tax deductible (the main restatements are given below).

Exempt income

'Parent company and subsidiaries' regime:

Dividends and gains received from subsidiaries of a Luxembourg entity may be exempt from CIT and from MBT if the following conditions are met:

- The beneficiary holds or undertakes to hold, directly or indirectly, an interest qualifying for the regime for an uninterrupted period of 12 months
- The interest does not fall below the 10% threshold or its acquisition price below €1.2 million (€6 million for capital gains) during that time
- Entities benefitting under this regime are listed in Article 166 of the Law on Income Tax (LITL).

Exemption from withholding tax on dividends:

Dividends paid by Luxembourg entities may be exempt from withholding tax subject to the following conditions:

- The beneficiary holds or undertakes to hold, directly or indirectly, an interest qualifying for the regime for an uninterrupted period of 12 months
- The interest does not fall below the 10% threshold or its acquisition price below €1.2 million during that time.

Nevertheless, there is an anti-abuse clause included in the Law in order to prevent artificial schemes.

This regime includes eligible parent companies based in a country with which Luxembourg has signed a double taxation treaty (DTT) and is fully liable for a tax corresponding to the CIT.

Exempt income under a double taxation treaty:

Several categories of income are covered by such treaties, which should be referred to on a case-by-case basis depending on the type of income and the country in question. However, a permanent entity or real estate assets are meant to capture taxation in the related country.

The "Parent-Subsidiary" Directive has been amended to include an anti-hybrid loan mismatches provision and a common anti-abuse rule to prevent misuse of the directive and to ensure a greater consistency in its application in different Member States. The Law of 18 December 2015 transposed these amendments applicable on revenues allocated after 31 December 2015.

For further details:

Art. 147 and 166 LITL

Circular no. 153-1 LITL of 22 November 2004

Grand-Ducal regulation of 21 December 2001

Directive of 30 November 2011 (2011/96/UE) amended by the Directive of 8 July 2014 (2014/86/UE) and the Directive of 21 January 2015 (2015/121/UE) on the common system of taxation applicable to parent companies and subsidiaries

Double taxation treaties: http://www.impotsdirects.public.lu/ conventions/index.html

Non-deductible expenses

The tax law provides that a number of expenses are not tax-deductible including:

- Distributed earnings
- Director's fees or pay
- Penal and administrative fines
- Donations made to non-recognized organizations
- Expenses relating to exempt income
- Non-deductible taxes (including CIT, MBT and NWT)
- Additional provisions for payments depicted in section 9.10 regarding ATAD

For further details:
Art. 12, 45 and 168 LITL

Other deductions from the taxable base

- Donations and gifts paid to organizations recognized by law and subject to certain conditions
- Losses which can be carried forward to future results for 17 years only for losses incurred as from 2017

For further details:
Donations and gifts: Art. 109 and 112 LITL
Losses available for carry-forward: Art. 114 LITL and LITL circular No. 114/2 of 2 September 2010

Tax rate

Since 1 January 2020:

- If the taxable base is less than €175,000, the CIT rate is 15% (or 16.05% including the employment fund contribution tax)
- Between €175,000 and €200,000, the CIT rate is €26,250 plus 31% of the revenue above €175,00
- Above €200,001, the rate is set at 17% (or 18.9% including the employment fund contribution tax)

For further details:
Art. 173 and 174 LITL

Tax relief

The tax law makes provisions for various types of tax credit applicable to the CIT base such as tax relief for investments (see hereafter).

Investments made in commercial companies are granted income tax relief, on request:

- The relief is equal to 13% of the additional investment in depreciable tangible assets, other than constructions, made during the business year in question
- The relief for global investment is granted in respect of investments made during the business year.

It amounts to:

- 8% for the first range up to €150,000 and 2% for the investment range in excess of €150,000 as regards:
  - Investments in depreciable tangible assets other than constructions
  - Investments in sanitary facilities and central heating integrated into hotel buildings
  - Investments in welfare buildings
- 8% for the first range up to €150,000 and 2% for the investment range in excess of €150,000 as regards investments in fixed assets eligible for special depreciation
- Since 1 January 2018, 8% for the first range up to €150,000 and 2% for the investment range in excess of €150,000 as regards investments in purchased of software. The credit will not apply to software created by the company, which would be able to benefit from the intellectual property (IP) hereinafter.

Within a single corporate group, each software purchase will be able to benefit from the credit regime only once, and no credit will be allowed for software purchased from another group entity. Once a taxpayer requests the tax credit for the purchase of software, it would not be allowed to request the application of the IP regime for the income generated by such software.

The tax benefit from the regime may not exceed 10% of the tax due for the year of the software acquisition.

However, the following investments are excluded:

- Assets ordinarily depreciated over a period of less than three years
- Assets acquired by a bulk transfer of a company
- Second-hand goods
- Certain motor vehicles

Second-hand goods are, however, eligible for investment tax relief up to €250,000 when they are invested by the taxpayer to establish a first entity.

For further details:
Art. 152 bis LITL
Circular no. 152 bis LITL of 14 November 1994
Grand-Ducal regulation of 29 October 1987

2 Municipal Business Tax (MBT)

Taxable income

The MBT taxable base is calculated using a method similar to CIT. The base is 3% of the adjusted taxable operating profit. A rebate of €17,500 is provided for entities liable for CIT and of €40,000 for other taxpayers.

Tax rate

The MBT rate varies from one locality to another. The rate for the city of Luxembourg is 225%, i.e. a global rate of 6.75% (3%x 225%).

For the city of Luxembourg, including CIT, MBT, and the employment fund tax, the effective rate is therefore 24.94%.

For further details:
Art.11 MBT law
MBT circular No. 37 of 15 September 2003

3 Net wealth tax (NWT)

Net Wealth Tax

The tax applies to the value of all goods, rights and assets making up the wealth as at 1 January of each year, minus any liabilities burdening such wealth.

Just like CIT and MBT, restatements must be made to determine the unitary value including the exemption of significant interests (special 'parent company and subsidiaries' regime).

Assets must generally be valued at the fair market value except for real estate located in Luxembourg, which is valued at a set-rate value based on 1941 prices.

Once the unitary value of the entity is determined, the applicable rate to be applied on the company's total net assets is:

- A rate of 0.5% on the total net assets up to €500 million
- A rate of 0.05% on the total net assets as from €500 million and more.

All collective entities with their statutory seat or central administration in Luxembourg are liable to the minimum NWT, regardless of whether they are regulated. Luxembourg permanent establishments of foreign companies are beyond the scope of the minimum NWT on the basis that, in principle, foreign companies have their statutory seat or central administration outside of Luxembourg.

The amount of minimum NWT due by a Luxembourg collective entity depends on the composition of its balance sheet. For this purpose, Luxembourg collective entities are divided into two categories:

- Tax resident collective entities irrespective of being regulated or not, that have qualifying holding and financial assets (i.e. fixed financial assets, transferable securities and cash at bank) exceeding both 90% of their total gross assets, and the amount of €350,000 will be subject to a minimum NWT of €4,815 (including the unemployment fund surcharge)
- Tax resident entities other than those that hold mainly financial items (broadly speaking such as operating companies). Those are subject to a progressive minimum NWT depending on the total assets of their balance sheet. The tax ranges vary from:
  - €535 (for a total balance sheet up to €350,000) to...
  - €32,100 (for a total balance sheet exceeding €30 million). These amounts include the unemployment fund surcharge.

For further details:
NWT Law
Contributions Director circular net wealth tax of 28 March 2014

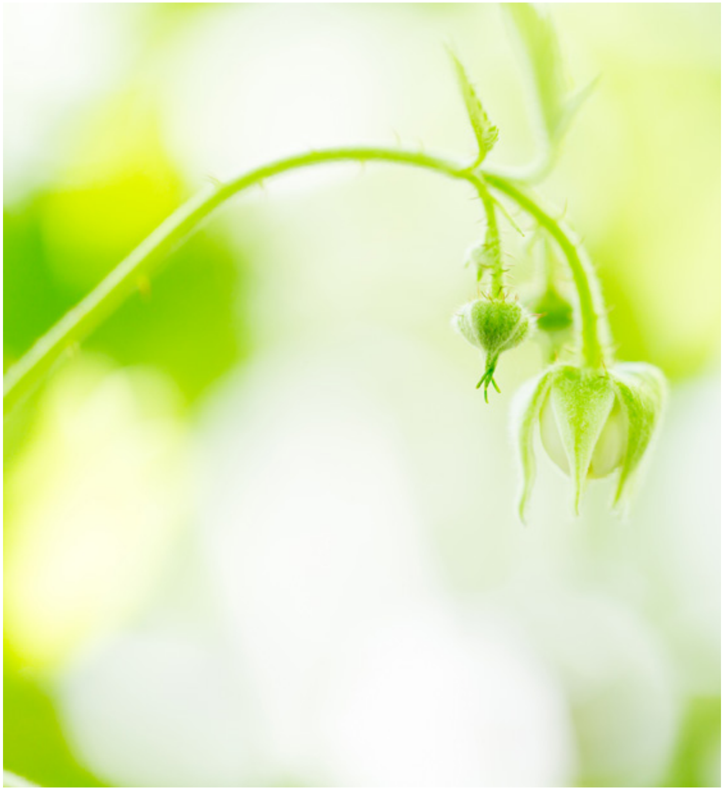
Tax reduction

Luxembourg law allows a NWT reduction by creating a special reserve that equals five times the amount of the NWT due given fiscal year for which the reduction is requested and by keeping the said special reserve during the following five years. The amount of NWT that can be reduced is limited to the amount of CIT (including the contribution to the unemployment fund) before any tax credits, which is due for the preceding tax year.

The NWT reduction cannot exceed the difference between the Net Wealth computed based on the unitary value and the minimum Net Wealth after reduction.

Just like CIT and MBT, restatements must be made to determine the unitary value including the exemption of significant interests.

4 Obligations to declare—CIT, MBT, and NWT



Failure to pay or late payment: interest charge of 0.6% per month.

Failure to submit or late submission of tax return: 10% of tax due and a fine of up to €25,000.

Tax returns

Must be filed by 31 May following the fiscal year for CIT, MBT, and NWT.

However, in practice tax returns can be filled until the 31 December of the following year. Since 1 January 2018, tax returns must be completed online except for specific cases.

According to the law, 2021 tax returns should be filed before 31 May 2022. However, according to the administrative practice, an extension may be granted until 31 December 2022. Please consult your tax advisor for further advice.

Payment of tax

Advance payments are to be paid on a quarterly basis:

- CIT: 10 March, 10 June, 10 September, and 10 December
- MBT and NWT: 10 February, 10 May, 10 August, and 10 November

Tax notices

Taxes assessed are payable within one month of notification by Luxembourg tax authorities.

5 Value added tax

Liability

A taxable person for VAT purposes is *"anyone who performs in an independent and regular manner, operations connected with any economic activity, regardless of the aims or results of such activity and the place in which it is conducted"*. Thus, PSF are generally considered as taxable persons, which implies various VAT obligations.

VAT group

Persons established in Luxembourg, including Luxembourg fixed establishment of foreign persons, legally independent but closely bound by economic, organizational and financial links could set up a VAT group. The main effects of the VAT group are that supplies of goods and services between members of the VAT group are disregarded for VAT (i.e. not subject to VAT), that members of the VAT group are jointly liable for the VAT due by the VAT group and that consolidated VAT returns must be filed by the VAT group including all transactions of the members with third parties

VAT rate

The standard Luxembourg VAT rate is 17%, thereby currently being the lowest within the EU.

In addition to that, there is a super-reduced rate, a reduced rate and an intermediary VAT rate of 3%, 8%, and 14% respectively, applicable to specific supplies of goods or services defined by the Luxembourg VAT law.

The 14% rate, for example, applies to the custody an management of securities and to the management of loans or guarantees by a person other than the entity granting them.

The standard, intermediary, and (super) reduced rates are respectively 17%, 14%, 8% and 3%.

Exemption

The supply of services (and goods) is, in principle, taxable. As an exception and within the limits set by the Luxembourg VAT law, certain transactions are VAT exempt, including among others the following services:

- Outsourced services could also be VAT exempt should conditions defined by the Court of Justice of the European Union be met.
- Granting and negotiation of loans as well as the management of loans by the granting person
- Transactions, including negotiation, concerning debts, except for debt collection
- Transactions, including negotiation but excluding management and safekeeping, of shares, interest in companies or associations debentures and other securities
- Management of the following vehicles:
  - Special investment funds within the meaning of the law on special investment funds, undertakings for collective investment within the meaning of the law on undertakings for collective investments, SICARs, ASSEPs and SEPCAVs Subject to the supervision of the *Commission de Surveillance du Secteur Financier* (CSSF), as well as pension funds covered by the law on the insurance sector subject to the supervision of the *Commissariat aux Assurances* (CAA).
  - Collective life insurance funds under the supervision of the CAA
  - Undertakings like to the ones mentioned under the previous indent, established in other EU Member States and subject to the supervision of a supervisory body similar to the CSSF or the CAA
  - Securitization vehicles covered by the Luxembourg law on securitization and similar vehicles performing securitization transactions within the meaning of the Regulation 24/2009 of the European Central Bank (ECB)
  - Alternative investment funds as defined by the law on alternative investment fund managers.

