



Outlook and future of an evolving sector

Professionals of the Financial Sector
(PSF) in Luxembourg

December 2018

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Foreword

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

The Professionals of the Financial Sector industry (PSF) in Luxembourg numbered 289 entities at year-end 2017, compared to 304 a year earlier. In terms of jobs, the sector has employed more than 15,000 people over the past years and this number almost reached 16,000 at the end of 2017. **The PSF market displays definite robustness**, with an **increase in employment**, despite the slight decrease in the number of entities in recent years.

Competitiveness is inherent in all markets. In a regulatory and technological environment that is constantly evolving, not to say undergoing revolution, it is important that companies focus on their core business and adapt to the needs and changes of tomorrow. We are seeing an ongoing adjustment of some organisations' licences, reflecting a better understanding of licensing requirements according to the services provided and, in some areas, a quest for synergy resulting particularly in a concentration of players. Through our detailed analysis of the PSF market, we present **the key trends and changes in this industry in an ever-changing environment**.

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

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

There have been many new regulatory developments in 2017 and 2018, with MiFID II coming into force in January 2018, the application of the General Data Protection Regulation since the end of May 2018, and changes in IT outsourcing with the reform of Article 41 of the Law on the Financial Sector concerning professional secrecy. Players in the industry have had to (and continue to) familiarise themselves with all these topics, and make the necessary adjustments to comply with the new requirements.

We kindly thank Mrs **Catherine Wajsman** and Messrs **Farid Boudis, Rolf Caspers, Robert Jarvis, Yves Reding** and **Tom Théobald** for their valuable contributions to this brochure. Their complementary experience in this industry provided us with an enlightened opinion of the latest PSF news and the sector's prospects.

We hope you will enjoy reading our publication.

Raphaël Charlier
Partner – PSF Leader

Adil Sebbar
Director – Audit



Introduction

PSF: A wide range of services in a regulated environment



Professionals of the Financial Sector (PSF) are defined as regulated **entities offering financial services apart from the receipt of deposits from the public** (a function which is strictly confined to credit institutions).

This industry therefore covers a wide range of financial and even non-financial services.

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

The professional secrecy obligation is defined by Article 41 of the Law of 5 April 1993, as amended by the law of 27 February 2018. This obligation was reinforced by the entry into force of the new General Data Protection Regulation (EU) 2016/679 on 25 May 2018.

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

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

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

- **Investment firms** (Art. 24 to 24-10 of the Law) are defined as firms supplying or providing investment services to third parties on a professional and ongoing basis. These are mainly:
 1. Investment advisers
 2. Brokers in financial instruments
 3. Commission agents
 4. Private portfolio managers

Professionals of the Financial Sector (PSF) are defined as regulated entities offering financial services apart from the receipt of deposits from the public.

- **Specialised PSF** (Art. 25 to 28-11 of the Law), renamed as such by the Law of 28 April 2011, these are entities active in the financial sector but which do not offer investment services. They mainly include:

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

- **Support PSF** (Art. 29-1 to 29-6 of the Law) act principally as subcontractors offering operational services on behalf of credit institutions, PSF, payment institutions, electronic money institutions, insurance and re-insurance undertakings, pension funds and UCIs. They also act on behalf of Specialised Investment Funds (SIF), SICAR (Société d'Investissement en Capital à Risque or venture capital companies), approved securitisation entities and RAIF (reserved alternative investment funds). They include:

1. Support PSF not involved in information technology, namely client communication agents (Art. 29-1) and financial sector administrative agents (Art. 29-2).
2. Support PSF involved in information technology, namely Primary IT Systems Operators of the financial sector (OSIP - Art. 29-3) and Secondary IT Systems and communication networks operators of the financial sector (OSIS - Art. 29-4).
3. Support PSF offering dematerialization or digital document conservation services (Art. 29-5 and 29-6).

- **Data communication service providers (PSCD)** (Art. 29-12 to 29-14) introduced by the law of 30 May 2018 are entities carrying out at least one of the following activities:

1. Approved Publication Arrangements (APA).
2. Consolidated Tape Providers (CTP).
3. Approved Reporting Mechanisms (ARM).

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

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

1

Scope of PSF in the Luxembourg economy

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1.1 A strong economic player

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

Market size

The number of PSF is on the decline. The Grand Duchy identified 289 PSF as at 31 December 2017, down from 304 at the end of 2016.

The main category of PSF in 2017 remains specialised PSF, which account for 38%. However, despite steady growth between 2007 and 2013, the number of these PSF has seen a downturn since 2014 (-7% between 2014 and 2017).

In 2017, investment firms accounted for 35% of PSF. In the majority until 2009, their progress has stabilised between 2009 and 2016. We are continuing to see a drop in the number of PSF, with 287 entities in August 2018 compared to 289 as at 31 December 2017.

This market trend for the PSF industry can be broken down into three phases:

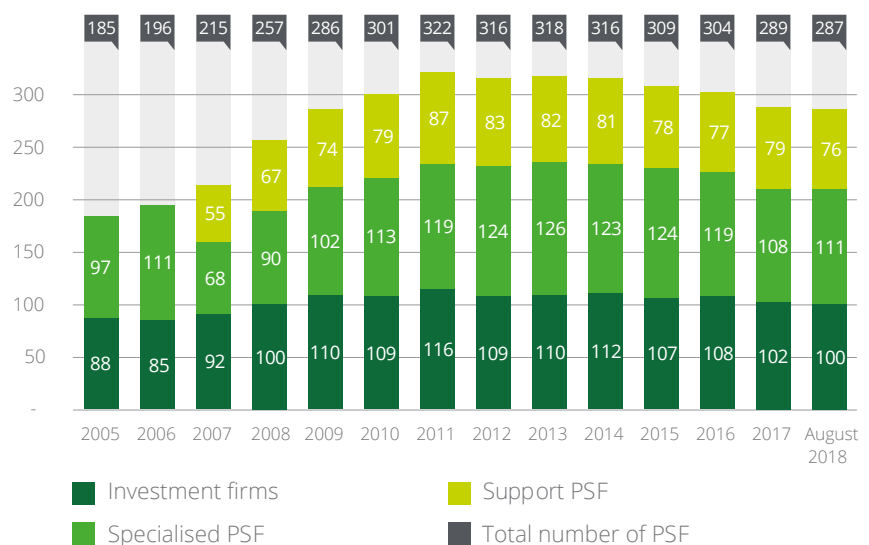
- From 2006 to 2011, the number of PSF created increased by 59%, mainly due to the growth of the financial centre, particularly in investment funds and corporate domiciliation agents, and to

the growing number of financial and non-financial services in demand from Luxembourg financial institutions (banks, insurance companies, funds, etc.)

- From 2012 through to 2016, the number of PSF stabilised, a trend that was mainly due to a better understanding of licensing requirements according to the services provided.
- Since 2017, the number of PSF has seen a reduction (5%), from 304 in 2016 to 289 in 2017. This reduction stems primarily from the growing costs that PSF must incur to comply with new regulations (MiFID II & GDPR) and to keep up with digitalisation. It is also due to an increase in the number of merger transactions concluded with the aim of pooling resources to reduce costs and attain the critical size.

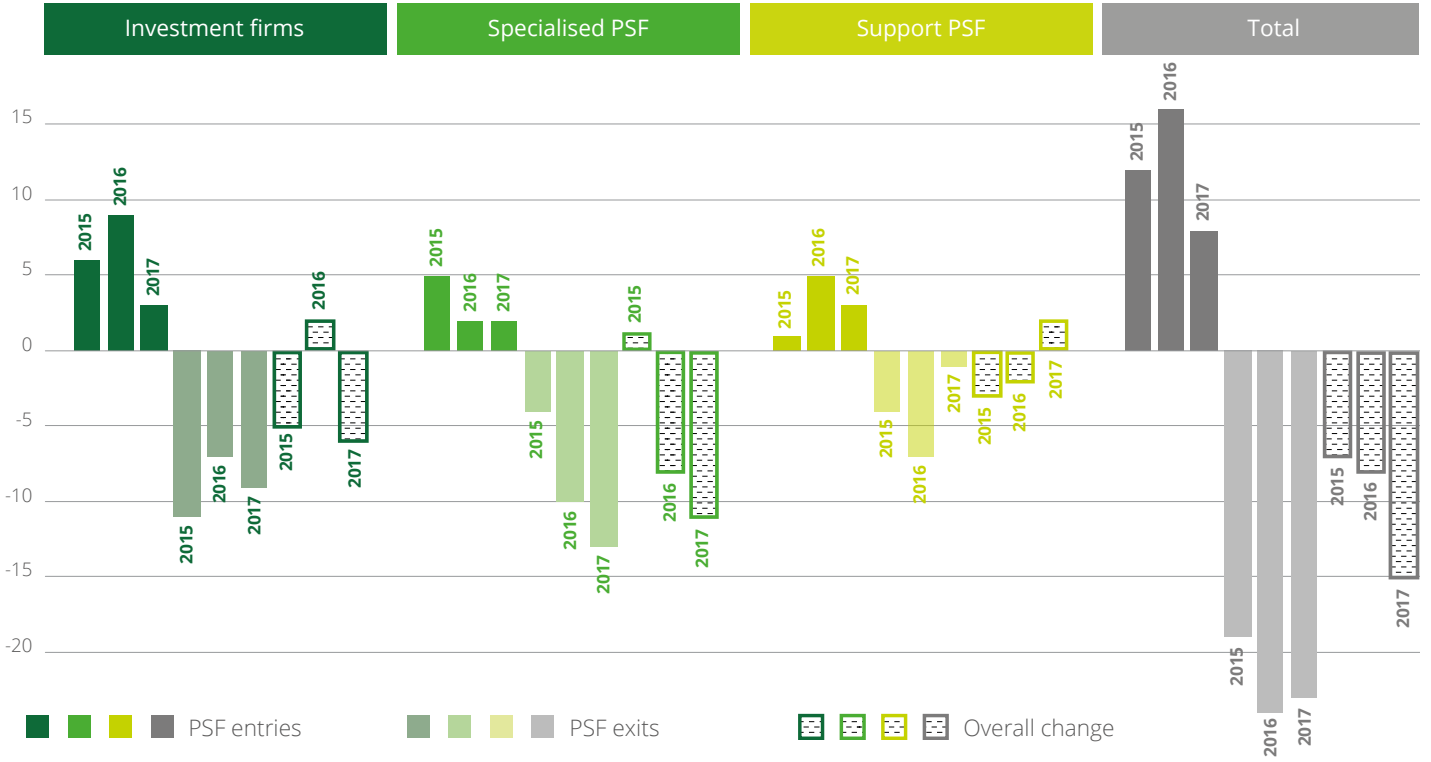
It shall be noted that the reduction in the number of PSF has not impacted either the amount of total net revenues generated in 2017 (which increased 11% from 2016) or the number of employees, which went from 15,442 in 2016 to 15,935 in 2017 (up 3%).

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



Source: CSSF list of PSF as at 31 December 2017

Figure 2: PSF change by category - entries and exits 2017, 2016 and 2015



Source: CSSF list of PSF as at 31 December 2017





Changes within each PSF category

The number of PSF varied mainly in the specialised PSF and investment firm categories between 31 December 2016 and 31 December 2017.

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

PSF withdrawals are mainly due to entities relinquishing their PSF status, liquidations and mergers between various PSF.

Some entities refocused their activity and adapted their status accordingly.

We note that, for investment firms and specialised PSF, in 2017 there were fewer PSF creations than withdrawals. However, for support PSF, the trend reversed in 2017 with a net creation of two entities. The final impact is towards a drop in the number of players, since in 2017, the total number of PSF decreased by 5%.

Excerpt from our whitepaper “Luxembourg - from recovery to opportunity, A 10-year retrospective” from July 2017

- The Luxembourg financial sector remains the key strength and contributor of the Luxembourg economy with 27 percent of value produced.
- Financial sector employment has grown by approximately 7,500 jobs since 2007, to reach a total of 46,000 full time employees in 2016, equivalent to nine percent of total Luxembourg employment growth in the period.