Entitlement to VAT deduction

A taxable person is entitled to deduct input VAT incurred on received supplies that directly relate to taxable supplies provided.

However, VAT cannot be deducted on received supplies that directly relate to VAT exempt supplies (such as financial services listed in the previous point, however these services entitle to deduct input VAT when rendered to non-EU beneficiaries or are linked to exportation of goods outside the EU).

If a received supply relates to both taxable supplies in respect of which VAT can be deducted, and VAT exempt supplies, in respect of which VAT cannot be deducted, the input VAT can be deducted partially based on a predefined pro-rata coefficient.

Based on a circular issued by the Luxembourg VAT authorities, VAT payers should, for partial input VAT deduction, use primarily VAT recovery alternative methods based on appropriate objective allocations such as the 'direct allocation' method or special 'pro-rata' method.

The general pro-rata rate calculated based on of the turnover should, be used as a residual method for deducting input VAT incurred on overhead expenses.

Place of taxation of supply of services

As a general rule, services provided to other taxable persons established abroad are taxable where the recipient is established (B2B). The recipient is then generally obliged to self-assess VAT based on its national VAT legislation ('reverse charge' mechanism).

Services provided to persons that do not qualify as taxable persons are, in principle, taxable where the provider is established (B2C).

VAT registration

In principle, any taxable person is required to register for the purposes of VAT under a normal regime.

By derogation, a taxable person is not required to register if its entire turnover is VAT exempt without entitlement to deduct the corresponding input VAT.

Such a taxable person falling under this derogation is nonetheless required to register (under a simplified regime) for VAT if:

- The person performs services that are VAT exempt in Luxembourg but are taxable in the Member State where its VAT registered client(s) is (are) established, domiciled or resident
- The person receives a service from abroad that is taxable in Luxembourg under the reverse charge mechanism
- The person makes intra-community acquisitions of goods (threshold of €10,000/year)

VAT returns

A PSF registered under the normal regime is required to file VAT returns at a frequency depending on the sum of annual sales, and the sum of annual intra-community acquisition of goods and annual purchase of services from EU foreign service providers subject to reverse charge in Luxembourg. Thus, when the annual sales or the sum of the annual intra-community acquisition of goods and services subject to reverse charge in Luxembourg is:

- Less than €112,000 it must file a single annual return
- Between €112,000 and €620,000 it must file quarterly returns and an annual return
- Above €620,000 it must file monthly returns and an annual return
- A PSF registered under the simplified regime is only required to file an annual VAT return.

EC Sales List

Furthermore, since any taxable person established in Luxembourg is required to file an EC Sales List when providing services to other taxable persons established in other EU Member States who are liable to self-assess VAT in their Member States.

A PSF may also be required to file an EC Sales List when it performs intra-Community delivery of goods.

eCDF

VAT returns and EC Sales list must be filed via the Internet using the eCDF system of the Luxembourg VAT authorities: Registration Duties, Estates and VAT Administration (*Administration de l'Enregistrement, des Domaines et de la TVA - AEDT*).

The EU FS VAT review: to be looked after

In 2019, the European Commission ordered a study to be conducted on his behalf by a consortium of consultants. This consortium has interrogated European and national associations, national VAT authorities and businesses. The current views are that it is necessary to maintain the VAT exemptions as well as to clarify and modernized them. Moreover, many support that cross-border cost sharing associations ("independent group of persons"), and VAT group should be available for the financial and insurance sectors. Other topics of interest include e.a. the option for tax.

The consultants presented a summary of their study during the call of 25 May 2020 of the Group on the Future of VAT (GFV, a consultative body to the European Commission composed of representatives of the national VAT authorities). This summary presented various options, including the taxation of all or some financial services at a standard or a reduced rate. The minutes of this call indicated that national VAT authorities have no clear and common views on these questions. In October 2020, the European Commission published a "roadmap" summarizing the work done and indicating the next steps. The European Commission organized a consultation between February and May 2021. Many businesses (86) and professional associations (73) as well as around 50 "others" (mainly EU citizens) have answered to this consultation. In addition, 50 detailed submissions have been lodged including those of ABBL, ABBL and LPEA. Around 75% of the respondents support the principle of the VAT exemption even its functioning should be improved. The cross-border cost sharing association and VAT group also found many supporters. The taxation even at reduced rate seduce only a very limited number of respondents. Further details could be found in our dedicated newsletter European Commission review of the VAT rules for financial and insurance services - Deloitte Luxembourg). Based on the official information currently available and in line with the process applicable to such projects, the next steps in 2021 should be an European Commission impact assessment. Subsequently, the European Commission would prepare a draft of legislative texts that the different stakeholders would have the opportunity to discuss. The Member States would have to decide unanimously Therefore, the entire process would still take several years.

6 Double taxation treaties

Luxembourg has a fabric of 84 double taxation treaties. Some additional agreements are currently under negotiation or pending ratification by Luxembourg or the other nation.

The aim of the double taxation treaties (DTT) is to tax a taxpayer at a reduced rate and thus encourage investments in these countries.

Furthermore, a double taxation of one specific income may occur when the same income (e.g. dividends, interest, royalties) is subject to taxation in two or more countries. The source of the double taxation issue is that one taxing jurisdiction might tax income at its source, while others will tax income based on the residence of the recipient.

In order to avoid the double taxation of income, the tax treaties concluded between Luxembourg and other countries provide the possibility of tax reliefs.

Tax treaties can only have the effect of restricting, but never enlarging, the power to tax that already exists in Luxembourg. The fact that the right to impose a tax may be given to Luxembourg by a treaty is without consequences if the tax in question is not already anchored in domestic law. There are two methods being used to avoid double taxation that are explicitly mentioned in each concluded treaty. The first method is tax exemption and the second one is tax credit.

Tax exemption

The exemption method for avoiding double taxation is for the residence country to exclude foreign income from its tax base altogether. The country of source is then given the exclusive right to tax this income.

The comprehensive tax treaties Luxembourg signed are generally based, as far as Luxembourg is concerned, on the principle of the exemption of income that is taxable in the other contracting state.

This is without prejudice, however, to the granting of a tax credit for taxes deducted at source on income from capital investments abroad. The exemption method has the advantage that proof of payment of the foreign tax is not required in order to reduce the amount of tax payable in the country of residence, as this latter reduction is in principle, independent of the amount of tax paid abroad.

Luxembourg, when exempting foreign income, generally employs the exemption with the progression method. The taxation procedure, for the purpose of ensuring that the rate is progressive, defines that the exempt income is added to the Luxembourg income in order to determine the global tax rate. The latter rate is then applied to the income taxable in Luxembourg. As a result, the income taxable in Luxembourg is taxed at the rate corresponding to the total income of the taxpayer, taking into account his ability to pay tax.

Tax credit

This method reflects the concept that the resident remains liable to tax in the country of residence on his/her global income, however, credit for tax paid in the source country is given by the residence country against its domestic tax, generally up to the amount of domestic tax that is due in respect of the income concerned.

In the treaties concluded by Luxembourg, the credit method is generally used to avoid the double taxation of investment income.

For further details: http://www.impotsdirects.public.lu/conventions/index.html

7 Registration fees

Capital duty was abolished with effect from 1 January 2009 and was replaced by registration fees, which are explained in this section.

Pursuant to the law of 19 December 2008, a fixed registration fee of €75 must be paid to incorporate a company.

In the event of a contribution of real estate or a contribution of moveable assets for payment, a proportional duty is payable in the manner set forth by Articles 4 and 5 of the Law

- The pure and simple contribution of a real-estate asset is subject to the registration fee of 0.6% i.e. 0.5% registration fees increased by 2/10. This amount is increased by +0.5% in transcription fees
- The contribution for payment of a real-estate asset is subject to the registration fee of 6% i.e. 5% registration fees increased by 2/10 + 1% transcription fees.

The contribution for payment of moveable assets is subject to the proportional duty as set by the taxation schedule of the Law of 7 August 1920 as amended and completed by subsequent laws.

8 Withholding tax

Dividends
15% of the gross dividend (exemption possible under the 'parent company and subsidiaries' regime and/or application of a reduced rate with countries having a tax treaty).

Interest
0% as a general rule (except payment to a natural person who is a resident in Luxembourg).

Royalties
0% as a general rule unless for specific activities.

Distribution of liquidation proceeds
0%

Directors' fees
The tax regime applicable to directors' fees is provided by article 152 title 2 LITL. This regime provides that a withholding tax of 20% applies to the directors' fees gross amount and is creditable against the personal income tax due by the director. The withholding tax on directors' fees must be declared on paper or electronically and paid within eight days following the date of payment of the income.
The tax withheld is to be paid in a lump sum, without designation of the beneficiaries of the directors' fees.

The resident taxpayers must submit a tax return whenever their income includes directors' fees exceeding €1,500.

However, regarding non-resident taxpayers' taxation, the 20% withholding tax on gross directors' fees may be final if the director has no other Luxembourg-source professional income, and if the total gross directors' fees do not exceed €100,000 during the calendar year concerned.

Finally, whenever the directors' fees exceed €100,000, it is compulsory for the taxpayer to file a personal tax declaration after year-end.

As a result, this leads to the application of the progressive income tax rates (with a maximum of 45.78%) on the Luxembourg-source directors' fees, with a subsequent credit of the 20% withholding tax against the Luxembourg final income tax due.

Note that non-executive self-employed activities may also trigger at the level of the non-executive director social security, VAT, and bookkeeping requirements in Luxembourg.

For further details: Art. 146 et seq. LITL

9 Specific tax aspects

9.1. Transfer-pricing

For a few years now, the ultra-globalized environment is heading in a direction where transfer pricing (and the arm's length principle on which it is built) is at the top of the agenda of companies involved in intra-group transactions, such as the supply of goods or services and debt financing. The increasing volume of intra-group transactions (representing about two-thirds of the total trade volume) and the evolution of local regulations make transfer pricing planning and documentation a key risk management milestone for every company operating on a cross-border and intra-group basis.

Under the "arm's length principle", intra-group transactions are treated by reference to the prices or profit that would have arisen if the transactions had been carried out under comparable circumstances by independent parties. Based on this principle, tax authorities are, in many jurisdictions, allowed to adjust the taxable basis of a company that would have deviated from market conditions. These adjustments can result either in an increase of the taxable income or in a reduction of the tax loss.

As from 1 January 2015, Luxembourg formalized the application of the arm' s length principle by introducing art.56 of LITL.

Any taxpayers (including PSF) carrying out intra-group transactions must be able to deliver, upon request, the appropriate transfer pricing documentation demonstrating that the price or remuneration applied with the related party is at arm's length[27].

As with other countries, the Luxembourg tax practice essentially relies on the OECD Transfer Pricing Guidelines that provide tax authorities and taxpayers with a wide range of transfer pricing recommendations. In addition to these OECD Guidelines and the below mentioned circulars, there are general provisions in the LITL[28] allowing Luxembourg tax authorities to raise tax or adjust the taxable basis where transfer pricing principles would not have been respected by the taxpayers. Foreign tax authorities are logically endowed with similar powers of enforcement.

Accordingly, since tax authorities are becoming increasingly sophisticated and making more inquiries, it has become essential for both Luxembourg and foreign companies carrying out intra-group transactions and/or supply of services on a cross-border basis, including Luxembourg PSF, to ensure upfront compliance with transfer pricing aspects. They must also monitor this compliance on an on-going basis to avoid future possible readjustments of the taxable base by tax authorities, and be able to quickly fulfill any tax authority request for transfer-pricing documentation.

Since mid-2020, the Luxembourg tax authorities have become more active in requesting transfer pricing documentation for entities involved in intra-group financing activities. A steep increase in scrutiny of the transfer pricing aspects of financial transactions has been observed on the side of the Luxembourg tax authorities since Chapter X of the OECD TP Guidelines was published.

In fact, more and more regular tax audits have been conducted in this area, and a "wave" of standard information requests associated with the tax return review process was sent to a large number of taxpayers. Most of these requests are not part of a formal tax audit. However, these requests may lead to a further, in-depth investigation of the transfer pricing position of a taxpayer based on the information and documentation provided.

Besides the aforementioned requests, tax authorities have also recently started several formal audit procedures in respect of intra-group financing entities.

Handling the transfer pricing analysis by anticipation ensures functions carried out by a Luxembourg company are duly remunerated and provides valuable comfort to the taxpayers when transfer pricing justification inquiries knock on the door.

Furthermore, it must be acknowledged that different exchange of information mechanisms—at both the European Union and OECD level—allow the communication of relevant information in different fields, including transfer pricing. Multinational groups with a consolidated turnover of €750 million or more fall under the country-by-country reporting obligation.

27 Art. 56 LITL and § 171 (3)
28 Art. 56 LITL
Art. 164 (3) LITL

9.2. FATCA

In March 2010, the United States adopted new tax regulations within the framework of the Hiring Incentives to Restore Employment (HIRE Act), thus creating a new chapter in the American internal revenue code, the Foreign Account Tax Compliance Act (FATCA). FATCA aims for global transparency of U.S. account holders.

The United States wants all Foreign Financial Institutions (FFI) to report annually to the Internal Revenue Service (IRS) on U.S. persons and their assets, as well as on certain types of entities and their controlling US persons holding directly or indirectly significant shares (i.e. shares representing at least 25% of the total value or of total voting rights) within a Passive Non Financial Foreign Entity (Passive NFFE).

The scope of FATCA is much broader than the Qualified Intermediary regime already familiar to certain financial intermediaries (and recently modified in function of FATCA), as it actually concerns a considerable number of financial players and payments. Based on the final regulations, the concept of a Foreign Financial Institution includes entities that:

- Accept deposits in the ordinary course of a banking or similar business
- Hold 'financial assets' for others as a 'substantial portion' of their business
- Are investment entities, which are defined as entities that primarily conduct as a business one or more of the following activities:

  (i) Primarily trading in money market instruments, foreign currency, foreign exchange interest rate and index instruments, transferable securities or commodity futures

  (ii) Individual or collective portfolio management

  (iii) Investing, administering or managing funds, money or financial assets on behalf of other person Where the entities' gross income is primarily attributable to investing, reinvesting or trading and is managed by one of the above mentioned entities (depositary, custodial institution or investment entity etc.)
- Are certain insurance companies that issue or are obligated to make payments with respect to cash value insurance contracts or annuity contracts
- Are holding companies or treasury centers that

  (i) are part of an expanded affiliated group that includes a depository institution, custodian institution, insurance company or investment entity or

  (ii) are formed in connection with or availed by a collective investment vehicle, private equity fund, etc. or similar investment vehicle established with an investment strategy of investing, reinvesting or trading in financial assets

Through FATCA, the U.S. impose a punitive withholding tax of 30% for all financial institutions who do not comply with the FATCA obligations (which comes in addition to the current US internal withholding tax/Qualified Intermediary regime). This tax applies to direct U.S.-source (Fixed, Determinable, Annual or Periodic income or FDAP) income.

A participating FFI not only needs to exchange information with the IRS on U.S. persons but may also need to apply a 30% withholding on certain payments to non-participating FFIs and recalcitrant account holders (accounts inadequately identified to determine the status as a U.S. or non-U.S. person).

However, FFI located in Model 1 IGA jurisdictions (see below) will only apply the withholding tax on certain payments made to non-participating FFIs.

Certain non-financial foreign entities (i.e. Passive NFFE) must identify their substantial U.S. owners and provide withholding agents with a certification regarding their substantial U.S. owners to avoid the 30% withholding tax.

On 17 January 2013, the IRS and U.S. Treasury Department issued the final regulations setting out the IRS's interpretations of identification, reporting and withholding obligations under FATCA. These regulations were updated on 20 February 2014.

On 14 December 2018, the Treasury and the IRS issued Proposed Regulations that substantially reduce the burden under FATCA by eliminating withholding on the payments of gross proceeds and deferring withholding on foreign pass through payments. The final regulations published in the Federal Register on 2 January 2020 adopted selected provisions from the Proposed Regulations.

9.3. Intergovernmental Agreements

A broader framework for international cooperation aimed at easing privacy concerns was initially announced in February 2012 in a Joint Statement between the U.S. and five major European countries (Germany, Spain, France, Italy and the UK). Meanwhile, 113 countries have signed or negotiated bilateral Intergovernmental Agreements (IGAs) with the US in order to implement FATCA in their jurisdictions.

The FATCA obligations of FFIs will vary depending on whether they are incorporated in a country not having signed an IGA, a country having signed Model 1 IGA (automatic exchange of information) or a country having signed a Model 2 IGA (automatic exchange of information with the IRS, completed with exchange upon demand).

On 28 March 2014, Luxembourg has signed its Model 1 IGA with the U.S.

On 27 March 2015, the Luxembourg draft law transposing this IGA was issued. The law has been voted on 1 July 2015 and was published on 29 July 2015.

The Luxembourg Tax Authorities also issued several FATCA circulars, dated 31 July 2015: one circular (ECHA 2) contains certain details of application of the IGA principles, and the second circular (ECHA 3) focuses on the technical details of the FATCA reporting format.

Meanwhile, Luxembourg Banking and Fund Industry associations (ABBL and ALFI) have also published their guidelines and Q&A documents ("local guidelines") to implement FATCA.

Finally, on 18 June 2020, the Luxembourg Parliament passed bill 7527 on the modification of the FATCA law into Luxembourg domestic tax law, introducing new explicit obligations for Luxembourg reporting financial institutions and strengthening the Luxembourg tax authorities' prerogative to carry out audits of financial institutions.

Registration portal

The FFI registration portal has been opened on 19 August 2013.

Further to the announcement 2014-1 released by the IRS, entities located in an IGA Model 1 country (such as Luxembourg) had until 22 December 2014 to be registered.

Only once registrations are submitted as final, the IRS will assign Global Intermediary Identification Numbers (GIINs).
The portal is also used for the renewal of the QI Agreement.

U.S. forms

The IRS has released final forms to certify the status U.S./non-U.S. and the classification for U.S. tax purposes (i.e. classification chapter 3 for QI purposes and chapter 4 for FATCA purposes); the most important of which are :

- W-8BEN and instructions – Certificate of Foreign Status for an effective Beneficial Owner for the purposes of declarations and withholding taxes for the United States (individuals)
- W-8BEN-E and instructions – Certificate of Foreign Status for an effective Beneficial Owner for the purposes of declarations and withholding taxes for the United States (entities)

These forms allow non-U.S. beneficiaries to confirm their status for the purposes of Internal Revenue Code (IRC) section 1441 and FATCA.

The IRS also published the following final forms:

- W-9 and instructions – Request for Taxpayer Identification Number for the purposes of tax and certification
- W-8 IMY and instructions – Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for the purposes of declarations and withholding taxes for the United States

The Luxembourg Banking Association has also issued a template of entity self-certification form, which can be used by financial institutions wishing to elaborate their own self-certification form for the purposes of FATCA.

For further details:
Intergovernmental Agreement Model 1, signed between Luxembourg and the United States on 28 March 2014
FATCA Luxembourg implementation law of 24 July 2015
Law of 18 June 2020 amending the FATCA and CRS legislation
Circulars ECHA 2 and ECHA 3 published by the Luxembourg Tax Authorities
FATCA temporary regulations and coordination regulations dated 20 February 2014

9.4. Qualified Intermediary regime

In January 2001, following lengthy negotiations with the global financial services industry, the U.S. tax authorities introduced the QI regime. These regulations enable financial intermediaries to streamline administrative withholding tax procedures relating to the collection of U.S. source revenues.

More particularly, the QI reduces tax refund applications by applying reduced withholding rates, thus lightening the administrative workload while preserving the banking secrecy for non-U.S. investors. Although the QI is required to reveal the identity of U.S. beneficial owners, the identity of non-US clients receiving U.S. income is not revealed. In return, the intermediary is subject to a complex set of rules and procedures regarding documentation of the beneficial owners, withholding tax and reporting to the U.S. tax authorities. Until recently, compliance with the provisions of the contract was regularly checked by an independent Internal Revenue Service (IRS)-approved auditor, and this audit was conducted on the basis of agreed-upon procedures (Revenue Procedure 2002-55).

In Luxembourg, many banks as well as certain PSF have adopted this status allowing them to preserve the identity of account holders that are non-US citizens while allowing them the benefit of the status against double taxation.

On 30 December 2016, the IRS released Notice 2017-15, updating prior guidance applicable to foreign intermediaries seeking to enter into a QI agreement with the IRS or such intermediaries planning to continue QI operations.

The modified QI agreement reflects the recent updates to Treasury regulations under chapters 3, 4 and 61 of the Internal Revenue Code. The updated requirements contained in this Notice are applicable to QIs as from 1st January 2017.

The most substantial change introduced by this QI agreement is the replacement of the external audit requirement with an internal compliance program, consistent with FATCA. As a result, the QI is required to designate a responsible officer to oversee compliance with the agreement and to make periodic certifications to the IRS. The agreement sets out the specific areas that are required to be covered by the certifications. The periodic certifications are required to be made every three years (the next certification is required in 2021). Though an external QI audit is not required any longer, it may be recommended for responsible officers to seek assurance through an external health check though.

For further details:
Notice 2001–4 (I.R.B. 2001–2)
Notice 2001-43 (I.R.B. 2001-30)
Notice 2002-66 (I.R.B. 2002-42)
Revenue Procedure 2003–64, Appendix 3 (I.R.B. 2003–32)
Notice 2016-42

9.5. Automatic exchange of information—CRS based reporting

OECD 2010 modified convention on Mutual Administrative Assistance in Tax Matters implements tax cooperation to tackle tax evasion and avoidance. This convention was signed by more than 100 countries including Luxembourg and will create more obligations dealing with automatic exchange of information with countries considered as CRS Partners towards tax residents of those countries.
Since 2017, and according to the previous mentioned convention, more than 49 “early adopter” countries have implemented automatic exchange of information on the basis of CRS. In 2018, more than 51 additional countries implemented the CRS standards.

A legal instrument through which the EU implemented CRS, is the directive 2014/107/EU from the 9 December 2014 modifying the directive 2011/16/EU on administrative cooperation in the field of taxation (DAC2) applicable since 1 January 2016.
EU Member States had to transpose the directive before the end of 2015.
In Luxembourg, the directive has been transposed into national law framework through the law of 18 December 2015.

Under DAC 2, Luxembourg Financial Institutions (FIs) that include, among others, banks, funds, life insurers, but also certain holding companies and PSF must automatically and annually exchange relevant personal and financial information regarding any reportable account they maintain to the Luxembourg tax authorities, which will subsequently transmit this information to the relevant foreign tax authorities.
Moreover, FIs should also closely monitor the Grand-Ducal regulation that updates the list of reportable jurisdictions for the purpose of CRS in Luxembourg.

Finally, on 18 June 2020, the Luxembourg Parliament passed bill 7527 on the modification of the CRS law into Luxembourg domestic tax law, introducing new explicit requirements for Luxembourg reporting financial institutions (notably to keep for 10 years a register of engaged actions to ensure they are CRS compliant); a nil report obligation in the absence of reportable accounts (in case of absence of a nil report in this specific case, a penalty of €10,000 should apply besides the existing one of €250,000) and strengthening the Luxembourg tax authorities’ prerogative to carry out audits of FIs.

For further details:

Law 23 July 2016 transposing Directive 2015/2060 OECD Convention on administrative cooperation in the field of taxation

Law of 18 June 2020 amending the FATCA and CRS legislation

Handbook on automatic exchange of information on financial accounts

Directive 2014/107/EU of 9 December 2014 modifying Directive 2011/16/EU as regards mandatory exchange of information in the field of taxation.

Grand-Ducal Regulation of 24 January 2020

https://ec.europa.eu/taxation_customs/individuals/personal-taxation/taxation-savings-income/repeal-savings-directive-line-with-international-eu-developments_en

9.6. Taxation of savings income

The Tax Circular issued on 27 February 2017 completed the Relibi Law following the Luxembourg 2017 tax reform (tax rate modification from 10% to 20%).

The law introduced a final withholding tax regime for interest income from fixed-income investment such as:

- Interest from savings account
- Interest from current accounts and term accounts
- Interest on bonds

The law provides a rate of 20% on interest paid by a paying agent within the meaning of the law, based in Luxembourg to beneficiaries resident in Luxembourg.

Interest that is subject to this final withholding tax should in principle not be declared in the beneficiary's personal tax return. However, there are certain exceptions where this withholding is not final, and the income should still be declared (notably if the income relates to a commercial, agricultural or forestry business, or a professional occupation). The 20% flat-rate tax can also apply if the paying agent is based in the European Economic Area (European Union, Iceland, Liechtenstein and Norway) or in a State that has signed an agreement with Luxembourg which includes measures equivalent to those in the Savings Directive. Taxpayers resident in Luxembourg who want to opt for the 20% flat-rate tax must file a separate return no later than 31 March after the end of the calendar year in which the interest was received.

In addition, starting 1 January 2009, interest paid by home-purchase savings plans are exempt from tax. This applies to housing savings plans recognized in Luxembourg or in any other Member State of the European Union.

Income that is not subject to the 20% flat-rate withholding is taxable at progressive rates as referenced in the taxpayer's normal tax return (with a small exemption threshold).

For further details: Contributions Director circular Flat-rate discharge payment (relib No.1) of 24 January 2006 law of 23 December 2005 Law of 27 November 2014

9.7. Exchange of information upon request

The exchange of information on demand is one of the three main methods of exchanging information along with the automatic and spontaneous exchange.

An exchange of information on demand occurs when a jurisdiction requests another jurisdiction to provide information on a case-by-case basis. To answer such demand, the responding jurisdiction may ask the holder of the information (bank, taxpayer, etc.) to provide information for it to send back to the requesting jurisdiction.