- The Luxembourg financial sector has rebounded since the financial crisis, at a faster rate than that of other European countries, with growth of nearly ten times that of the European financial sector.
- In wealth management, in spite of client outflows due to repatriation following increased tax transparency, assets under management in Luxembourg grew from €270 billion to over €350 billion in 2015.
- The international political context has become less predictable, highlighting the relevance of Luxembourg's stability. This aspect has played an increasingly important role in recent years.

PSF Balance sheets and net aggregate results

The sum of the balance sheets of all PSF amounted to €8 billion for 2017, compared to €11 billion as at 31 December 2016, i.e. a drop of almost 24% in one year.

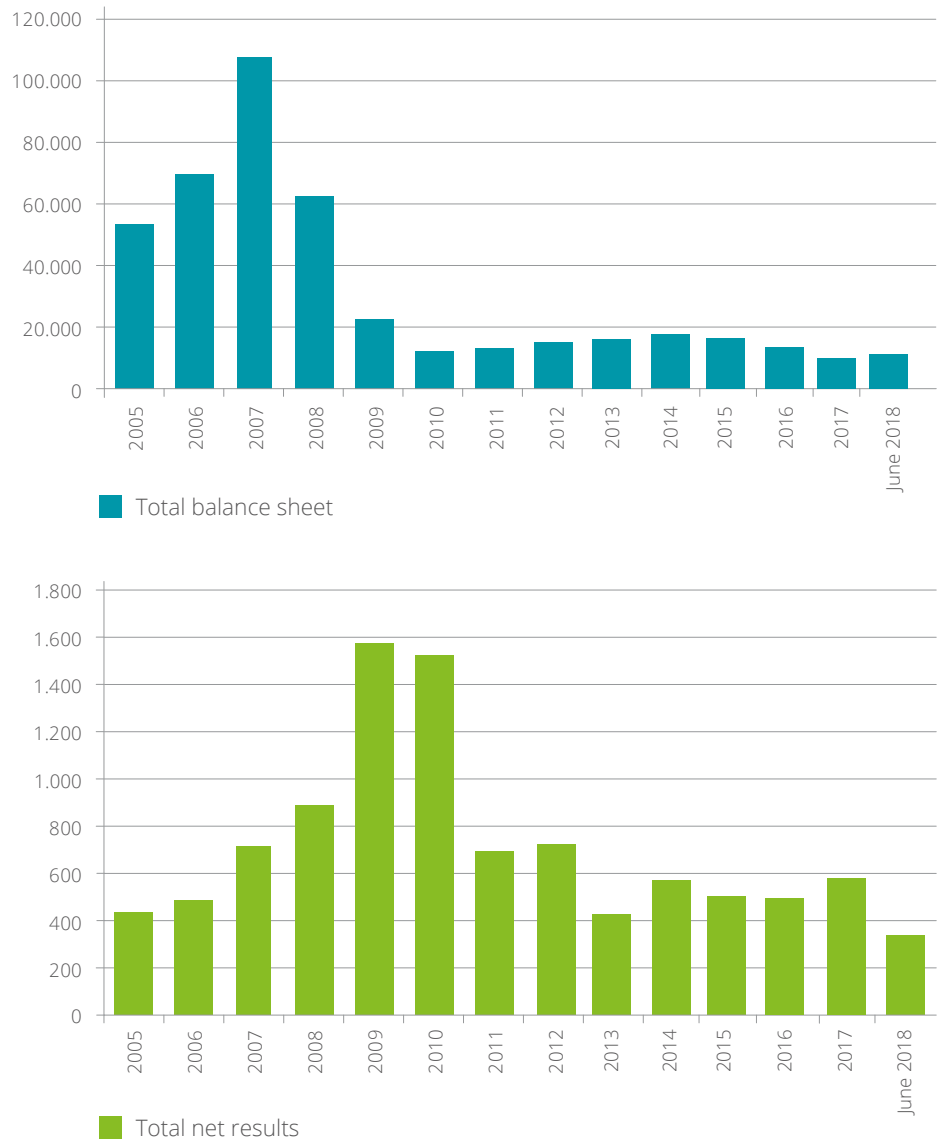
This change is partly due to investment firms which saw their balance sheet total drop by 38%, or approximately €1.2 billion. This strong downturn is mainly due to the significant decrease (52%) in the balance sheet of Merrill Lynch Equity S.à r.l. (€1.1 billion as at 31 December 2017, compared to €2.3 billion as at 31 December 2016). In addition, the balance sheet total of specialised PSF also fell 23%, i.e. approximately €1.6 billion. The balance sheet variation of specialised PSF is mainly due to the reduction in the balance sheets of PK Airfinance S.à r.l. and TMF Luxembourg S.A. by €832 million between 31 December 2016 and 31 December 2017. Meanwhile, the balance sheet total of support PSF gained 9% in 2017.

The balance sheet concentration of PSF had decreased as at 31 December 2017. The three PSF with the largest balance sheet totals (1 investment firm with €1.1 billion and 2 specialised PSF with a total of €1.6 billion) account for nearly 32% of the balance sheet total of all PSF, compared to 52% in 2016.

Given the diverse range of players that the term PSF encompasses, we prefer to use net profit as the criterion rather than balance sheet, as we believe it better reflects the strength and reality of the industry. Thus, PSF posted an 11% increase in net profits between 2016 and 2017, from €514 million as at 31 December 2016 to €572 million as at 31 December 2017.

According to CSSF data as at 30 June 2018, PSF overall have a provisional net profit of €343 million (specialised PSF accounting for €251 million), a rather positive trend which we hope to see confirmed over the second half of the year.

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



Source: Statistics of the CSSF

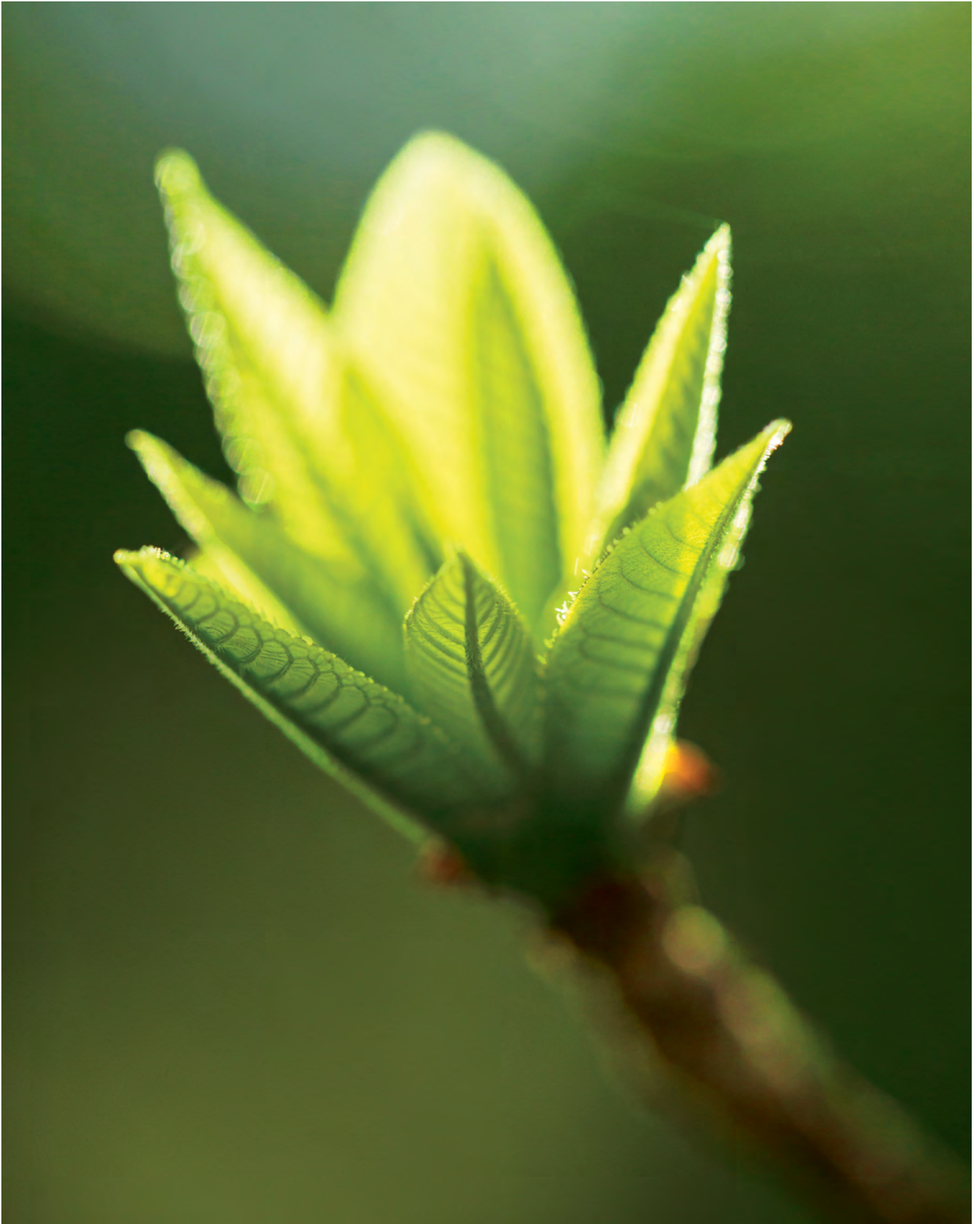


Figure 4: Breakdown of balance sheet totals and net results totals by PSF category
Total balance sheet (in € million)

	2011		2016		2017		June 2018	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment firms	2.629	20%	3.164	29%	1.966	24%	1.627	17%
Specialised PSF	9.419	73%	6.679	61%	5.129	61%	6.611	69%
Support PSF	910	7%	1.128	10%	1.234	15%	1.297	14%
Total	12.958	100%	10.971	100%	8.329	100%	9.535	100%

Total net results (in € million)

	2011		2016		2017		June 2018	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment firms	297	43%	132	26%	143	25%	53	16%
Specialised PSF	353	51%	315	61%	349	61%	251	73%
Support PSF	44	6%	67	13%	80	14%	39	11%
Total	694	100%	514	100%	572	100%	343	100%

Source: CSSF statistics at June 2018

An analysis of profits by category shows that:



- The net profits of **investment firms**, which increased 8% over 2017, saw their relative share remain stable (25% in 2017 compared to 26% in 2016).



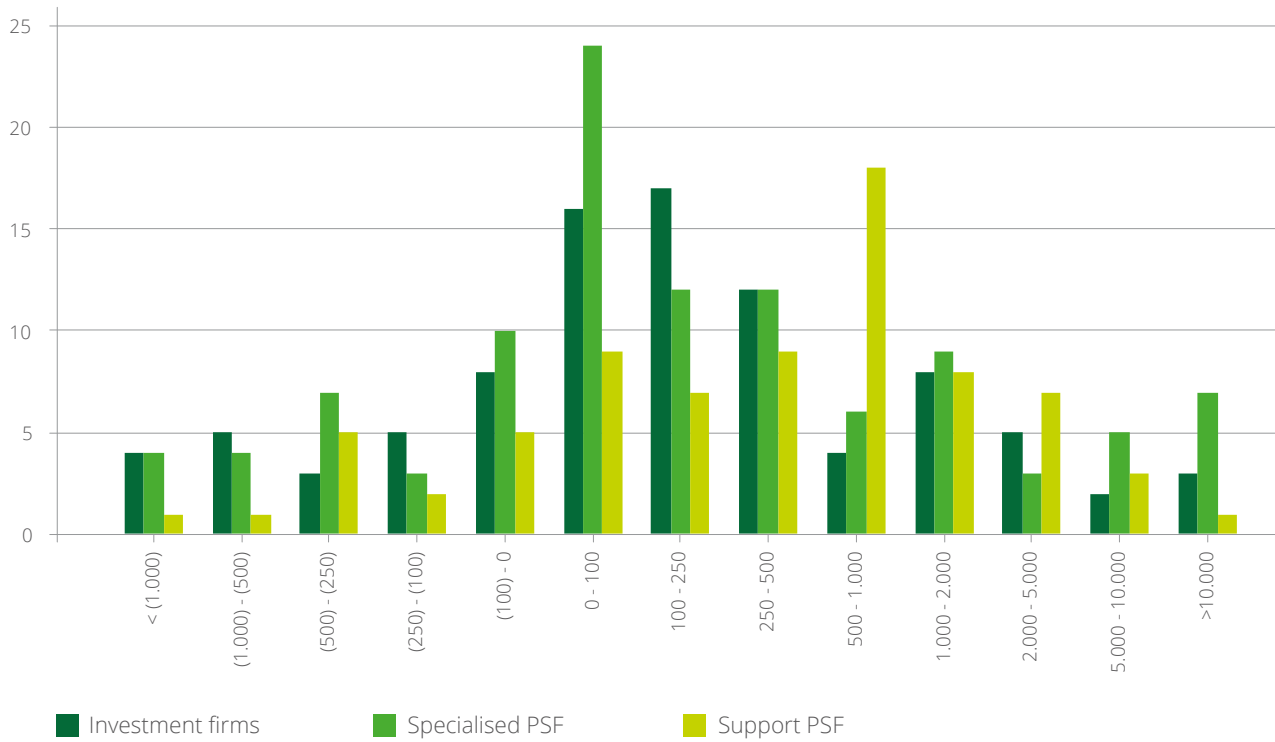
- The profits of **specialised PSF** increased considerably in 2017, with an 11% rise. In 2016 and 2017, specialised PSF accounted for 61% of the profits of all PSF.



- The profits of **support PSF** also increased by almost 20%. Their relative share remained very stable between 2016 and 2017, at around 14%.

Figure 5.1: Breakdown of PSF by net profit bracket as at 31 December 2017 (in € thousands)

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



The average net profit of a PSF as at 31 December 2017 amounts to €2 million, up from €1.7 million in 2016, representing an 18% increase as at 31 December 2017.

Figure 5.2: Comparison of breakdown of PSF by net result bracket in 2016 and in 2017 (in € thousands)

	Investment firms		Specialised PSF		Support PSF	
	2016	2017	2016	2017	2016	2017
Loss	25%	27%	24%	26%	18%	18%
Profit between 0 & 100	24%	17%	27%	22%	12%	12%
Profit between 100 & 1,000	28%	37%	34%	30%	44%	45%
profit between 1,000 & 5,000	13%	14%	12%	11%	23%	20%
Profit > 5,000	10%	5%	8%	11%	3%	5%
	100%	100%	100%	100%	100%	100%

Investment firms category:

Net results of investment firms ranged from a loss of €12 million to a profit of €22 million. The three largest figures were posted by Attrax S.A., Fund Channel S.A. and Valueinvest Asset Management S.A., for a total amount of €48.1 million. While average profit was €1.47 million, the median stands at €131,000 and is up compared to the €117,000 of 2016.

Specialised PSF category:

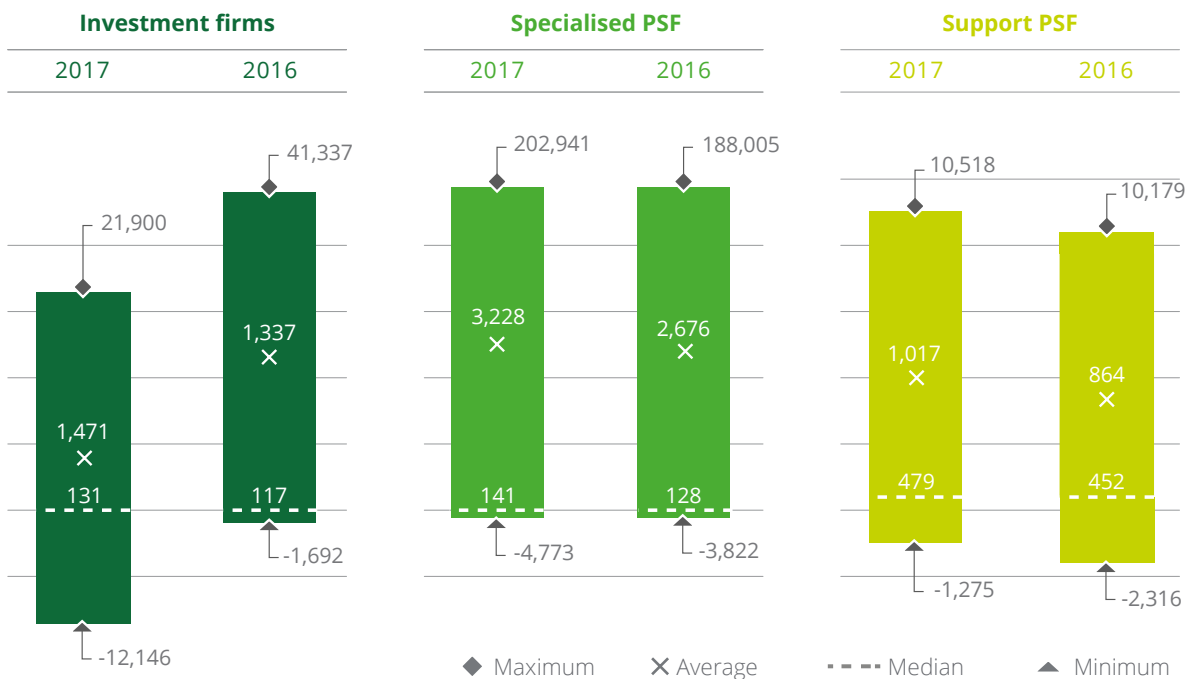
Net results of specialised PSF varied between a loss of €4.8 million and a profit of €203 million. Two PSF posted an extremely high profit compared to the other entities: Clearstream International S.A. and UBS Fund Services (Luxembourg) S.A., with €261 million in total. The other entities peaked at a profit of €26 million. This explains why, despite an average profit of €3.2 million, 77% of the specialised PSF generated profits below or equal to €1 million.

Support PSF category:

Net results of support PSF ranged from a loss of €1.3 million to a profit of €10.5 million. The concentration of profit is higher than for the two other PSF categories. This is confirmed by an average profit of €1 million, close to a median figure of €479,000.

The average net profit of a PSF as at 31 December 2017 amounts to €2 million, up from €1.7 million in 2016, representing an 18% increase as at 31 December 2017.

Figure 6: Range and average net results by PSF category as at 31 December 2017 (in € thousands)



Main expenses of PSF

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

- Personnel costs
- External expenses and other operating expenses
- Taxes

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

For **investment firms**, personnel expenses rank first and account for 49% of identified expenses. They are followed by external expenses and other operating expenses representing 44%.

For **specialised PSF**, external expenses and other operating expenses and personnel costs account for 93% of

identified costs. The distribution of the main expenses is stable compared with 2016.

Among **support PSF**, external expenses and other operating expenses rank first and account for 57% of identified expenses. They are followed by personnel expenses representing 38% in 2017.

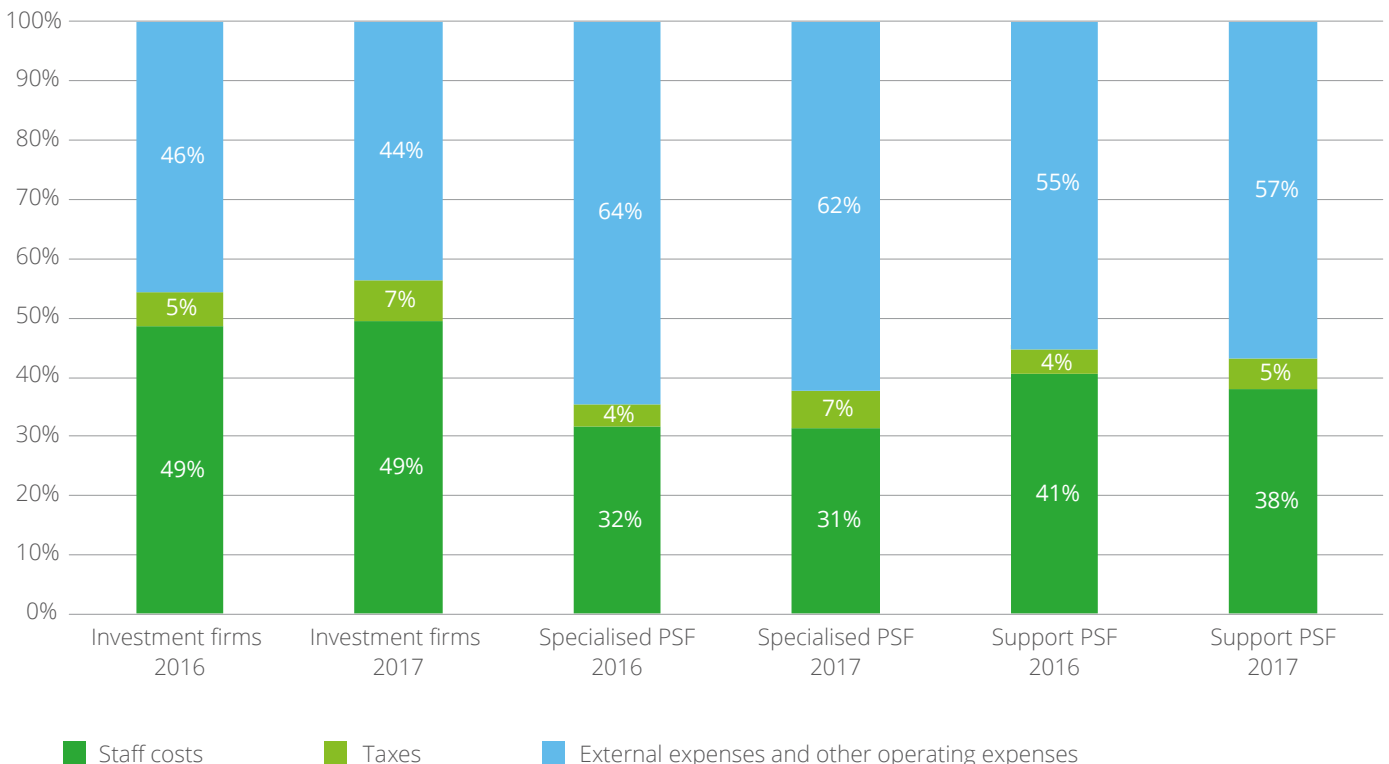
We have calculated the average annual cost of an employee for each PSF category (in € thousands):

- For investment firms: 101 (102 in 2016)
- For specialised PSF: 76 (73 in 2016)
- For support PSF: 63 (61 in 2016)

We have also recalculated an effective rate of taxation per PSF category and we note that it is not homogeneous across the different categories (trend also seen in 2016).