The procedures and the conditions of exchanging information were described in the agreements/ protocols signed by Luxembourg, by the law of 31 March 2010, as amended by the law of 25 November 2014 (entered into force on 1 December 2014) significantly modifying the procedure that has to be followed upon the reception of a request.
Since the publication of the law of the 1 of March 2019 (Article 3), it is now also possible to contest the "foreseeable relevance" of the Luxembourg Tax Authority injunction decision directly before the *Luxembourg Administrative Tribunal* (specific and dedicated procedure).

9.8. EU Directive relating to administrative cooperation in tax matters

Administrative cooperation is related to the cooperation between tax and customs administration in order to share relevant information to track and reduce tax evasion.

The Commission launched several initiatives in the field of taxation in the EU:

- Directive 2011/16/UE (DAC1) aiming to generalize the exchange of information on demand and also automatic exchange of information between EU member states
- Directive 2014/107/UE (DAC2): introduced automatic exchange of financial account information
- Directive 2015/2376/UE (DAC3): on automatic exchange of tax rulings and advance pricing agreements
- Directive 2016/881/UE (DAC4): on automatic exchange of country by country
- Directive 2016/2258/EU (DAC5): ensures tax authorities have access to beneficial ownership information collected pursuant to anti-money laundering legislation
- Directive 2018/822/UE (DAC6): on automatic exchange of reportable cross-border arrangements and how the Directive operates.

The last directive entered into force on the 25 June 2018 tends to increase the scope of exchange of information according to a new type of reporting.

DAC 6, amending the Directive (DAC1) on administrative cooperation, tends to have the taxpayers and intermediaries declaring certain cross-border transactions with certain hallmark as defined in the Directive.

It's entry into force was initially scheduled for 1 July 2020, meaning that transactions with the hallmark indicated in the Directive and put in place after 25 June 2018 would have to be reported.

However, due to the sanitary crisis, certain Member States (including Luxembourg) have opted for a deferral period of six months as per the following new dates of application and deadlines:

- For reportable cross-border arrangements where the first step was implemented between 25 June 2018 and 30 June 2020, the filing deadline was 28 February 2021;
- For reportable cross-border arrangements where the triggering event took place between 1 July 2020 and 31 December 2020, the period of 30 days for filing information starts on 1 January 2021;
- For marketable arrangements, the first periodic report was made by intermediaries by 30 April 2021; and
- The first automatic exchange of information between EU Member States took place by 30 April 2021.

All EU Member States, except Austria, Finland and Germany, have opted to implement a deferral period.

It is therefore important to establish process to allow the identification of transactions falling within the scope of this new obligation in order to facilitate their subsequent reporting.

DAC 6 amends Directive 2011/16 /EU in order to (i) implement mandatory disclosure of information on cross-border tax planning schemes potentially aggressive and (ii) extend the scope of the automatic exchange of information between tax authorities to include these schemes.

In application of this Directive, tax planning devices of a potentially aggressive nature (in other words having several characteristics and particularities: Hallmark) with a cross-border dimension within the European Union will have to be declared by intermediaries towards their national tax administrations.

The hallmark listed in Annex IV of the Directive constitute a compilation of the characteristics and elements of the operations, which indicate an abusive practice.

These hallmarks are called general or specific. General hallmarks and some specific hallmarks can only be taken into account when they fulfill the "main benefit criterion". The latter will be filled when the main advantage that a person can reasonably expect from a device (or a series of devices) is to obtain a tax benefit.

The provisions of the Directive had to be transposed into national law by the Member States no later than 31 December 2019 for implementation as from 1 July 2020. In Luxembourg, the law transposing the Directive was voted on 25 March 2020. Since then, some guidance has been issued as well as information regarding the reporting itself, i.e., a user guide to complete the manual form and a xsd scheme for an xml file format.

First tax audits have started as the Luxembourg tax authorities sent, in Q4 2021, letters to certain Luxembourg market players who might be considered as intermediaries (within the meaning of the Luxembourg DAC6 Law dated 20 March 2020) but protected by the legal professional privilege and therefore exempt from the reporting obligation, in order to monitor compliance with the requirements of the DAC6 Law.

9.9. System of exemption for intellectual property rights "IP Box"

The Law of April 17, 2018 inserted a new article 50ter LITL, which provides an exemption of 80% on the net income from eligible intellectual property assets. It should be noted that, in line with the OECD recommendations in Action 5 of the BEPS program (Base Erosion and Profit Shifting) and those of the European Union and its Code of Conduct, the net income of intellectual property qualifying for the exemption must be adjusted by the amount of eligible expenditure, that is to say those necessary for the R & D activities exhibited by the taxpayer. Also, note that under this new regime, eligible intellectual property assets are exempt from NWT. The eligible assets for this new regime are patents in the broad sense, as well as copyrighted software. Intellectual property assets need to be built, developed and/ or improved by the taxpayer himself directly or by a Luxembourg permanent establishment or part of the EEA after 31 December 2007.

9.10. BEPS (Base Erosion and Profit Shifting)—ATAD (Anti-Tax Avoidance Directive)

At the demand of the G8 and the G20, the OECD launched in July 2013 extensive action programs to fight against international tax evasion and harmful tax competition.

These actions, which, are neither more nor less recommendations whose normative force varies, were approved by the OECD and the G20 in October and November 2015. These are articulated around three central concerns: more coherence, more substance and more transparency in international tax.

Some of these measures have been implemented at the level of the European Union through the Anti-Tax Avoidance Directive (ATAD).

32 *Article (1) 18) de la Directive*

On 18 December 2018, the law implementing ATAD 1 entered into force. This law is effective as of 1 January, 2019 (except for the exit tax provisions) and specific dispositions are applicable as of 1 January 2020. ATAD 2 extends the scope of ATAD 1 to hybrid mismatches involving third countries (i.e., non-EU countries) and concerns forms of hybrid mismatches not covered by ATAD 1.

Certain measures, such as the introduction of a limitation on the deductibility of interest and the rule on controlled foreign companies, have a significant impact on certain Luxembourg companies.

Although all Member States should have implemented this directive, it should be mentioned that some of its provisions offer different transposition options. Therefore, not all Member States have necessarily adopted the same ATAD 1 and 2 provisions in their national legislation as they are seen as a kind of minimum standard.

The law contains the following main provisions:

a. The adoption of specific rules regarding controlled foreign companies (CFC rules)
b. The limitation of interest deductibility
c. Taxation at the exit
d. The fight against hybrid arrangements
e. The introduction of an anti-abuse clause General (GAAR)

In order to amplify the impact of the BEPS Action Plan and to make it more effective, the OECD had foreseen the introduction of 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 further negotiations.

The law implementing MLI in Luxembourg has been voted on the 15 February 2019 and the ratification instrument has been deposited on the 9 April 2019 with the OECD. MLI has entered into force in Luxembourg on 1 August 2019. Implementation of these provisions will follow the pace of transposition of the other signatory States of the bilateral tax treaties referred to in the MLI.

The objective of the MLI is mainly to implement some of the BEPS actions quickly, without waiting for bilateral negotiations on the existing double tax treaty.

The MLI also provides for (i) a declaration of intent against treaty shopping strategies, (ii) introduces a general anti-abuse rule based on the primary purpose of set-ups and transactions and (iii) proposes a reinforcement of the rules applicable during the sale of so-called property-dominated entities. Finally, the convention also deals with the question of the artificial avoidance of permanent establishments and mandatory arbitration.
Each signatory State must list the bilateral tax treaties it wishes to be affected by the provisions of the multilateral instrument.

In order for the provisions of the multilateral instrument to become part of a bilateral convention, the two States must have designated the tax treaty that binds them as a "covered convention".
In addition, each Member State must notify the "specific" provisions of the multilateral instrument they wish to see incorporated into these conventions. Indeed, MLI contains mandatory and optional provisions. The mandatory provisions qualified as "minimum standards", such as provisions on misuse of conventions or dispute settlements, are necessarily included in covered tax treaties (unless they have the same standards). However, specific provisions (such as those relating to permanent establishment or hybrid arrangements) offer some flexibility to States. This process of identifying and notifying existing provisions is important. In the event of a failure to notify or if the notification differs from the one of the partner State in the bilateral convention, the provisions of the multilateral instrument, which do not concern minimum standards, are then inapplicable.

9.11 European Union tax agenda

At the European Union level, it is critical to obtain a clear view on the role of tax policy in order to understand future trends and take preemptive steps to anticipate and adapt to change. This is particularly important as governments seek to align tax systems with today's business operating models and as tax administrations seek to raise revenue due to rising pressure on public finances. The pace of reform is accelerating and challenges the tax governance of businesses to anticipate and adapt in a timely manner. The EU Commission continues to focus on anti-avoidance measures (e.g. the ATAD 3 proposal on the use of shell entities, the implementation of the OECD Pillar 2 minimum taxation, DAC8 proposal imposing reporting obligations related to cryptoassets and cryptocurrencies, etc.). However, there will be certain measures aimed at making the EU tax system more resilient and efficient. These include creating a Debt Equity Bias Reduction Allowance (DEBRA), a proposal for a new EU withholding taxes system proposal; the BEFIT proposal (Business in Europe: Framework for Income Taxation) replacing the Common Consolidated Corporate Tax Base proposal; the development of cooperative compliance initiative, etc.). Changes would be broader than corporate taxation, with reforms of the EU VAT system, and the development of environmental taxation that would impact all economic sectors.

33 Directive of 12 July 2016 (2016/1164) laying down rules against tax avoidance practices that directly affect the functioning of the internal market

10 Personal tax

Cash compensation represents all forms of cash payments made to an employee for his services, typically base salary plus bonuses and other cash incentives

If an individual works for a company in a non-executive capacity serving as a director on its board of directors (or equivalent), he/she is considered to be self-employed for Luxembourg tax purposes and will receive director's fees. This income is subject to a particular tax regime, which has been highlighted in section 8.

Alternatively, if an individual works for a company and is involved in the day-to-day management or operations of the company, he/she would be in principle considered as an employee and his/her income would be treated as employment income.

Employment income

As defined by Article 95 of the Luxembourg Income Tax Law, there are two forms of employment income: cash compensation and benefits in kind.

Cash compensation represents all forms of cash payments made to an employee for his/her services, typically base salary plus discretionary bonuses and other cash incentives.

The basis of taxation of benefits in kind is founded on the general income tax rule that all benefits and perquisites made available to employees and assessable under a given revenue category are considered to be income and therefore subject to individual tax.

Employment income is subject to tax at progressive rates ranging from zero to 42 percent and subject to monthly withholding taxes and social security. (i.e. 45.78% including the top 9% surcharge of the amount of tax due, covering the Employment Fund contribution)

Impatriate tax regime

In order to increase the attractiveness of Luxembourg, in 2011 the Luxembourg tax authorities introduced a favorable tax regime for highly skilled employees (also called impatriates) coming to Luxembourg. The conditions of this special treatment were relaxed in May 2013 and the scope of the regime was extended in January 2014. The new scope applied to expatriates who arrived in Luxembourg as of 1 January 2014. By expatriates, the Luxembourg tax authorities mean employees who are part of an international group and who are temporarily seconded to Luxembourg, and the employees directly recruited abroad by a company that is located in Luxembourg or by a company established in another EU/EEA Member State.

Provided that the conditions of the regime are met, a number of expenses that are typically incurred by the employer in the context of expatriation (e.g., moving expenses of the employee and his/her family, expenses related to their move to Luxembourg, school fees of children, rent, travel to the country of origin, the differential cost of living, tax equalization) and are therefore in principle taxable as benefits in kind, the employee benefits from a total or partial tax exemption.

The exemption applies to the employee but may benefit the employer (assuming the tax is borne by the employer as part of a tax equalization policy). Furthermore, the eligible costs are considered as operating expenses at the employer level. The 2021 budget law provides modernization and legal provisions to govern the Impatriate Tax Regime (e.g., an increase of the number of years during which impatriates would benefit from the regime, an increase in the minimum yearly base salary which would apply, a new impatriate premium which would be personal tax exempt, several conditions that would be cancelled, etc.). This measure applies as from the 2021 tax year. To that end, the Luxembourg tax authorities already repealed the 2014 Circular on 14 December, 2020, with effect from tax year 2021. However, they specified that the tax regime described in the Circular continues to apply to impatriate workers who started their activity in Luxembourg during tax years 2016 through 2020 (within the limits and under the conditions stated in the circular and provided that the employees concerned do not benefit from the provisions of article 115, number 13b of the individual income tax law (LITL)). This does not apply to impatriate workers whose tax regime ended, for one reason or another, during the same period covering tax years 2016 through 2020.

See also the **Abolition of the "stock option" regime** and the **Introduction of a profit-sharing bonus (prime participative)*.**

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**-See our Pocket Tax Guide 2021 for more details (https://www2.deloitte.com/lu/en/pages/tax/articles/luxembourg-individual-tax-guide.html?nc=1)*

Withholding tax and formalities

An employer has the obligation to withhold wage taxes and social security from an employee's remuneration each time they pay a salary to the employee. In order to avoid penalties, timely payments are required.