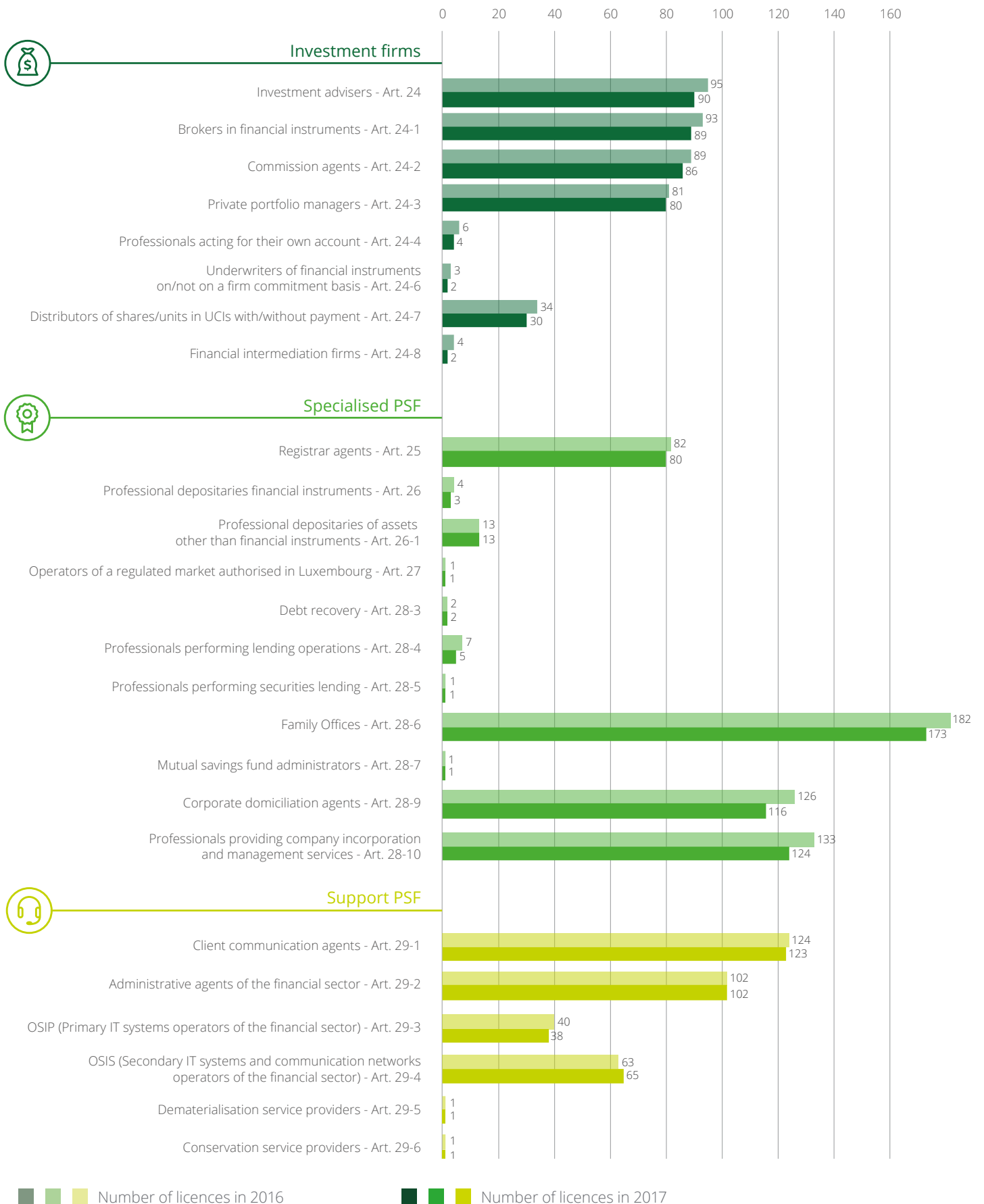
- Investment firms: 17.5% (16.1% in 2016)
- Specialised PSF: 14.8% (17.1% in 2016)
- Support PSF: 19.2% (23.8% in 2016)

Figure 7: Breakdown of the main expenses per PSF category as at 31 December 2016 and as at 31 December 2017 (in %)



Among investment firms, personnel expenses rank first and account for 49% of identified expenses. They are followed by external expenses and other operating expenses representing 44%.

Figure 8: Total number of PSF licences as at 31 December 2017 and 31 December 2016



Distribution of the number of licences

As at 31 December 2017, the most widely granted licence is still Article 28-6 "Family Office". Created in 2013, this licence met with great success as soon as it was published. It has been granted to 62% of PSF: 88% of investment firms and 85% of specialised PSF (which are all corporate domiciliation agents). It alone represents more than 14% of licences.

The six most frequent licences in 2017 are still Articles 28-6 "Family Office", 28-10 "professionals providing company incorporation and management services", 29-1 "client communication agents", 28-9 "corporate domiciliation agents", 29-2 "financial sector administrative agents" and 24 "investment advisers".

These six articles account for nearly 60% of licences as at 31 December 2017.

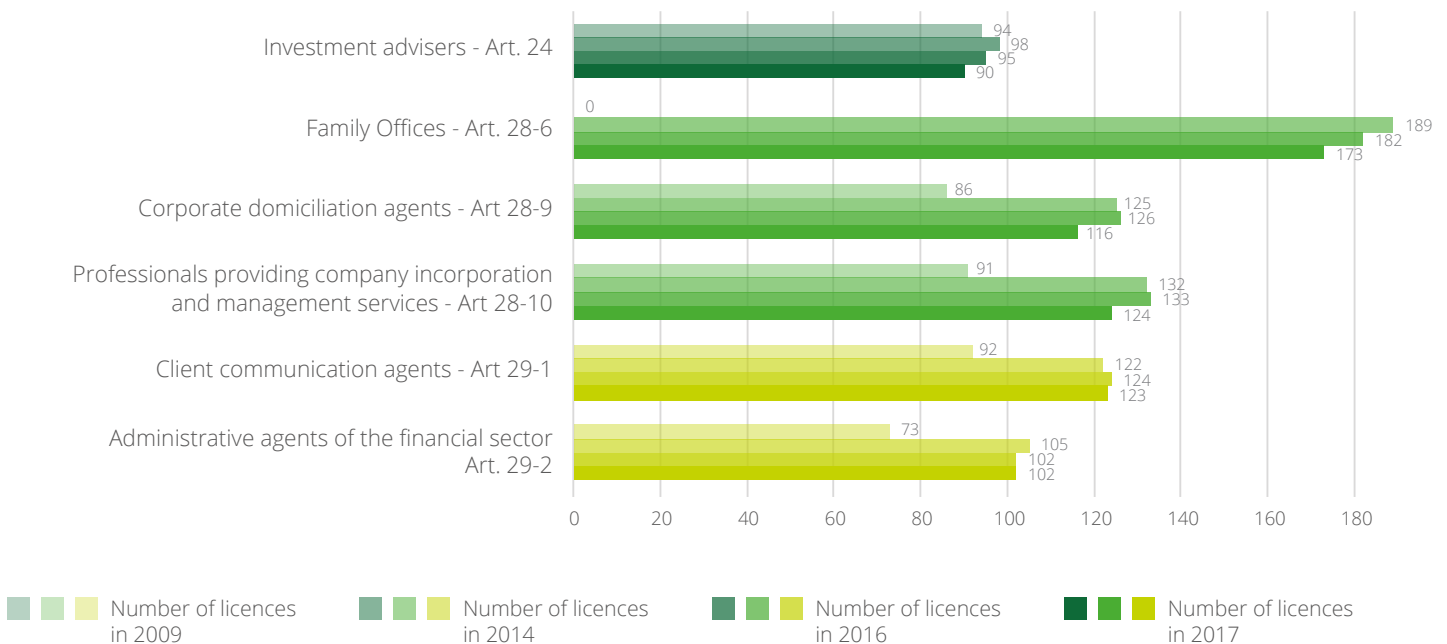
The number of main licences dropped by 44 licences in 2017 (728 licences) compared to 2014 (772 licences). However, the considerable dynamism seen in 2014 was exceptional, and 2015, 2016 and 2017 were rather years of consolidation and thus more representative of the trend seen in recent years. So, after the significant rise in the distribution of licences between 2009 and 2014, a tendency towards concentration on core business has been seen since 2015, which is continuing into 2018.

The "Corporate domiciliation agent" licence (Article 28-9) has also risen sharply, from 86 licences in 2009 to 116 in 2017 (+35%), like the "Financial sector administrative agents" licence (Article 29-2) which has gone from 73 to 102 licences between 2009 and 2017 (+29%).

Lastly, in 2017, thirteen specialised PSF held the licence under Article 26-1 enabling them to carry on the activity of "professional depository of assets other than financial instruments".

As at 31 December 2017, the most widely granted licence is still Article 28-6 "Family Office".

Figure 9: Change between 2017, 2016, 2014 and 2009 in the main six PSF licences as at 31 December 2017





We can see that 5 licences (3 in 2016) are not granted to any entity as at 31 December 2017.

These are licences under articles:

- 24-5 Market Maker
- 24-6 Underwriters of financial instruments on a firm commitment basis
- 24-9 Investment firms operating an MTF in Luxembourg
- 28-2 Person carrying out foreign exchange cash operations
- 28-8 Managers of non co-ordinated UCIs

It shall be noted that at the time of publication, only Lab Luxembourg S.A. had formally obtained the licences under respectively Articles 29-5 for providers of dematerialization services of the financial sector and 29-6 for providers of conservation services of the financial sector.

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

Up to 2014, PSF often tended to apply for more licences than necessary when they were setting up, thereby hoping to avoid

having to make a subsequent application to the CSSF to extend their licence, which would become necessary if they decided to expand their range of activities.

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

All categories considered, the total number of licences has decreased by 4%, i.e. there are 55 less licences than in 2016 (1,288 in 2016, versus 1,233 in 2017).

For the fifth year running, the most widely granted licences are those of specialised PSF (42% of licences in 2017, compared to 27% in 2009). Figure 11 details the factors of change in the number of licences in activity between 2016 and 2017.

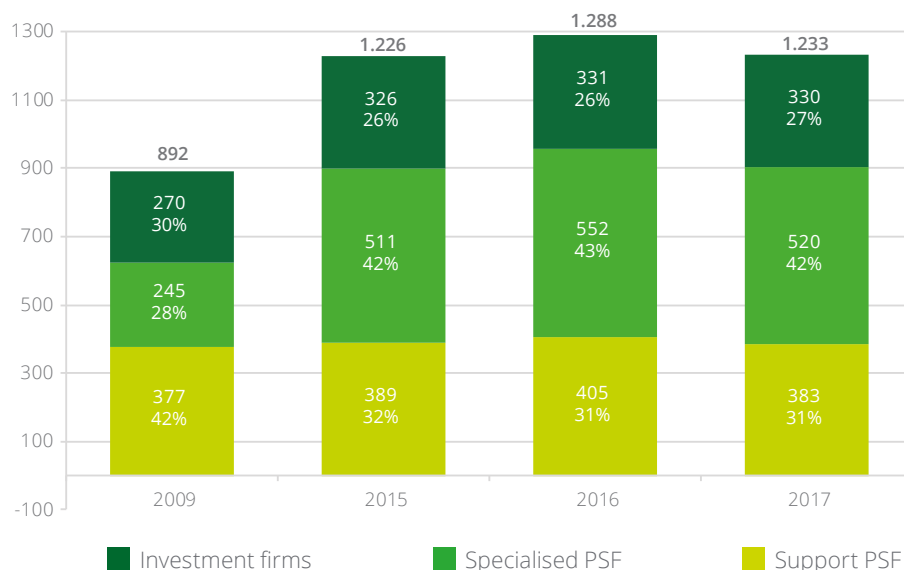
These changes break down as follows:

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

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

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

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

Figure 10: Change in and breakdown of licences since 2009


For the fifth year running, the most widely granted licences are those of specialised PSF.

Figure 11: Change in PSF licences over 2016 and 2017

Source of increases and declines in licences	Investment firms 2017	Specialised PSF 2017	Support PSF 2017
PSF created	11	8	4
Existing PSF	(15)	1	(1)
PSF withdrawals	(18)	(41)	(4)
Total change in the number of licences 2017	(22)	(32)	(1)
Total change in the number of licences 2016	16	41	5

Figure 12: Distribution of PSF by number of licences as at 31 December 2017

Number of licences	Investment firms 2017	Specialised PSF 2017	Support PSF 2017
0	0	0	0
1	0	14	34
2	2	5	29
3	2	28	6
4	10	0	8
5	36	2	1
6	11	47	1
7	10	12	0
8	8	0	0
9	3	0	0
10	6	0	0
11	7	0	0
12	2	0	0
Total	97	108	79

Article by **Tom Theobald** Deputy CEO of Luxembourg for Finance & **Robert Jarvis** Adviser, Business & FinTech Development

Can you tell us about the role that Luxembourg for Finance plays?

Luxembourg for Finance is the agency for the development of the financial sector as a whole. Our role covers three main focus areas:

- Help to open up new markets for the financial centre, on a geographical level (particularly via roadshows), but also in terms of themes (such as the internationalisation of the renminbi, financial technology or sustainable finance)

- Attract new business and players from the financial world to Luxembourg. This is probably the least visible part of our work
- Act as the mouthpiece for the financial world in external communications. This includes our work with the international press in particular

In this context of development of the financial sector, how are PSF presented?

PSF are part of the ecosystem and are, in fact, rather like the "cement" between all

the stakeholders in the sector. We often use the expression "Tool Box" to describe products existing in Luxembourg. But the various services on offer are also a "tool box". This is how PSF are presented: they offer a broad range of activities ranging from investment firms holding the European passport to all the services provided by specialised PSF and support PSF, which are more focused around computing. In terms of attractiveness, we showcase these regulated activities by business segment or "vertical", i.e. asset management, wealth management, capital markets activities, services for institutional investors and financial

technology, rather than by the three categories - Investment firms, specialised PSF or support PSF - which encompass very diverse activities. The word "PSF" is not, in itself, a "brand" to the outside world, and I don't think it should be; in fact, it will always be linked to a specific service or sector: the added value comes from the fact that these operators provide regulated services either to the end client directly or to businesses in the financial sector. The activities carried out by PSF are what enable Luxembourg to assert itself as a one-stop-shop.

Which trends are currently impacting PSF?

We are seeing considerable demand from institutional investors for regulated solutions and products, particularly in alternative asset management. Today, institutional clients have a clear preference for strictly regulated countries like Luxembourg over the more "exotic" destinations such as the Cayman Islands or the British Virgin Islands.

The private banking sector is undergoing a major transformation, which requires investments but also creates opportunities for growth. It could also be an opportunity for investment firms to partner up with banks, which are now catering to a much more international and affluent customer base in search of a broader range of services. In the sector of wealth management, we are also seeing keen interest in Family Offices, and the regulated framework for multi-Family Offices is undoubtedly an advantage.

Another major trend concerns FinTech companies and progress in the digitalisation of financial services. Whereas it can be seen as a threat for traditional players, the tendency today is towards cooperation. The creation of the LHoFT, for example, is in line with this approach. The LHoFT aims to connect up traditional businesses with innovators from the FinTech world, in order to develop the new solutions that will keep the financial centre at the cutting edge of innovation. In the medium and long term, digitalisation will be an opportunity for Luxembourg, particularly in the European context. Some new solutions, such as robo-advisers for example, are currently

almost exclusively local, but will have to expand across borders. Luxembourg is regarded as the ideal centre for these cross-border activities within the European Union.

Sustainable finance also represents great potential and Luxembourg is gaining visibility in this area. It is an opportunity to attract niche asset managers for example.

The regulatory wave appears to have stabilised and we are moving into a phase of implementation or adjustment that should enable PSF to refocus on their business development. For support PSF, the latest regulatory developments represent an opportunity since they create new needs in information systems.

Finally, we cannot pass over Brexit in silence. The long-term impact is difficult to predict, and even though London could lose some of its weight, it will always be a major financial centre. The short-term impact is more concrete due to the implementation of contingency plans. In this respect, Brexit has been a catalyst, both by boosting business and by transferring activities to Luxembourg in several areas in which the country has some undeniable assets, e.g. investment funds and private equity, private banking and insurance. In this latter sector, the arrival of new insurers in Luxembourg within the framework of Brexit is creating a third pillar around non-life insurance and specialty markets.

What recommendations would you make to help PSF in their development?

Regulations must be aligned with industry needs and with European and international developments, while ensuring they do not become an obstacle. In this respect, we believe there is a need for new statuses with the European passport, in connection with peer-to-peer lending and crowdlending in particular. This could be a new lead for development, in the same way as the measures taken for the payment services directive.

Firms should also reflect on how they position themselves. They should develop



unique selling propositions around a core business and promote PSF with other players in these areas.

Luxembourg for Finance was founded to help develop the financial centre overall. We therefore send out a message to all PSF to convey our ambition to support them with their development plans.



Interview by Raphaël Charlier and Adil Sebbar – 31 July, 2018

1.2 The PSF: a consistent and steady employer

PSF employ 15,935 people as at 31 December 2017, versus 4,344 for management companies and 26,149 for banks.

Evolution of employment in PSF

Using the latest figures available from the CSSF (August 2018), we find the following distribution of employment in Luxembourg in the financial sector: for a total number of employees of 46,428, all financial sectors considered (banks, management companies according to chapter 15, and PSF), 56% work in banks, 9% in management companies, and 35% in PSF, of which 61% in support PSF. With 15,935 jobs as at 31 December 2017, a new record in the number of PSF jobs was reached.

Between 2009 and June 2018, employment in PSF increased by 23%, whereas employment in banks globally diminished between December 2009 and December 2017. This double trend appears to be confirmed in recent years.

The breakdown of employees by category of PSF remains stable year over year (figure 14).

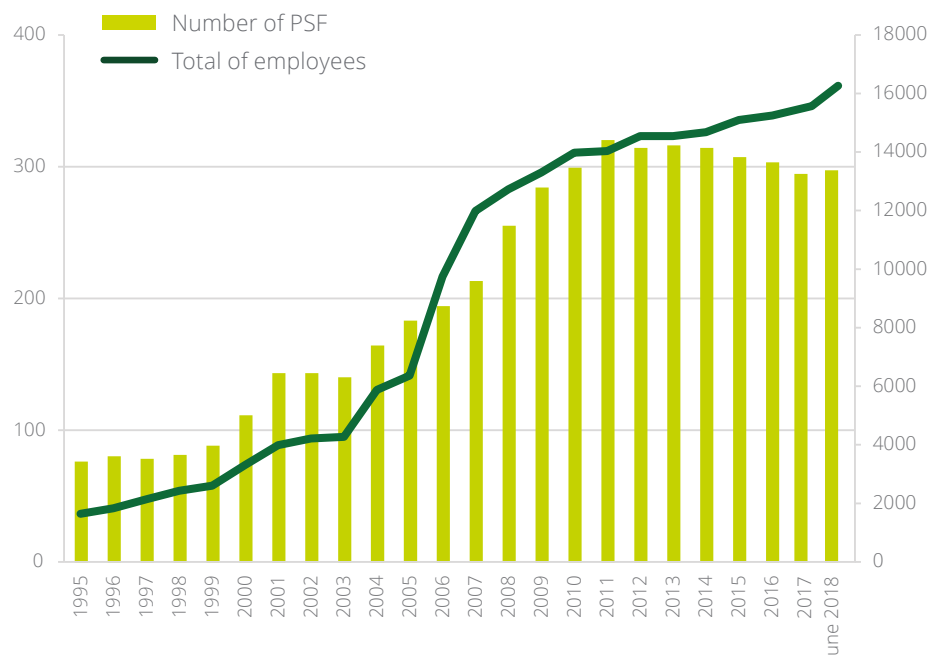
PSF employment figures were relatively stable in 2017, with a slight increase compared to the previous year of 3.19%. However, support PSF stand out, with the creation of 471 jobs over 2017 (+5.13%, compared to -0.36% in 2016)

Specialised PSF, which have been dynamic recruiters since 2015, saw their

employment figures stagnate during 2017. The analysis that we conducted on the basis of PSF 2017 annual financial statements shows that most investment firms and specialised PSF have less than 25 employees.

These PSF employ 22 people on average (21 in 2016) for investment firms and 37 people (33 in 2016) for specialised PSF in 2017.

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



These average figures remain quite high thanks to a handful of entities generating a significant number of jobs:

- The four largest investment firms alone employ in 2017 975 people (with over 100 employees each, EFA having more than 500). The workforces of these companies account for almost 43% of the total number of investment firm employees. Without these four entities, investment firms would have an average workforce of 13 people.
- The number of specialised PSF employing more than 100 people is higher (13 as at 31 December 2017 and 8 as at 31 December 2016). Among them, there are six PSF with over 150 employees, totalling 1,629 people. They are SGG, International Financial Data Services, Intertrust Luxembourg S.à r.l., Alter Domus Alternative Asset Fund Administration S.à r.l., Vistra Luxembourg and TMF. In total, their workforces account for nearly 41% of specialised PSF employees. Without these six entities, the average staff of specialised PSF would be 23 people (24 in 2016).

We also note that, despite the drop in the number of investment firms and specialised PSF, the number of jobs remained quite stable, reflecting an increase in the average number of employees for these two categories. This would also seem to indicate that the sector is still attractive and continues to develop their weight in the economy.



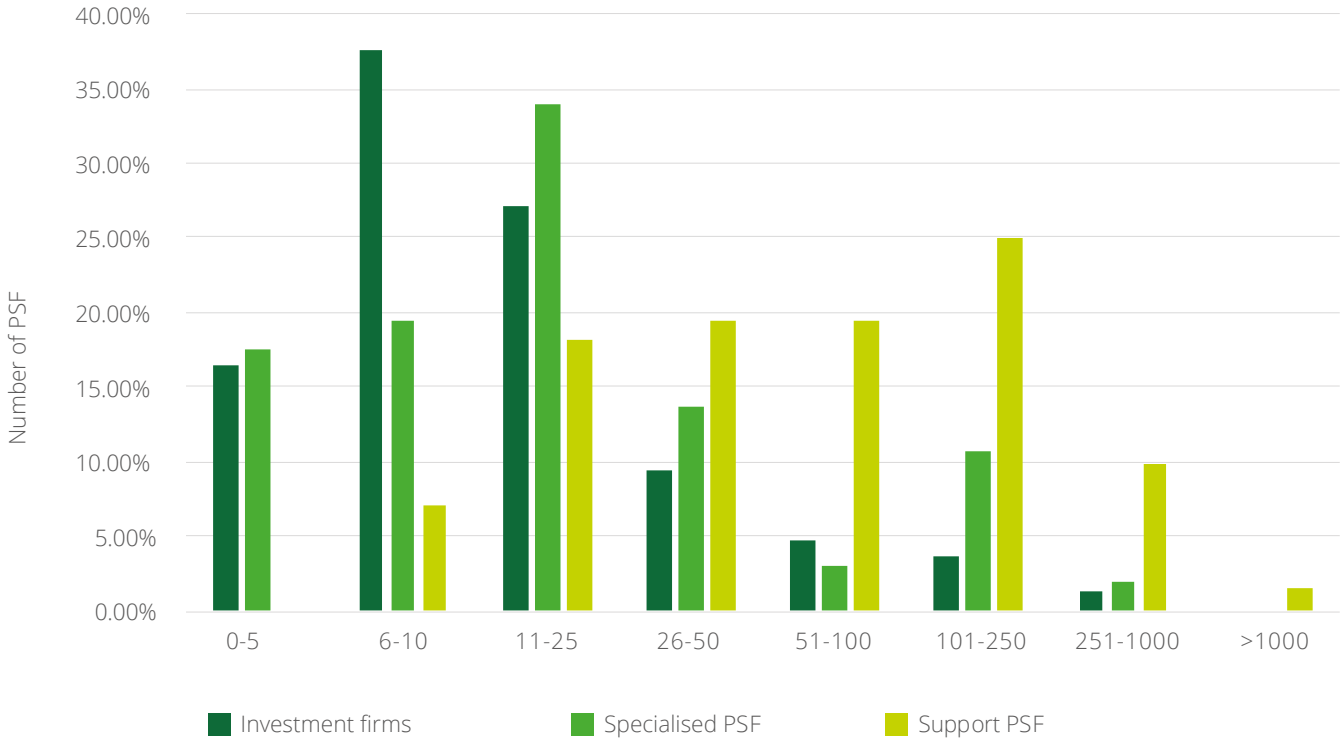
Figure 14: Changes in the number of employees by PSF category

	2016		2017		Evolution	
	Total	Part	Total	Part	Total	Change
Investment firms	2.285	15%	2.271	14%	-14	-0,61%
Specialised PSF	3.972	26%	4.008	25%	+36	+0,91%
Support PSF	9.185	59%	9.656	61%	+471	+5,13%
Total	15.442	100%	15.935	100%	+493	+3,19%



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

Figure 15.1: Distribution of PSF by number of employees bracket as at 31 December 2017



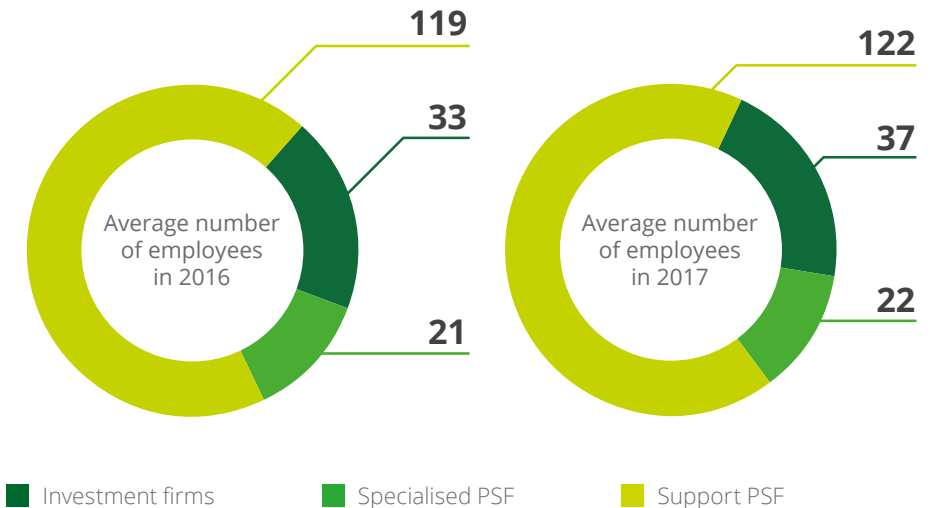
Most support PSF employ between 25 and 250 people, and the average number of employees per support PSF is 122 in 2017 (119 in 2016).