Each year, employees receive or must request a tax card from the Luxembourg tax authorities. This tax card needs to be provided to their employer to ensure the correct collection and reporting of the Luxembourg withholding tax.

As of 1 January 2015, the tax card no longer needs to be returned to the tax administration. It is to be archived by the employer in order to be provided to the tax administration in case of wage tax audit. The 2021 budget law also provides some modernization regarding employees' tax cards, which would be managed electronically as from 2022, and that would be valid for multiple years.

Tax administration and rates

In Luxembourg, the tax year closes on 31 December. Legally, a taxpayer must file a tax return by March 31 of the year following the tax year if the taxable income exceeds certain thresholds. In practice, late filing (not exceeding a couple of months) is usually acceptable by tax authorities without penalties. In any case, the due personal tax return must be filed before 31 December of the filing calendar year.

Returns may not be required from employees who are taxed at source.

As from 1 January 2018, separate/individual taxation is possible upon election for Luxembourg married couples for calendar year 2018 and onwards. This is subject to certain filing requirements and notices.

Social security

Both the employee and the employer's contributions apply to the employee's yearly gross remuneration €132,941.16 (as from 1st October 2021; cost of living index 855.62; tax deductible except 1.4% dependence contribution). From 2022 onwards, the annual ceiling is capped at €135,417.24. See rates below.

In addition, the employee is subject to a 1.4% dependence contribution, that applies to his/her yearly gross remuneration – uncapped - decreased by an annual abatement of €6,605.76 for 2020.

Self-employed workers support the entire amount of social security due on their annual net self-employment profits €132,941.16 (as from 1st October 2021; cost of living index 855.62; tax deductible except 1.4% dependence contribution). From 2022 onwards, the annual ceiling is capped at €135,417.24. See rates below.

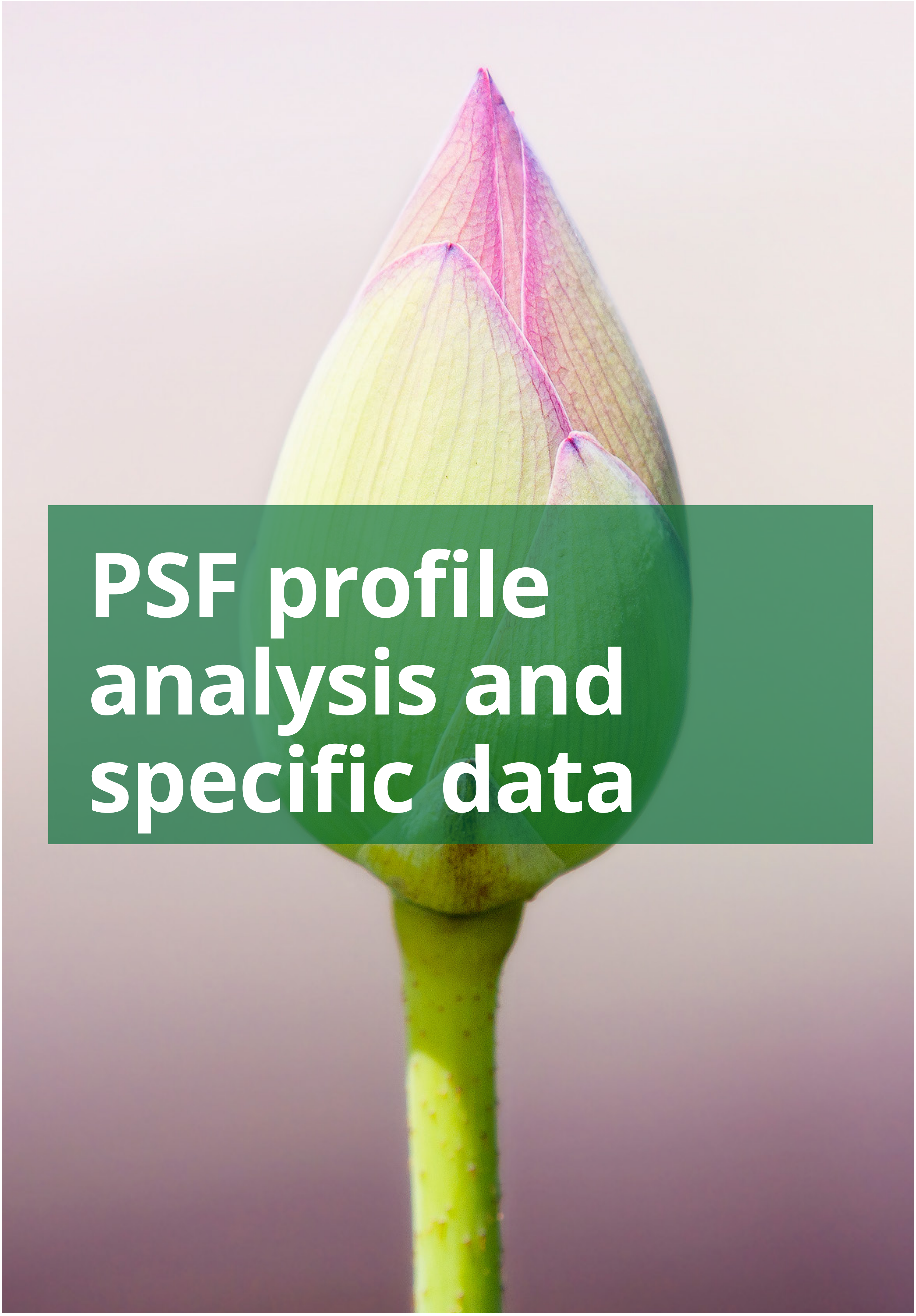
In addition, the self-employed worker is subject to a 1.4% dependence contribution, that applies to his/her annual net self-employment profits – uncapped.

EMPLOYEE

Coverage	Employee %	Employer %
Sickness	2.8/3.05	2.8/3.05
Pension	8.00	8.00
Accident	–	0.75
Mutual insur-ance	–	0.53 to 2.88
Health at work	–	0.14
Dependence	1.4	-
Total	**12.20/12.45**	**14.82**

INDEPENDENT

Coverage	%
Sickness	6.10
Pension	16.00
Accident	0.75
Mutual insurance	0.53 to 2.88
Health at work	0.14
Dependence	1.40
Total	**24.92 to 27.27**


PSF profile analysis and specific data

Licenses in detail

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

Investment firms based on the law of 21 July 2021

- **24-5** Investment advisers **€75,000 (€150,000)**[1]
- **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)**
- **24-4** Portfolio management **€75,000 (€150,000)**
- **24-3** Dealing on own accounts **€750,000**
- **24-6** Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis. **€125,000**
- **24-7** Placing of financial instruments without a firm commitment basis **€75,000 (€150,000)**
- **24-8** Operation of an MTF in Luxembourg **€150,000**
- **24-9** Operation of an OTF in Luxembourg **€150,000 (€750,000)**[2]

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 authorised in Luxembourg **€730,000**
- **28-3** Debt recovery **-**
- **28-4** Professionals performing lending operations **€730,000**
- **28-5** Professionals performing securities lending **€730,000**
- **28-6** Family Offices **€50,000**
- **28-7** Mutual savings fund administrators **€125,000**
- **28-9** Corporate domiciliation agents **€125,000**
- **28-10** Professionals providing company incorporation and management services **€125,000**
- **28-11** Central account keepers **-**

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 network 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**

1) It shall be conditional on the production of evidence of a subscribed and fully paid-up share capital of not less than €75,000, where the investment firm is not permitted to hold client money or securities belonging to its clients.
It shall be conditional on the production of evidence of a subscribed and fully paid-up share capital of not less than €150,000, where the investment firm is permitted to hold client money or securities belonging to its clients.

2) €750,000, where this firm engages in dealing on own account or is permitted to do so.

1 Investment firms

Article 24-1	Reception and transmission of orders in relation to one or more financial instruments
Article 24-2	Execution of orders on behalf of clients
Article 24-3	Dealing on own account
Article 24-4	Portfolio management
Article 24-5	Investment advice
Article 24-6	Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
Article 24-7	Placing of financial instruments without a firm commitment basis
Article 24-8	Operation of an MTF
Article 24-9	Operation of an OTF

a. Specific information

Although this information is specified in the first chapter of this report, it is interesting here to consolidate the points specific to the investment firm status compared to the other categories of PSF.

Investment firms are indeed subject to more extensive licensing conditions and to additional obligations:

1. Participation in the Investor Compensation Scheme Luxembourg (Art. 22-1 of the Law)
2. The organizational requirements set forth by Article 37-1 of the Law
3. The compliance function
4. The risk management function
5. Prudential ratios
6. Minimum equity amounts higher than other PSF statuses
7. Issuance of an analytical or ‘long form’ report

b. Fast-reference sheets and additional data per status

Reception and transmission of orders in relation to one or more financial instruments

Definition	**Reception and transmission of orders in relation to one or more financial instruments** means the receiving or transmitting orders in relation to one or more financial instruments, without holding funds or financial instruments of the clients.
Legal reference	Article 24-1 of the Law
Minimum capital	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT) , Reg. 16-07 and 17/671 (complaints), Reg. 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)
Status-specific CSSF circular	93/102 (brokers)

Execution of orders on behalf of clients

Definition	**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
Legal reference	Article 24-2 of the Law
License granted automatically	Reception and transmission of orders in relation to one or more financial instruments (Article 24-1) and Investment Advice (Article 24-5)
Minimum capital	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01 , 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)
Status-specific CSSF circular	93/102 (commission agents)

* subject to not being CRR

Dealing on own account

Definition	Dealing on own account means trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments.
Legal reference	Article 24-3 of the Law
License granted automatically	Reception and transmission of orders in relation to one or more financial instruments (Article 24-1), execution of orders on behalf of clients (article 24-2), portfolio management (article 24-4) and investment advice (article 24-5)
Minimum capital	€750,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV/ FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)

Additional information

Trading for one's own account is an investment activity within the meaning of the MiFID. However, this activity is subject to the MiFID provisions only when it is carried on together with another investment service or activity. On the contrary, persons managing their own assets without providing any investment service or activity other than trading for one's own account do not fall within the scope of the Law, unless they are market makers.

Portfolio management

Definition	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.
Legal reference	Article 24-4 of the Law
License granted automatically	Reception and transmission of orders in relation to one or more financial instruments (Article 24-1), Execution of orders on behalf of clients (Article 24-2) and Investment Advice (Article 24-5)
Minimum capital	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)
Status-specific CSSF circular	91/78 (segregation of assets)

Additional information

Asset management involves specific notions and requirements which should be explained in detail:

- Private portfolio managers manage their clients' assets, under a mandate, i.e. they act on behalf and for the account of the client
- Private portfolio managers may not receive or keep assets belonging to their clients in deposit. These client assets must be deposited with an authorized custodian supervised by official authorities and do not form part of the collective assets of the PSF in the event of liquidation. Private portfolio managers must enter their clients' assets in accounts separate from those relating to their own assets
- Discretionary asset management implies that private portfolio managers make decisions as to the investment of their clients' assets
- As part of its business, the manager must enter into a management agreement with the client. This written management agreement must specify all the accounts and other assets belonging to the client to whichit relates. Under no circumstances may the private portfolio manager dispose in its own favor of clients' assets. In addition, the management agreement must highlight the objective of the portfolio management, the nature of authorized transactions, the information to be disclosed to the account holder, and the manager's method of payment, the term of the agreement and the termination procedure
- Private portfolio managers may incidentally grant their clients Lombard loans, provided that this activity is covered by their license.

Investment advice

Definition	**Investment advice** means the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments.
Legal reference	Article 24-5 of the Law
Minimum capital	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)

Additional information

The Law of 21 December 2012 provides a change in scope, including the activity of adviser of undertakings for collective investment referred to in the modified law of 17 December 2010 or of specialized investment funds referred to in the modified Law of 13 February 2007. Nevertheless, if they do not provide personalized recommendations to clients who are investors, and if they are not subject to the provisions governing the provision of investment services arising from the legislation relating to markets in financial instruments, these entities, which only give advice inside the group of undertakings for collective investment and specialized investment funds to which they belong, do not need an authorization pursuant to the Law of 5 April 1993.

The notion of personal recommendations covers two key points:

1. The recommendation concerns dedicated transactions on financial instruments (purchase, sale, subscriptions, swap, etc.) or rights relating to such financial instruments
2. The personal nature of the recommendation. The recommendation is thus intended for a given person, whether investor or investor agent, according to the specific situation of the investor in question

The activity of Investment advisers is limited to providing personal recommendations and does not include the implementation of such advice.