That average is boosted by four PSF (G4S Security Solutions, Brink's security Luxembourg S.A., Sogeti Luxembourg S.A. and Telindus) which each employ more than 499 people, totalling 3,276 employees, i.e. 36% of the sector's total workforce.

Without these four PSF, the average workforce of support PSF would be 85.1 employees (76.5 in 2016).

By projecting our analysis to June 2018, the overall level of employment in the PSF industry is still growing. We note an increase by 4%, mainly in the specialised PSF category (+8.3%).

Figure 15.2: Average number of employees by PSF category in 2016 and 2017



Review of the results of PSF per employee

Following our analysis of PSF annual financial statements, we were able to calculate the average profit per employee. It has increased for all PSF, from €33,400 in 2016 to €35,900 in 2017.

Specialised PSF show highly variable result figures per employee: between a loss of €170,000 and a profit of €2 million per employee. The average profit per employee amounts to €85,800 in 2017 (€78,000 in 2016).

The increase in average profits per support PSF employee is due to an increase in maximum and minimum average profits that is greater than that of the workforce. Average profits per investment firm

employee amount to €63,000 in 2017, compared to €57,000 in 2016. This rise is mainly due to an overall increase in profits, combined with a stagnation of workforce numbers during 2017.

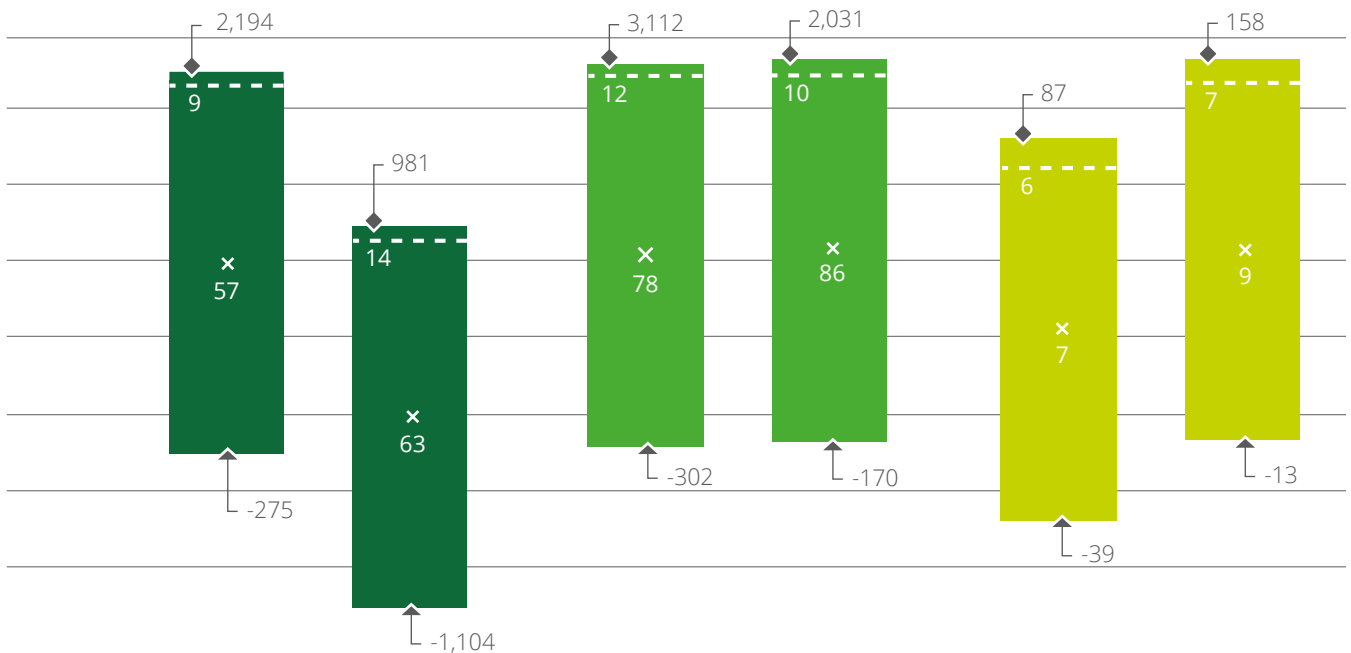
Details of the support PSF workforce

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

- G4S and Brink’s Security (in the security sector) alone employ almost 2,100 people
- Telindus and Sogeti Luxembourg S.A. (which offer IT solutions and services) together employ almost 1,170 people

These four companies account for 34% of all PSF jobs.

Figure 16: Range and average net result per employee as at 31 December 2017 and 31 December 2016 (in € thousands)



	Investment firms 2016	Investment firms 2017	Specialised PSF 2016	Specialised PSF 2017	Support PSF 2016	Support PSF 2017
× Average	57	63	78	86	7	9
--- Median	9	14	12	10	6	7
▲ Minimum	(275)	(1,104)	(302)	(170)	(39)	(13)
◆ Maximum	2,194	981	3,112	2,031	87	158



2

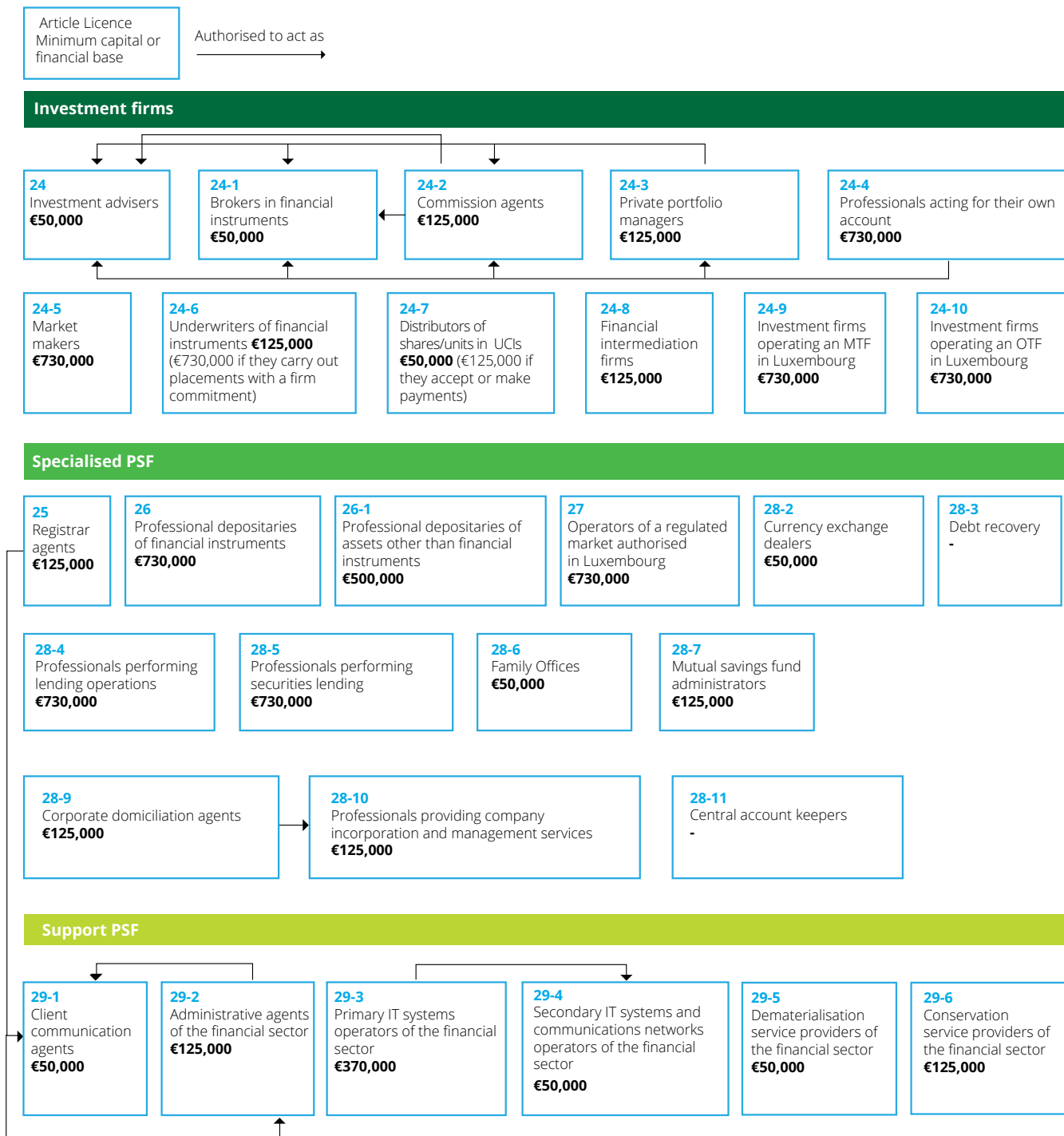
Types of PSF

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2.1 Licences in detail

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



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

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

Figure 17 below groups together licences by major category of PSF, and the overlaps between categories as at 31 December 2016 and 31 December 2017. It should be noted that branches operating in Luxembourg are only investment firms.

PSF have the option of combining several licences, but it is the principal licence of the PSF, allocated by the CSSF, which determines the PSF category.

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

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

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

Of the 289 PSF existing as at 31 December 2017, the six PSF that are branches of European entities were excluded from

this analysis. This is because they are part of foreign entities that are not subject to the Luxembourg law of 5 April 1993, as amended.

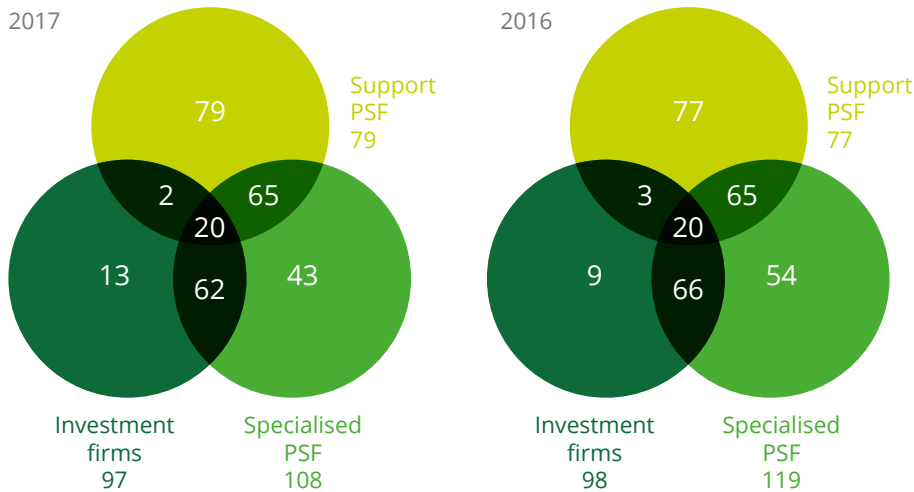
The total number of PSF included in this analysis as at 31 December 2017 was therefore 284 (excluding branches):

- 97 investment firms
- 108 specialised PSF (the 82 players with investment firm status too have already been identified above and are therefore not counted as specialised PSF)
- 79 support PSF (the 87 players with investment firm and specialised PSF status too have already been identified above and are therefore not counted as support PSF)

Entities with a status pursuant to at least Articles 24 to 24-10 have been classified as investment firms. Specialised PSF are entities with a licence under Articles 25 to 28-11.

Support PSF are entities that only have licences under Articles 29-1 to 29-6.

Figure 17: Licences of PSF by category



2.2 Investment firms

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

The number of investment firms included in the analysis as at 31 December 2017 was 97.