As specified in Article 24 of the Law, the following are not covered:

- A business of merely providing information
- General recommendations about financial instruments that are disclosed via distribution channels or intended for the public
- The disclosure of information published in the press
- The simple explanation of the risks and advantages of one or more given financial instruments
- The production of performance rating tables of financial instruments compared to published reference indicators

Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis

Definition	Underwriters of financial instruments are professionals whose business is to **underwrite financial instruments and/or place financial instruments on a firm commitment basis.**
Legal reference	Article 24-6 of the Law
Minimum capital	€750,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)

Placing of financial instruments without a firm commitment basis

Definition	This activity comprises the placing of financial instruments **without** a firm commitment basis.
Legal reference	Article 24-7 of the Law
License granted automatically	None
Minimum capital	€75,000 where the investment firm is not permitted to hold client money or securities belonging to its clients; otherwise €150,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance) 21/784 (Periodic prudential)

Operation of an MTF in Luxembourg

Definition	An **MTF** or **multilateral trading facility** refers to a multilateral system, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.
Legal reference	Article 24-8 of the Law
License granted automatically	None
Minimum capital	€150,000
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance), 21/784 (Periodic prudential)

Additional information

Difference between a regulated market and a MTF.

Regulated markets differ from multilateral trading systems (MTF) due to the fact that the admission of an instrument for trading on a regulated market, triggers the application of a number of related provisions as follows:

- Provisions relating to the publication of a prospectus in the event of offering securities to the public or in order to admit securities for trading
- Provisions relating to the harmonization of transparency requirements concerning the information about issuers whose securities are admitted for trading on a regulated market
- Provisions (prohibitions and obligations) relating to market abuse

These requirements are designed to provide investors with a high standard of protection harmonized at European level.

Operating an MTF is an investment activity within the meaning of MiFID and MTFs are operated by a market operator within the meaning of MiFID, a credit institution, or an investment firm. **Credit institutions are authorized to operate a MTF in Luxembourg under their banking license and require no separate license for this investment activity.**

Operation of an OTF in Luxembourg

Definition	An **OTF** or **organized trading facility** refers to a multilateral system, which 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.
Legal reference	Article 24-9 of the Law
License granted automatically	None
Minimum capital	€150,000 or €750,000 where this firm engages in dealing on own account or is permitted to do so.
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	03/113 (long form), 07/290 (prudential ratios), 07/301 (ICAAP), 07/307 (MiFID), 09/403 (liquidity), 10/437 (remuneration), 11/506 (stress tests), Reg. 12-02 (AML), 13/554 (IT), Reg. 16-07 and 17/671 (complaints), Regs 15-01, 15-02 and 18-03 (CRR/CRD IV / FINREP), 18/697, 18/698 and 20/750 (ICT and security risk management), 20/758 (governance), 21/784 (Periodic prudential)

2 Specialized PSF

Article 25	Registrar agents
Article 26	Professional depositaries of financial instruments
Article 26-1	Professional depositaries of assets other than financial instruments
Article 27	Operators of a regulated market authorized in Luxembourg
Article 28-3	Debt recovery
Article 28-4	Professionals performing lending operations
Article 28-5	Professionals performing securities lending
Article 28-6	Family Offices
Article 28-7	Mutual savings fund administrators
Article 28-9	Corporate domiciliation agents
Article 28-10	Professionals providing company incorporation and management services
Article 28-11	Central account keepers

a. Specific information

The Law of 28 April 2011 clarified and amended the definition of specialized PSF and takes into account the actual changes to the various categories of PSF.

b. Fast-reference sheets and additional data per status

Registrar agents

Definition	Registrars shall be professionals engaged in the business of keeping a register of one or more financial instruments. The keeping of a register comprises the receipt and execution of orders concerning such financial instruments, for which they are the necessary accessory.
Legal reference	Article 25 of the Law
License granted automatically	Client communication agents (Art. 29-1) and Financial sector administrative agents (Art. 29-2)
Minimum capital	€125,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints), 18/698 and 20/750 (ICT and security risk management)

Additional information

Activity as registrar particularly relates to the field of UCIs, SIFs and venture capital companies (SICAR) for which these agents perform central administrative office tasks. Registrars may ipso jure work as Financial sector administrative agents – including in particular the calculation of the net asset value (NAV) – and Client communication agents.

This activity consists in recording on a register of shareholders or security/unit holders all subscription, redemption and conversion orders sent to the registrar in connection with the shares, securities or units of an issuer. The registrar also proceeds with the issue and cancellation of personal registration certificates concerning shares, securities and units for which the agent performs this activity.

Registrars may not be engaged in investment advice or in the distribution of shares, securities or units for which they perform this business, their activity being strictly limited to carrying out administrative tasks involved in receiving and processing orders related to shares, securities or units on behalf of the issuer.

Registrars do not benefit from the European passport; a specific license is required for this activity.

Professional depositaries of financial instruments

Definition	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.
Legal reference	Article 26 of the Law
License granted automatically	None
Minimum capital	€730,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Professional depositaries of assets other than financial instruments

Definition	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 modified law of 13 February 2007 • Investment companies in risk capital within the meaning of the modified law of 15 June 2004 • 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 • Professional depositaries of assets other than financial instruments may, through delegation, also ensure the safe-keeping of assets other than liquidities of financial instruments the custody of which may be ensured, where this mission is delegated to them by a single depositary of an alternative investment fund within the meaning of Directive 2011/61/EU
Legal reference	Article 26-1 of the Law
License granted automatically	None
Minimum capital	€500,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

This classification of 'professional depositaries of assets other than financial instruments' has been created in the context of the AIFM Directive.

PSF actors such as fiduciary companies, family offices or domiciliary agents have their stake to act as a depositary for the 'not-in-bank' assets, especially for private equity and real estate. This new demand represents a real opportunity to diversify and expand their service offering along the asset servicing value chain and could also represent an additional advantage for a PSF to increase its client retention by proposing a 'one-stop-shop' offering.

More specifically, this possibility to deposit 'not-in-bank' assets with a PSF will be mainly applicable to the Luxembourg SIF and SICAR schemes, as structures falling under part II of the modified law of 17 December 2010 relating to undertakings for collective investment can also be distributed to retail investors, triggering more stringent requirements for the depositary.

An important difference is made between safekeeping duties on financial or 'in-bank' assets and monitoring duties on other or 'not-in-bank' assets. In case of loss of financial assets in custody (i.e. safekeeping), the depositary has the obligation to return an identical type or the corresponding amount of the assets whereas for other assets not held under custody, the monitoring duties mainly consist in verifying the ownership of these assets. This difference is a key factor for PSF entities that consider entering this new market segment of the depositary activity.

Operators of a regulated market authorised in Luxembourg

Definition	Operators of a regulated market in Luxembourg shall be those persons managing or operating a regulated market in Luxembourg authorized in Luxembourg apart from investment firms operating an MTF or an OTF in Luxembourg
Legal reference	Article 27 of the Law
License granted automatically	None
Minimum capital	€730,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Debt recovery

Definition	The business of collecting third parties' debts, to the extent that it is not the legal preserve of bailiffs (*huissiers de justice*), may be authorized only with the express approval of the Minister of Justice. The application is examined by the CSSF, which makes sure that the documentation and its opinion are forwarded to the Ministry of Justice.
Legal reference	Article 28-3 of the Law
License granted automatically	None
Minimum capital	No minimum capital other than the one defined by the Law on commercial companies of 1915, as applicable
Authorized form	Not specified (by default, physical or legal person)
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

All services consisting in contacting defaulting debtors (whether by telephone, text message, email, post or in person) in order to recover claims on behalf of third parties fall within the scope of Article 28-3.

A license under Article 28-3 of the Law is required even if the agent providing the debt collection service is not authorized to collect the funds or have them credited to its account. However, debt collection by the assignor or by a third party for the account of a securitization organization does not fall within the scope of Article 28-3 of the Law.

Professionals performing lending operations

Definition	Professionals performing lending operations are professionals engaging in the business of granting loans to the public for their own account. The CSSF states that, within the meaning of Article 28-4, 'public' means clients other than professional clients within the meaning of annex III section A (1) and (2) of the Law. 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 craftsman, traders, industrialists and certain liberal professions. This article shall not apply to persons engaging in securitization operations.
Legal reference	Article 28-4 of the Law
License granted automatically	None
Minimum capital	€730,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)
Status-specific CSSF circulars	12/538 (lending), chapter 3 of part III (except sub-chapter 3.4) and paragraph 12 of chapter 2 of part III of 20/759 (counterparty risk and credit risk)

Additional information

This status covers professionals extending loans to clients for their own account, but which are not authorized to use public savings for refinancing purposes. These professionals are refinanced exclusively inside their group or in the interbank market. Article 28-4 of the Law exclusively governs the granting of loans to the public. This excludes professionals exclusively granting loans to companies belonging to the same group. A lending activity carried on for a limited circle of natural or legal persons is not a public lending activity, provided the target persons are clearly identifiable by meeting pre-defined criteria.

Article 28-4 of the Law deals with granting loans of any kind to the public, including mortgage loans and, subject to point (3) of Article 28-4, consumer credits, no matter whether the credits granted are secured by collateral or pledges or otherwise. This status does not cover activities reserved solely for mortgage banks. In particular, the professionals in question must not issue debt instruments, referred to as mortgage bonds, and based on the rights in rem in immoveable property or charges on real property securing the mortgage loans.

This status does not govern professionals engaged in securitization operations either.

The Law specifies that financial leasing operations and factoring operations are lending operations within the meaning of Article 28-4 of the Law. However, this list is not limitative and other activities may be considered as lending operations. For instance, the CSSF considers that issuing guarantees also constitutes a lending operation within the scope of Article 28-4, when this activity is carried on in a professional capacity and when the professional in question does not use public savings for refinancing purposes.

Professionals performing securities lending

Definition	Professionals performing securities lending are professionals engaging in the business of lending or borrowing securities for their own account.
Legal reference	Article 28-5 of the Law
License granted automatically	None
Minimum capital	€730,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

The professionals in question are authorized to act for their own account as lender or borrower of shares, units, warrants, debt instruments, bonds, bills of exchange, deposit certificates, savings bonds, promissory notes and other securities of any nature and any options and rights on or to them, issued or secured by companies located in Luxembourg or abroad.

A company established in Luxembourg which occasionally engages in securities lending operations for its own account to improve the quality of the borrower's ratios or balance sheet, when such operations are not its main company object, does not thereby fall within the scope of Article 28-5.

Professional intermediaries engaged in securities lending for the account of third parties either come under the status of agency broker (if they act in their own name) or of broker when their role consists in finding the securities requested and putting the parties in contact.

Family Offices

Definition	Those persons carrying out the activity of Family Office within the meaning of the law of 21 December 2012 relating to the Family Office activity and not registered in one of the other regulated professions listed under Article 2 of the above- mentioned law are Family Offices and regarded as carrying on a business activity in the financial sector. Family Office activity within the meaning of the law of 21 December 2012 consists in providing, as a professional, patrimony advice or services to physical persons, families or patrimony entities belonging to physical persons or families or founded by them or from which they are beneficiaries.
Legal reference	Article 28-6 of the Law
License granted automatically	None
Minimum capital	€50,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

The main purpose for regulating family office activity is for Luxembourg to strengthen the attractiveness and integrity of its financial market at European and world level. The purpose of regulating such activity is also to professionalize the role of the family office and its image, which is in no way incompatible with the independence and discretion it is required to exercise.

Such regulation meets a market need. It also allows Luxembourg to position itself on the world Family Office stage, while being a complementary activity to its private banking.

Mutual savings fund administrators

Definition	Mutual savings fund administrators are professionals, whether natural or legal persons, engaged in the business of administering one or more collective savings schemes (fonds communs d'épargne). For the purposes of this Article, a collective savings scheme shall be understood to mean any undivided pool of cash deposits managed on behalf of a group of savers acting in common, of which there are at least 20 in number, with a view to obtaining more favorable financial conditions.
Legal reference	Article 28-7 of the Law
License granted automatically	None
Minimum capital	€125,000
Authorized form	Physical or legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

Administrators of collective savings schemes being PSF and collective savings schemes (*fonds communs d'épargne*) being undivided pools without legal personality may not as such become members of the Luxembourg deposit guarantee system. They do not therefore pay any contribution to this system and do not benefit from the deposit guarantee.

Corporate domiciliation agents

Definition	Corporate domiciliation agents acting as professionals of the financial sector 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.
Legal reference	Article 28-9 of the Law
License granted automatically	Professionals providing company incorporation and management services (Art. 28-10)
Minimum capital	€125,000
Authorized form	Physical or legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)
Status-specific CSSF circulars	01/28, 01/29, 01/47 and 02/65 (domiciliation)

Additional information

CSSF circular 02/65 gives details about the definition of 'registered office' while emphasizing that this notion must be interpreted in a broad sense. It should be noted that a 'registered office' exists, within the meaning of the modified law of 31 May 1999 on corporate domiciliation, when the company is provided with an address in Luxembourg by a third party for use by it in dealings with other third parties.

If not all the criteria of a true lease (i.e. long-term lease with a lessor and a tenant ensuring exclusive enjoyment of private premises with a separate entrance, such that the tenant can be engaged in a real business on the premises in question) are met, the activity does constitute a domiciliation business within the meaning of Article 1 of the modified Law of 31 May 1999 on corporate domiciliation.

Professionals providing company incorporation and management services

Definition	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.
Legal reference	Article 28-10 of the Law
License granted automatically	None
Minimum capital	€125,000
Authorized form	Physical or legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

Corporate domiciliation agents as referred to in Article 28-9 of the Law and the notaries and registered members of other regulated professions listed in Article 1, paragraph (1) of the modified Law of 31 May 1999 governing the domiciliation of companies shall be automatically authorized to act, in addition, as professionals providing company incorporation and management services. Except for the former, such persons shall not be subject to prior approval by the minister responsible for the CSSF or to prudential supervision by the CSSF.

As regards the qualification of a professional engaged in company incorporation and management services, the CSSF has specified that the relationship between the professional and the client is material. The assumption is that the business in question is performed repeatedly or that the service provider is paid for the services provided.

Services related to company incorporation consist in performing for the account of the client any steps required to incorporate the type of company desired. The services as intermediary provided to a client to prepare a company incorporation deed (whether organized and existing under the laws of Luxembourg or not) and of representing a client when incorporating the company are included. As regards company management services, Article 28-10 covers entities providing third-party companies with administrators, directors or managers.

Central account keepers

Definition	Central account keepers are persons whose activity is to keep issuing accounts for dematerialized securities.
Legal reference	Article 28-11 of the Law
License granted automatically	None
Minimum capital	None
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 10/437 (remuneration), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

3 Support PSF

Article 29-1 Client communication agents

Article 29-2 Administrative agents of the financial sector

Article 29-3 IT systems and communication network operators of the financial sector

Article 29-4 (Repealed by the Law of 21 July 2021)

Article 29-5 Dematerialization service providers of the financial sector

Article 29-6 Conservation service providers of the financial sector

a. Specific information

Support PSF encompass the financial sector professionals holding only a license under Articles 29-1 to 29-6 of the Law. The term 'support' was defined by the market in agreement with the CSSF.

Support PSF do not receive deposits from the public and mainly act as subcontractors of operational functions for the account of other financial sector professionals. These support PSF are engaged in an activity which, in principle, is not part of the financial sector, but they provide a service for an entity governed by the modified law of 5 April 1993 relating to the financial sector. They are therefore subject to a license.

CSSF circular 08/350 of 22 April 2008 as amended by CSSF circular 13/568 is the first circular specific to support PSF. It covers the following four points:

1. Qualification of the activities carried on by OSIPs (operators of primary computer systems) and OSISs (operators of communications networks and secondary computer systems)
2. Terms of supervision of support PSF
3. Prudential rules and rules of conduct
4. Transitional provision

CSSF circular 06/240 as amended by CSSF circular 13/568 deals with the administrative and accounting organization; IT subcontracting and details about the services subject to a support PSF license, Articles 29-1, 29-2 and 29-3 of the Law; changes to the terms of IT subcontracting of branches abroad.

The Law of 25 July 2015 on electronic archiving broadens the license for all support PSF. These licenses are also required when activities arising from these categories are carried out for payment institutions and electronic money institutions.

The Law of 23 July 2016 extends it as well for the administrative agents when activities are provided for reserved alternative investment funds.

b. Fast-reference sheets and additional data per status

Client communication agents

Definition	Client communication agents are professionals engaged in the business of providing one or more of the following services on behalf of Luxembourg and non-Luxembourg credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, venture capital investment companies, authorized securitization organizations, pension funds, insurance undertakings and reinsurance undertakings: • The production of confidential documents in hard- copy or electronic format for the personal use of clients of credit institutions, PSF, payment institutions, electronic money institutions, insurance or reinsurance undertakings, investors in UCIs, SIFs, venture capital investment companies, authorized securitization organizations and contributors, members or beneficiaries of pension funds • The archiving or the destruction of the documents referred to in the previous indent • The provision of documents or information to the persons referred to in the first indent concerning their assets and the services offered by the professional in question • Mail management giving access to confidential data of the persons referred to in the first indent • The compilation, under the terms of a specific mandate, of the various positions held by the persons referred to in the first indent with various financial professionals
Legal reference	Article 29-1 of the Law
License granted automatically	None
Minimum capital	€50,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. 1.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)
Status-specific CSSF circular	04/146 (late trading/market timing)

Administrative agents of the financial sector

Definition	Administrative agents of the financial sector are professionals who engage in the provision, on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, investment companies in risk capital, authorized securitization undertakings, reserved alternative investment funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law, pursuant to a sub-contract of administration services forming an integral part of the business activities of the originator.
Legal reference	Article 29-2 of the Law
License granted automatically	Client communication agents (Article 29-1)
Minimum capital	€125,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

Article 29-2 of the Law governs the professionals providing purely administrative services (back-office services), on a subcontracting basis, for the account of financial professionals, whether from Luxembourg or abroad.

The field of action of administrative agents of the financial sector encompasses the following functions, inter alia:

- Administrating investor portfolio
- Posting transactions in client accounts
- Valuing client assets
- Opening new accounts in the books
- Accounting audit of inflows and outflows
- Reconciliations
- Calculating the net asset value of UCI units
- Defining computer application settings

Therefore, administrative agents may actively partake in the professional process of their client. This status does not cover technical services that are not likely to impact the principal's professional activity.

IT systems and communication network operators of the financial sector

Definition	IT systems and communication network 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 belonging to: credit institutions, PFS, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, investment companies in risk capital, authorized securitization undertakings, reserved alternative investment funds, insurance undertakings, or reinsurance undertakings established under Luxembourg or foreign law.
Legal reference	Article 29-3 of the Law
Minimum capital	€125,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Dematerialization service providers of the financial sector

Definition	Dematerialization service providers of the financial sector are dematerialization 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, investment companies in risk capital, pension funds, authorized securitization undertakings, insurance undertakings or reinsurance undertakings, governed by Luxembourg law or by foreign law
Legal reference	Article 29-5 of the Law
License granted automatically	None
Minimum capital	€50,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

CSSF and ILNAS collaborate for the purposes of the performance of their respective duties of supervision of dematerialization service providers of the financial sector.

Conservation service providers of the financial sector

Definition	Conservation service providers of the financial sector are conservation service providers within the meaning of the law of 25 July 2015 on e-archiving in charge of the conservation of electronic documents on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, SIFs, investment companies in risk capital, pension funds, authorized securitization undertakings, insurance undertakings or reinsurance undertakings, governed by Luxembourg law or by foreign law
Legal reference	Article 29-6 of the Law
License granted automatically	None
Minimum capital	€125,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the desired status, including the necessary basic information (cf. I.2)
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management)

Additional information

The activities consisting solely in basic data storage and that do not consist in the conservation of a recognized legal copy or a digital original ensuring its integrity according to the law of 25 July 2015 on e-archiving do not fall under this present article.

CSSF and ILNAS collaborate for the purposes of the performance of their respective duties of supervision of conservation service providers of the financial sector.

Approved publication arrangements

Definition	Approved publication arrangements (APAs) are professionals whose activity consists in providing the service of publishing trade reports on behalf of credit institutions or investment firms.
Legal reference	Article 29-12 of the Law
License granted automatically	None
Minimum capital	€125,000
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining written authorization from the Ministry of Finance which handles the license documentation filed to obtain the de¬sired status, including the necessary basic information (cf. I.2).
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management).

Additional information

APAs shall have adequate policies and arrangements in place to make public the information required under Articles 20 and 21 of Regulation (EU) No 600/2014 as close to real time as is technically possible, on a reasonable commercial basis. The information shall be made available free of charge 15 minutes after the APA has published it. The APA shall be able to efficiently and consistently disseminate such information in a way that ensures fast access to the information, on a non-discriminatory basis and in a format that facilitates the consolidation of the information with similar data from other sources.

The information made public by an APA shall include, at least, the following details:

1. The identifier of the financial instrument;
2. The price at which the transaction was concluded;
3. The volume of the transaction;
4. The time of the transaction;
5. The time the transaction was reported;
6. The price notation of the transaction;
7. The code for the trading venue the transaction was executed on, or where the transaction was executed via a systematic internalizer the code “SI” or otherwise the code “OTC”;
8. If applicable, an indicator that the transaction was subject to specific conditions.

APAs shall operate and maintain effective administrative arrangements designed to prevent conflicts of interest with their clients. In particular, an APA that is also a market operator, credit institution or investment firm shall treat all information collected in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions.

Furthermore, APAs shall have sound security mechanisms in place designed to guarantee the security of the means of transfer of information, minimize the risk of data corruption and unauthorized access and to prevent information leakage before publication. APAs shall maintain adequate resources and have back-up facilities in place in order to offer and maintain their services at all times.

APAs shall have systems in place that can effectively check trade reports for completeness, identify omissions and obvious errors and request re-transmission of any such erroneous reports.

Consolidated tape providers (CTP)

Definition	Consolidated tape providers (CTPs) are professionals whose activity consists in providing the service of collecting trade reports for financial instruments from regulated markets, MTFs, OTFs, and APAs and consolidating them into a continuous electronic live data stream providing price and volume data per financial instrument.
Legal reference	Article 29-13 of the Law
Minimum capital	None
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the de¬sired status, including the necessary basic information (cf. I.2).
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management).

Additional information

The CTP shall have adequate policies and arrangements in place to collect the information made public in accordance with Articles 6 and 20 of Regulation (EU) No 600/2014, consolidate it into a continuous electronic data stream and make the following information available to the public as close to real time as is technically possible, on a reasonable commercial basis including, at least, the following details:

1. The identifier of the financial instrument;
2. The price at which the transaction was concluded;
3. The volume of the transaction;
4. The time of the transaction;
5. The time the transaction was reported;
6. The price notation of the transaction;
7. The code for the trading venue the transaction was executed on, or where the transaction was executed via a systematic internalizer the code "SI" or otherwise the code "OTC";
8. Where applicable, the fact that a computer algorithm within the credit institutions or investment firm was responsible for the investment decision and the execution of the transaction;
9. If applicable, an indicator that the transaction was subject to specific conditions.
10. If the obligation to make public the information referred to in Article 3 (1) of Regulation (EU) No 600/2014 was waived in accordance with letter (a) or (b) of Article 4 (1) of that regulation, an indication which of those waivers the transaction was subject to.

The information shall be made available free of charge 15 minutes after the CTP has published it. The CTP shall be able to efficiently and consistently disseminate such information in a way that ensures fast access to the information, on a non-discriminatory basis and in formats that are easily accessible and usable for market participants.

Approved reporting mechanisms

Definition	Approved reporting mechanisms (ARMs) are professionals whose activity consists in providing the service of reporting details of transactions to competent authorities or to ESMA on behalf of credit institutions or investment firms.
Legal reference	Article 29-14 of the Law
License granted automatically	None
Authorized form	Legal person
Authorization procedure	The license is subject to obtaining a written authorization from the Ministry of Finance which handles the license documentation filed to obtain the de¬sired status, including the necessary basic information (cf. I.2).
Professional indemnity insurance	€0
Main applicable CSSF regulations (Reg.) and circulars	95/120 (central administration), 96/126 (organization), 98/143 (internal control), 17/656, 06/240 and 13/554 (IT), 08/350 (supervision), 08/364 (reporting), 12/544 (supervision), Reg. 12-02 (AML), Reg. 16-07 and 17/671 (complaints) and 20/750 (ICT and security risk management).

Additional information

ARMs shall have adequate policies and arrangements in place to report the information required under Article 26 of Regulation (EU) No 600/2014 as quickly as possible, and no later than the close of the working day following the day upon which the transaction took place. Such information shall be reported in accordance with the requirements laid down in Article 26 of Regulation (EU) No 600/2014.
ARMs shall operate and maintain effective administrative arrangements designed to prevent conflicts of interest with their clients. In particular, an ARM that is also a market operator, credit institution or investment firm shall treat all information collected in a non-discriminatory fashion and shall operate and maintain appropriate arrangements to separate different business functions.
ARMs shall have sound security mechanisms in place designed to guarantee the security and authentication of the means of transfer of information, minimize the risk of data corruption and unauthorized access and to prevent information leakage, maintaining the confidentiality of the data at all times. ARMs shall maintain adequate resources and have back-up facilities in place in order to offer and maintain their services at all times.

ARMs shall have systems in place that can effectively check transaction reports for completeness, identify omissions and obvious errors caused by the credit institution or the investment firm and where such error or omission occurs, communicate details of the error or omission to the credit institution or investment firm and request re-transmission of any such erroneous reports. ARMs shall have systems in place to enable them to detect errors or omissions caused by themselves and to enable ARMs to correct and transmit, or re-transmit as the case may be, correct and complete transaction reports to the competent authority.