At year-end 2017, nearly all the investment firm PSF have one or other, or even all of the following four licences:

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

Only one investment firm does not have any of these four licences. Among investment firm PSF, 80 have all four licences.

Another licence widely held in investment firms corresponds to the status of distributor of shares/units in UCIs (Art. 24-7). This status is indeed held by 33% of investment firms.

Many of these PSF also hold additional licences relating to other PSF categories and particularly to the Family Office licence (Art. 28-6). However, of the 80 investment firms holding this licence, only 42, i.e. about

half, actually carry on this activity.

The other additional activities are quite uniform and primarily concern providers of company incorporation and management services (Art. 28-10), client communication agents or financial sector administrative agents (Art. 29-1 and 29-2), registrar agents (Art. 25) and corporate domiciliation (Art. 28-9) (Figure 18). A drop is seen in licences held by investment firms between 2016 and 2017 (see Figure 18) from 629 to 593, mainly due to the net withdrawal of such PSF in 2017.

Among investment firms, we now distinguish two categories, those governed by the CRR (Common Reporting Regulation) and those that are not. In practice, the former are subject to a closer supervision and fall within the province of the European Central Bank.

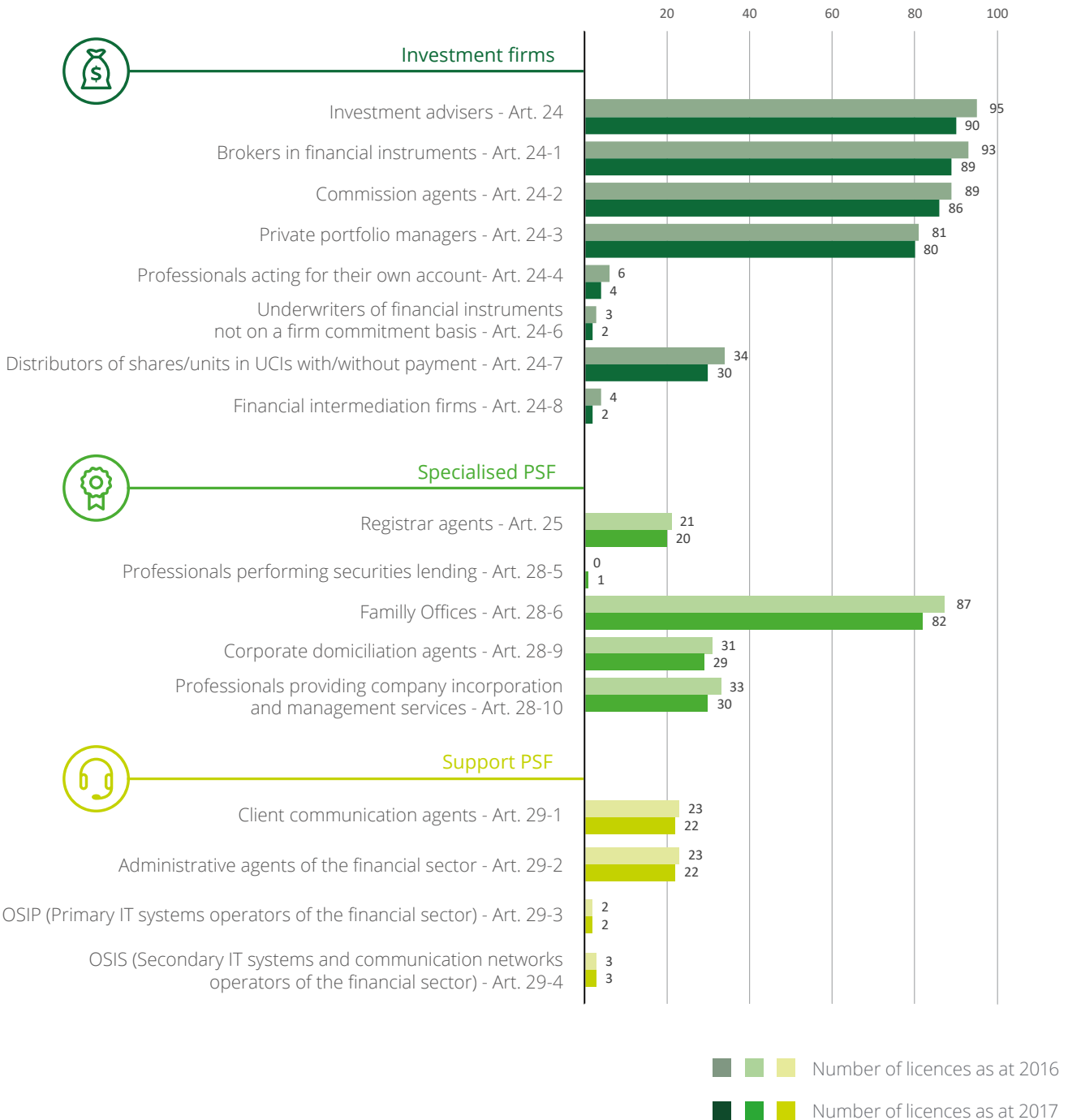
The scope of the CRR is limited by the definition of investment firms under Article 4(1)(2) of the Regulation (EU) 648/2012 CRR as amended by Regulation (EU) 575/2013. Therefore, investment firms providing certain categories of investment services fall within the scope of the CRR, as they are considered to be quasi-banks. They are mainly private portfolio managers that directly offer their customers accounts carried by a bank via so-called omnibus accounts.

CRR investment firms are subject to specific rules, in particular with regard to supervision on a consolidated basis, to specific prudential reporting requirements - such as the Liquidity Coverage Requirements (LCR) or Net Stable Funding Requirements (NSFR) - to regulatory equity

requirements and to remuneration policy requirements.

Between the end of 2016 and the end of 2017, the number of "CRR"-governed investment firms remained stable at 30.

Figure 18: Licences granted to investment firms as at 31 December 2017 and as at 31 December 2016



A slight drop is seen in licences held by investment firms between 2016 and 2017.

Excerpt from our report entitled “Independent Wealth Management Luxembourg – Perspective on a sector at crossroads” of June 2018.

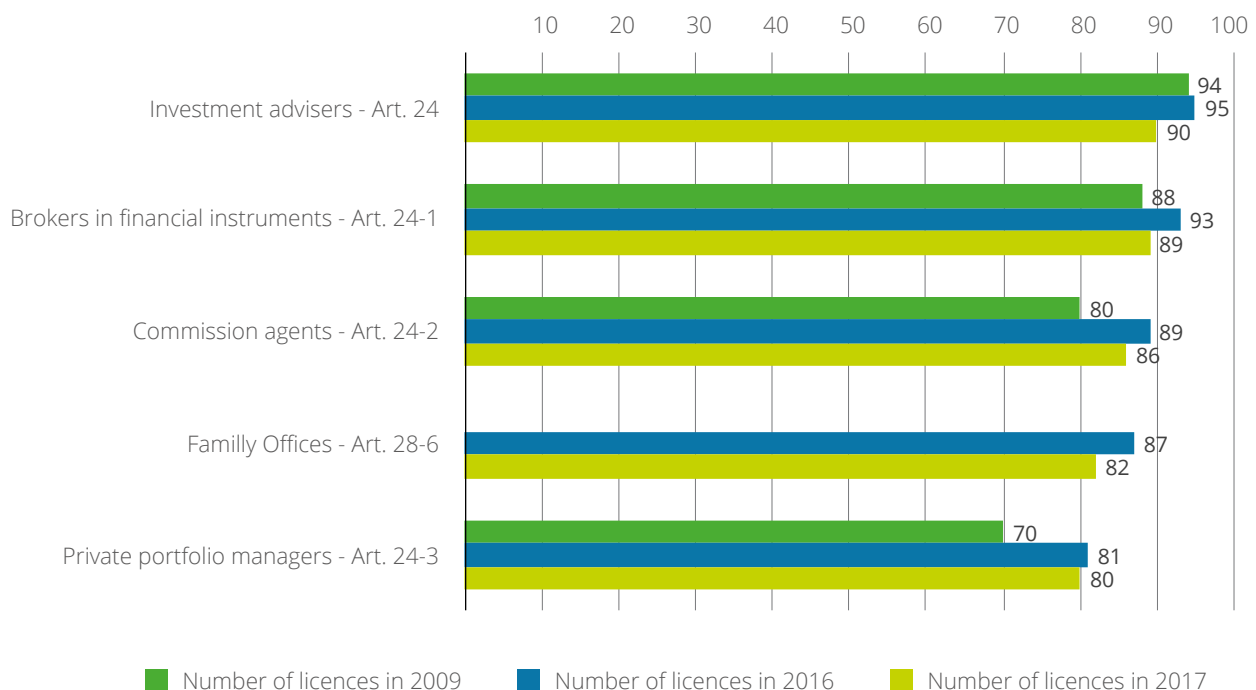
The market of external asset managers operating under the status of investment firms (pursuant to Articles 24, 24-1, 24-2 and 24-3) represents 94 entities and 2,181 jobs in Luxembourg. They collectively manage approximately €29 billion in assets, generating around €600 million in revenues. On average, private portfolio managers under Article 24-3 of the law of 5 April 1993 have assets under management representing approximately €400 million. Although the number of asset managers has remained quite stable in recent years, the sector recorded a compound annual growth rate of 12% between 2013 and 2017. While their financial performance has improved in recent years despite the challenges facing wealth management, it is expected to

be impacted by MiFID II going forward. External asset managers operate under a variety of business models including as independent wealth managers, platform-based managers, players operating in open architecture, those focusing on fund-based asset management and multi-family offices. They have a large geographical footprint: only 16% of assets under management come from Luxembourg-based clients, the great majority of clients in terms of assets under management coming from other countries, such as Belgium, France, Italy, Spain, Portugal, Switzerland and other continents. External asset managers manage approximately 70% of assets from Benelux and France deposited in Luxembourg-based banks.

In terms of innovation, FinTech companies develop digital solutions for the wealth management sector while also focusing on the needs of external asset managers.

The market of external asset managers operating under the status of investment firms represents 94 entities and 2,181 jobs in Luxembourg.

Figure 19: Change between 2017, 2016 and 2009 in the five main licences held by investment firms as at 31 December 2017



MiFID II

implementation is not over yet



Julie van Cleemput

Director - Advisory & Consulting
Deloitte

Benoît Sauvage

Senior Manager - Advisory & Consulting
Deloitte

With MiFID II in force since January 2018, impacted firms have made significant efforts and investments to implement the requirements introduced by the Directive and the law. National competent authorities are now ready to start reviewing the way firms have implemented the requirements.

In Luxembourg, the Supervisor has already started to perform on-site visits. As we have seen in the past, we can expect our national competent authority (NCA) to capitalise the first on-site visits (especially when performed on large institutions) to serve as a benchmark for the rest of the market. Consequently, the norm will be set on the high standards achieved by the biggest entities. Unlike some other countries where thematic reviews were announced (e.g. the UK FCA), the Luxembourg NCA has not publicly mentioned any areas that its MiFID II inspections will focus on, but the fines under MiFID II have already increased considerably.

Given the complexity and the grey areas remaining in cases where guidelines were announced late in the implementation process, some financial institutions might not be fully ready in respect of all MiFID II topics.

Some of the hot topics remain high on the agenda

Even if MiFID II is very broad in scope, we can expect that some areas will get more attention than others:

- **Transaction Reporting:** The Regulator has increased its focus and has

implemented a sophisticated system to analyse the different fields to report. This is the case, for example, of the European Market Infrastructure Regulation (EMIR) for which the CSSF issued a notice in August 2018 regarding its expectations, and of the Markets in Financial Instruments Regulation (MiFIR) for which close monitoring can be observed on the regular provision and quality of data sent.