Appendices

1 Summary of main regulations and circulars applicable to PSF

(as at 28 October, 2021)

CIRCULAR/REGULATION	TOPIC	Investment firms	Specialized PSF	Support PSF
Organization and internal control				
91/78	Segregation of assets for private portfolio managers	X (1)		
91/80 and 96/124	Staff numbers	X	X	X
93/95 and 11/515	License requirements	X	X	X
93/102	Activities of brokers or commission agents	X (2)		
95/120	Central administration		X	X
96/126	Administrative and accounting organization		X	X
98/143	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)
17/651	Credit agreements for consumers relating to residential immovable property	X	X	X
Information Technology				
17/656 and 06/240 as amended by 17/657	Administrative and accounting organization; IT outsourcing	X	X	X
20/750	Requirements regarding information and communication technology (ICT) and security risk management	X	X	X
19/723, 21/779, 21/783 and 07/307 as amended by 13/560, 13/568 and 14/585	MiFID: Conduct of business rules in the financial sector	X		
07/325 and 07/326 as amended by 10/442 and 13/568 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)		

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
17/669	Prudential assessment of acquisitions and increases in holdings in the financial sector	X	X	X
12/538	Lending in foreign currencies	X	X (4)	
20/758 (replacing from January 1, 2021, 12/552 as amended by 13/563, 14/597, 16/642, 16/647, 17/655, 20/750 and 20/758 for investment firms)	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 and 20/759)	Central administration, internal governance and risk management		X (5)	
13/554	Evolution of the usage and control of the tools for managing IT resources and the management access to these resources	X	X	X
Reg. 16-07, 17/671 and 19/718	Out-of-court resolution of complaints	X	X	X
15/611	Managing the risks related to the outsourcing of systems that allow the compilation, distribution and consultation of management board/strategic documents	X	X	X
Regs G-D of 25 July 2015	Dematerialization and conservation of documents / Electronic archiving			X (3)
15/631	Dormant or inactive accounts	X	X	X
18/697	Organizational arrangements applicable to fund depositaries which are not subject to Part I of the Law of 17 December 2010 relating to undertakings for collective investment, and, where appropriate, to their branches	X	X(3)	
17/654 amended by 19/714, 21/777 and 21/785	IT outsourcing relying on a cloud computing infrastructure	X	X	X
21/769	Governance and security requirements for supervised entities to perform tasks or activities through telework	X	X	X
Reg. 20-04	Measures for a high common level of security of network and information systems		X	

Remuneration				
10/437	Remuneration policies in the financial sector	X	X	X
11/505	Details relating to the application of the principle of proportionality	X		
17/658	Adoption of the European Banking Authority's guidelines on sound remuneration policies	CRR only		
Fight against money laundering and terrorist financing				
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
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
20/740	AML/CFT implications during the COVID-19 pandemic	X	X	X
21/786	FATF statements concerning high-risk jurisdictions on which enhanced due diligence and, where appropriate, counter-measures are imposed and jurisdictions under increased monitoring of the FATF	X	x	x
21/782	Adoption of the revised guidelines, by EBA, on money laundering and terrorist financing risk factors	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

CIRCULAR/REGULATION	TOPIC	Investment firms	Specialized PSF	Support PSF
Prudential ratios				
06/260 **07/290 as amended by 10/451, 10/483, 10/497 and 13/568** **07/301 as amended by 08/338, 09/403, 10/494** **11/501** **11/505** **12/535** **13/572**	Capital adequacy ratios / large exposures; assessment process	X		
Reg. 14-01, 15-01 and 15-02 and 13/575, 14/582, 14/583, 15/606, 15/618, 15/620, 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)		
09/403	Sound liquidity risk management	X		
11/506 as amended by 20/753	Principles of a sound stress testing programme	X		
16/02	Scope of deposit guarantee and investor compensation	X		
17/03, 17/649	Adoption of the guidelines issued by the European Banking Authority (EBA) on the methods of providing information in summarized or collective form for the purposes of the Banking Recovery and Resolution Directive (BRRD)	X		
Reporting				
05/187 completed by 10/433 and 21/770, 19/709	Financial information to be submitted to the CSSF on a periodic basis	X	X	X
08/334 and 08/344	Encryption specifications for reporting firms to the CSSF	X	X	X
08/364	Financial information to be submitted to the CSSF on a quarterly basis by the support PSF			X
08/369	Prudential reporting	X	X	X
10/457	Electronic transmission to the CSSF of the long-form report and of the management letter	X		
11/503	Transmission and publication of financial information and relating deadlines	X	X	X
11/504	Frauds and incidents due to external computer attacks	X	X	X
13/577	Table "Responsible persons for certain functions and activities"	X		

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialized PSF	Support PSF
Domiciliation				
01/28, 01/29, 01/47 and 02/65	Domiciliation		X (6)	
Supervision				
00/22	Supervision of investment firms on a consolidated basis	X (3)		
08/350 as amended by 13/568	Prudential supervisory procedures for support PSF			X
12/544 updated by 19/727	Optimization of the supervision exercised on the support PSF by a risk-based approach			X
15/629 as amended by 16/641	Supplementary supervision to be applied to financial conglomerates and definition of structure coefficients to be observed by the regulated entities belonging to these financial conglomerates	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, 13/571 and 21/768	Practical rules concerning the mission of external auditors of investment firms	X		

(1) applicable only to private portfolio management (art. 24-4)

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

(3) depending on the activity of the PSF

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

(5) applicable only to professionals performing lending operations (art. 28-4) and only chapter 3 of part III of the circular (except sub-chapter 3.4) and paragraph 12 of chapter 2 of part III of the circular applicable

(6) applicable only to PSF providing domiciliation activities

2 PSF in a nutshell – laws as applicable as from July 21, 2021

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 the receiving or transmitting orders in relation to one or more financial instruments, without holding funds or financial instruments of the clients.
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 initiative of the investment firm, 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**.

Investment firms

PSF activities	Article	Minimum capital or capital base €	Definition of the services
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	**MTF** or **multilateral trading facility** shall mean a multilateral system, which 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	**OTF** or **organised trading facility** shall mean a multilateral system which 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. The maintaining of the register includes the reception and execution of orders relating to such financial instruments, of which they are the necessary accessory.
Professional depositaries of financial instruments	26	€730,000	Professional depositaries of financial instruments are professionals who engage in the receipt into custody of financial instruments exclusively from the professionals of the financial sector, and who are entrusted with the safekeeping and administration thereof, including custodianship and related services, and with the task of facilitating their circulation.
Professional depositaries of assets other than financial instruments	26-1	€500,000	"Professional depositaries of assets other than financial instruments are professionals whose activity consists in acting as depositary for: – 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 authorised in Luxembourg	27	€730,000	Operators of a regulated market in Luxembourg are persons who manage and/or operate the business of a regulated market authorised in Luxembourg, excluding investment firms operating an MTF or an OTF in Luxembourg.
Debt recovery	28-3	-	The recovery of debts owed to third parties, to the extent that it is not reserved by law to certificated bailiffs, shall be authorized only with the assent of the Minister for Justice.
Professionals performing lending operations	28-4	€730,000	"Professionals performing lending operations are professionals engaging in the business of granting loans to the public for their own account. The following, in particular, shall be regarded as lending operations for the purposes of this article: (a) financial leasing operations involving the leasing of moveable or immoveable property specifically purchased with a view to such leasing by the professional, who remains the owner thereof, where the contract reserves unto the lessee the right to acquire, either during the course of or at the end of the term of the lease, ownership of all or any part of the property leased in return for payment of a sum specified in the contract;

PSF activities	Article	Minimum capital or capital base €	Definition of the services
Professionals performing lending operations (continued)	28-4	€730,000	(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."
Professionals performing securities lending	28-5	€730,000	Professionals performing securities lending are professionals engaging in the business of lending or borrowing securities for their own account.
Family Offices	28-6	€50,000	Those persons carrying out the activity of Family Office within the meaning of the law of 21 December 2012 relating to the Family Office activity and not registered in one of the other regulated professions listed under Article 2 of the above-mentioned law are Family Offices and regarded as carrying on a business activity in the financial sector.
Mutual savings fund administrators	28-7	€125,000	"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 governing the domiciliation of companies and referred to in this Article, are natural or legal persons who agree to the establishment at their address by one or more companies of a seat and who provide services of any kind connected with that activity. This Article does not refer to the other persons listed in the above-mentioned list.
Professionals providing company incorporation and management services	28-10	€125,000	Professionals providing company incorporation and management services are natural and legal persons engaging in the provision of services relating to the formation or management of one or more companies.
Central account keepers	28-11	-	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, investment companies in risk capital, authorized securitization undertakings, reserved alternative investment funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law, pursuant to a sub-contract, of administration services forming an integral part of the business activities of the originator.
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 belonging to credit institutions, PFS, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, investment companies in risk capital, authorized securitization undertakings, reserved alternative investment funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law. The activity of IT systems and communication networks operator of the financial sector includes IT processing or transfer of data stored in the IT systems. The IT systems and communication networks in question may either belong to the credit institution, PFS, payment institution, electronic money institution, UCI, pension fund, SIF, investment company in risk capital, authorized securitization undertaking, reserved alternative investment fund, insurance undertaking or reinsurance undertaking established under Luxembourg law or foreign law, or be provided to them by the operator.

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, investment companies in risk capital (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, investment companies in risk capital (SICARs), pension funds, authorized securitization undertakings, insurance undertakings or reinsurance undertakings, governed by Luxembourg law or by foreign law.

3 Glossary

AIFM	Alternative Investment Fund Manager
AR	Analytical Report
CI	Credit Institution
CIT	Corporate Income Tax
	Impôt sur le Revenu des Collectivités(IRC)
CSSF	*Commission de Surveillance du Secteur Financier*
DR	Descriptive Report
EC	European Commission
EEA	European Economic Area
FATCA	Foreign Account Tax Compliance Act
FFI	Foreign Financial Institution
PSF	Financial Sector Professional
ICAAP	Internal Capital Adequacy Assessment Process
ILNAS	*Institut Luxembourgeois de la Normalisation, de l'Accréditation, de la Sécurité et qualité des produits et services*
IRS	Internal Revenue Service
KYC	Know Your Customer
Law	Modified law relating to the financial sector of 5 April 1993
LITL	*Loi de l'Impôt sur le Revenu : law on income tax*
MBT	Municipal Business Tax
	Impôt Commercial Communal (ICC)
MiFID	Markets in Financial Instruments Directive
MTF	Multilateral Trading Facility
NFFE	Non-Financial Foreign Entity
NWT	Net Wealth Tax
	Impôt sur la fortune (IF)
OECD	Organization for Economic Co-operation and Development
PSDC	*Prestataire de Services de Dématérialisation ou de Conservation :* dematerialization and conservation service provider
RAR	Risk Assessment Report
UCI	Undertaking for Collective Investment
SICAR	*Société d'investissement à Capital Risque* : venture capital investment company
VAT	Value Added Tax

References

Modified law relating to the financial sector of 5 April 1993CSSF regulations and circulars
CSSF annual reports
CSSF statistics on PSF
Questions/answers relating to the PSF licenses and statuses granted by the CSSF
Professionals of the Financial Sector (PSF) in Luxembourg - Overview and outlook of a sector adapting to the change

4 Organizations representing PSF

Expanding representation across professional associations

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

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

Finance & Technology Luxembourg (FTL)

This association, formed in 2007, currently combines over 50 companies providing services to financial institutions. The mission of the association's platform is to inform its members about changes in prospects for the professions in question, create synergy between players with a view to securing 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 fifty members and is specialized in Family Offices. The Family Officer serves as a service provider for 'families and asset entities', i.e. it coordinates, controls and supervizes all professionals involved in the provision of services to its clients (asset management, attorneys, tax advisers, banks, trustees, notaries, etc.).

Tel: +352 621 135 933

www.lafo.lu

Luxembourg Association of Wealth Managers (LAWM)

Luxembourg Association of Wealth Managers or LAWM 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, the purpose of this association 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 the commercial interests of trust companies and defend their interests with the authorities, in particular by participating in commissions and working groups.

It has contacts with authorities, other professional organizations, professional chambers and other corporate institutions.

Tel : +352 621 33 98 98

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. Its aim is to bring together the players in the Luxembourg 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 a review, and develops international auditing and control standards for IT systems.

The institution is open to IT auditors likely to be involved with PSF.

www.isaca.org

Foundation LHoFT (Luxembourg House of Financial Technology)

The foundation LHoFT is an initiative by the public and private sectors to stimulate technological innovation for the financial services sector in Luxembourg, connecting up 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, constituted on 1 March 2019, is as a not-for-profit association (a.s.b.l.). LuxCMA has established four Working Groups and three Task-Forces. The main goal of the association is to bring all players in the primary capital markets around the table and materialize their common interests. In particular, LuxCMA will focus on facilitating the access to a wide network of capital market professionals; exchanging views about the future of the industry; sharing best practices with peers; sharing 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 ABBL 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 is providing 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 asset management and investment funds. The objective of the ALFI is to; "Lead industry efforts to make Luxembourg the most attractive international investment fund centre".
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 LPEA provides its members with analysis and industry trends, forums to exchange experiences, and offers of trainings 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

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

5 Deloitte's proposed services

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

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

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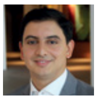

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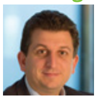

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