- **Quality enhancements:** Although most impacted firms have made the necessary impact assessment and defined quality enhancement procedures, it is unclear what the Regulator will consider as acceptable quality enhancements, especially with respect to proportionality elements. The few examples listed in the Directive, such as access to an online tool or to a “broad range” of instruments, may prove insufficient to justify the proportionality element, as these are usually provided indiscriminately to all clients. So how can a quality enhancement to services be justified, and thus inducements be kept, if they are provided to all clients, without any comparison to a theoretical service where the client is left to their own means? Ex-post disclosure might also prove difficult in practice, especially when it comes to allocating the exact amount of inducement received to each individual client.
- **Systematic Internaliser (SI):** The regime for equity-like instruments is going ahead as planned, however, in its latest Q&A on the topic, the ESMA

stated it will not publish data regarding the derivative market before February 2019. This means that there will be no need to monitor the threshold or start the SI reporting for foreign exchange derivatives, for example, until February 2019. Investment firms should nevertheless continue their preparations to ensure that monitoring is in place and that SI requirements are met in due time. In addition, in light of Brexit, as the UK today represents a significant part of trading in the EU, we can expect the thresholds to be reduced in the EU with impacts on brokerage chains.

- **Suitability Test:** The level of sophistication of the solutions implemented varies significantly: funding, support from the group, leveraging existing processes and resources allocated. As the suitability framework of large financial institutions may be taken as a benchmark, thereby giving them a competitive advantage over smaller institutions, we can reasonably expect the Regulator to challenge the less robust solutions implemented.
- **Target Market:** Clients must be informed if the investment firm sells outside the product's target market. This information should be included in the pre-trade suitability report when providing advice to retail investors. The analysis conducted for the purposes of identifying and assessing the target market on an ex-ante basis should be considered in the suitability processes

In Luxembourg, the Supervisor has already started to perform on-site visits.

and procedures in order to ensure consistency and avoid duplications. Reporting of the negative target market to manufacturers remains unclear, although we can expect data vendors to integrate this information at some point, which for asset managers is potentially a powerful tool to manage their sales.

- **Costs and charges disclosure:** The client information to be disclosed at least once a year will be a complex technical exercise and will most likely require pre-disclosure communications in order to avoid questions and surprises at the start of the year for clients. MiFID II significantly increases the detail of information, and transparency efforts could further highlight the connection between performance and the cost of achieving it.

It's not over!

Implementing MiFID II is an ongoing process. Some requirements, as well as technical standards, are changing:

- **Transaction Reporting:** By December 2018, a significant number of fields to report will change. Firms should start preparing for these changes in their data provision and report preparation processes.
- **New upcoming ESG** (Environmental, Social and Governance) regulation: the Delegated Regulation (EU) 2017/565 has been amended to take into account ESG preferences and considerations, for some of the articles regarding:
 - Information about the investment firm and its services for clients and potential clients
 - Information about financial instruments
 - Information about investment advice
 - Assessment of suitability and suitability reports

Should we expect a MiFID III?

The answer is yes. However, we do not expect a revolution but rather some additional fine-tuning of the existing texts. We should remember that MiFID II was originally designed with the implicit expectation that the largest financial market in Europe was going to be part of the European Union. Brexit brings specific risks for the European markets, and subsequently complicates ESMA's (European Securities Markets Authority) efforts to shape a single regulatory framework across the continent according to Steven Maijoor, the architect of the Markets in Financial Instruments Directive and Chairman of the ESMA.

How D.Ready can help you

Our team of specialists who have worked on more than 50 MiFID II projects and our MiFID task force can support you from the inception of your MiFID II project through to the implementation, and further on to the preparation and follow-up of the on-site visits by the Regulator.

- **Regulatory health check:** Assess the regulatory readiness and implementation in your organisational and operational set-up and identify the potential gaps/improvements
- **Implementation support:** Assess priorities and strategic decisions, prepare an implementation roadmap, conduct detailed analyses, define business requirements
- **Remediation plan:** Prepare your remediation plan, i.e. describe your current status and planning for the remediation of the open items
- **On-site visit preparation:** Prepare the presentation document to be submitted to the NCA, simulate the NCA on-site visit in order to highlight potential gaps/improvements, or support in replying to NCA observations
- **Internal control framework:** Assess/review/design the internal control framework of the organisation (e.g. three lines of defense model)

- **Policies and procedures:** Draft, review and adapt your policies and procedures in light of the applicable regulations
- **Regulatory watch:** Stay abreast of regulatory changes that directly or indirectly affect your organisation through Kaleidoscope, our regulatory watch service.



Read our brochure
D.Ready & T2R

EAMs: a strategic sector for the Luxembourg wealth management and banking industry



Julie van Cleemput
 Director - Advisory & Consulting
 Deloitte

The External Asset Management sector is key for the Luxembourg financial sector, in particular for its wealth management and banking industries. External Asset Managers (EAMs) represent 94 firms in Luxembourg, operating a variety of business models including traditional "third party fund-based" wealth management, portfolio management, family office services and platform services.

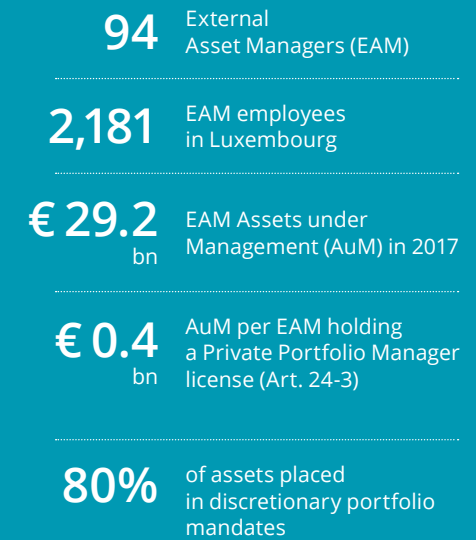
EAMs are particularly important for the financial sector in Luxembourg, as they contribute both directly and indirectly to the wealth management and banking industries. With nearly €30 billion in AuM, direct revenues of nearly €600 million and over 2,000 employees, they represent a sizeable portion of the market, as illustrated in the graph, and consistently attract clients to Luxembourg.

Their indirect impact on the banking sector should not, however, be overlooked. EAMs represent €40 billion deposited in Luxembourg-based banks, close to 200 employees in front office positions across Luxembourg banks and attractive recurring revenue streams for banks. The proximity of EAMs to clients is also a significant source of market intelligence for banks, to help keep wealth management infrastructure in line with the latest client needs.

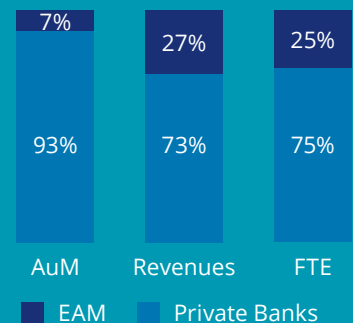
The needs of these clients demand stronger investment in digital tools to enhance the "customer experience", whereas EAMs tend to rely on more traditional means to interact with their clients. Digital platforms and automated processes are key topics for most players, who are still seeing their labour costs increase and operational requirements pile up, namely in connection with MiFID II, AML and KYC. Recent regulations have favoured the growth of bigger EAMs with stronger regulatory budgets and pools of resources, leading to an increase in the minimum break-even size for EAMs.

Moreover, the alignment of pricing models to MiFID II is expected to cause negative revenue impacts for firms that previously relied on transaction retrocessions and/or trailer fees, potentially amounting to 40-50% of pre-MiFID II revenue. In parallel, EAMs are making changes to their business model, with an increasing focus on DPM (Discretionary Portfolio Management) compared to Advisory, and the development of own fund offerings in order to minimize the operational burden and secure revenue flow.

While digitalisation and growing regulatory requirements remain challenges, the EAM market does have a promising future. The Luxembourg proposition continues to offer distinctive



Volume mix



Sources : CSSF, ABBL, Deloitte analysis

benefits to EAMs, in particular for international players seeking a reliable home-base to access the European HNWI (High Net Worth Individuals) market efficiently and with the support of a high-quality service infrastructure.

Questions to **Catherine Wajsman** Managing Director/ Chairman of Opportunit  Luxembourg S.A. & **Farid Boudis** Managing Director of Opportunit  Luxembourg S.A.

What changes do you expect for wealth managers?

Wealth managers of all sizes, whether small, medium or large, including wealth managers of the biggest banks, are reflecting on fundamental issues concerning the development of our activities such as:

- Which management model do new generations expect, since they no longer take the same approach to saving, particularly long-term saving?

- What consequences will technological developments (digitalisation, blockchain, information and response in real time, etc.) have in the long term?
- How far will the various regulations, especially MiFID and MiFID II, actually go?

Winning new business is not an easy task for anyone, and internal growth is therefore often difficult. So, to answer your question directly, wealth managers are forced to offer new solutions in real

estate, private equity and all the ancillary activities relating to the field of Family Offices.

Furthermore, they must respond to client demands in terms of reporting, while taking the competition, suppliers and the media environment, etc. into account. Account aggregation or consolidation and client segmentation are becoming essential tools. To a certain extent, digitalisation will help widen the access to the services provided by Family Offices.



What are the main challenges to face in Luxembourg in the business sector you represent?

In our opinion, to rise to today's challenges, Luxembourg must promote its specific advantages, namely its:

- Political stability
- Key geographic position within the European Union
- Flourishing economy boasting high salaries and a comfortable lifestyle
- High-quality banking establishments
- Multilingual work force, etc.

Luxembourg can therefore offer all European and non-EU countries a financial system and a rigorous, good quality organisation.

In addition to highlighting these assets, the supervisory authorities must optimally exercise their oversight. However, they must avoid a move towards excessive administrative burdens so that we don't discourage economic players from Asia, South America or Africa in their plans to set up in Luxembourg.

Furthermore, in view of the technological revolution we are experiencing, Luxembourg must foster the recruitment of highly qualified young talent to meet new demands. Lastly, Luxembourg has set itself apart in recent years in the financial management and administration

of UCITS. To our mind, the country should optimise its offering of this expertise beyond the borders of the Grand Duchy. In this respect, the European passport is a major asset.

What are the main opportunities for the PSF that you represent?

The costs generated by new technologies and new regulations require wealth managers to reach a minimum level of assets under management in order to cover the burden and still be able to make a profit.

Today, PSF have the possibility of joining forces, creating partnerships and finding collective outsourcing solutions. They have the possibility of buying out other PSF or teaming up with banks or financial institutions. This external growth strategy depends greatly on their own financial capacities and those of their shareholders.

For large asset managers, the level of assets under management is measured in tens of billions of Euros; for PSF, an ideal minimum level is around 1 billion Euros. The financial sector has always been characterised by a strong creative drive and today, more than ever before, we must find new niches, something we are obviously endeavouring to do.

What are your expectations of the government?

In our opinion, most players want to see the costs of regulations kept down so that the giants are not the only ones to survive the current "avalanche".

We believe that doing away with retrocession payments on subscriptions to UCITS is a major drawback for clients. This is because, without retrocessions – which should have been openly disclosed to clients – the great majority of financial institutions build their clients' portfolio with in-house products often newly created for this very purpose, instead of fostering open architecture, which was a great move forward and a driver of portfolio diversification and performance.

 Interview by Raphaël Charlier and Adil Sebbar – 01 August, 2018

2.3 Specialised PSF



Unlike investment firms, specialised PSF do not benefit from the European passport, but may carry on financial activities in Luxembourg. There are 108 specialised PSF as at 31 December 2017, versus 119 in 2016.

This category covers three main sub-groups. The first sub-group includes the 86 corporate domiciliation agents (Art. 28-9) at year-end 2017 (94 at year-end 2016). We note that:

- They also hold licences under Art. 28-10 as professionals providing company incorporation and management services and Art. 28-6 as Family Offices (in 100% of cases).
- More than half of them hold licences as registrar agents (Art. 25), client communication agents and financial sector administrative agents (Art. 29-1 and 29-2).

The second sub-group includes 60 registrar agents (Art. 25):

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

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

These are mainly subsidiaries of banks such as BIL, ING or BNP, and also subsidiaries of international groups such as PK Airfinance S.à r.l. These entities carry on financial or operational leasing activities.

The number of licences held by specialised PSF dropped from 505 in 2016 to 484 in 2017.

Between 2009 and 2017, the number of specialised PSF licences rose from 255 to 484, which is a 90% growth over 8 years, whereas the number of entities increased by only 7% over the same period. Except for the Family Office licence launched in 2013, the most spectacular increase in specialised PSF licences between 2009 and 2017 is that of licences specific to support PSF, and more particularly under Art. 29-1 and 29-2 (+94% and +88% respectively).

Figure 20: Licences granted to specialised PSF

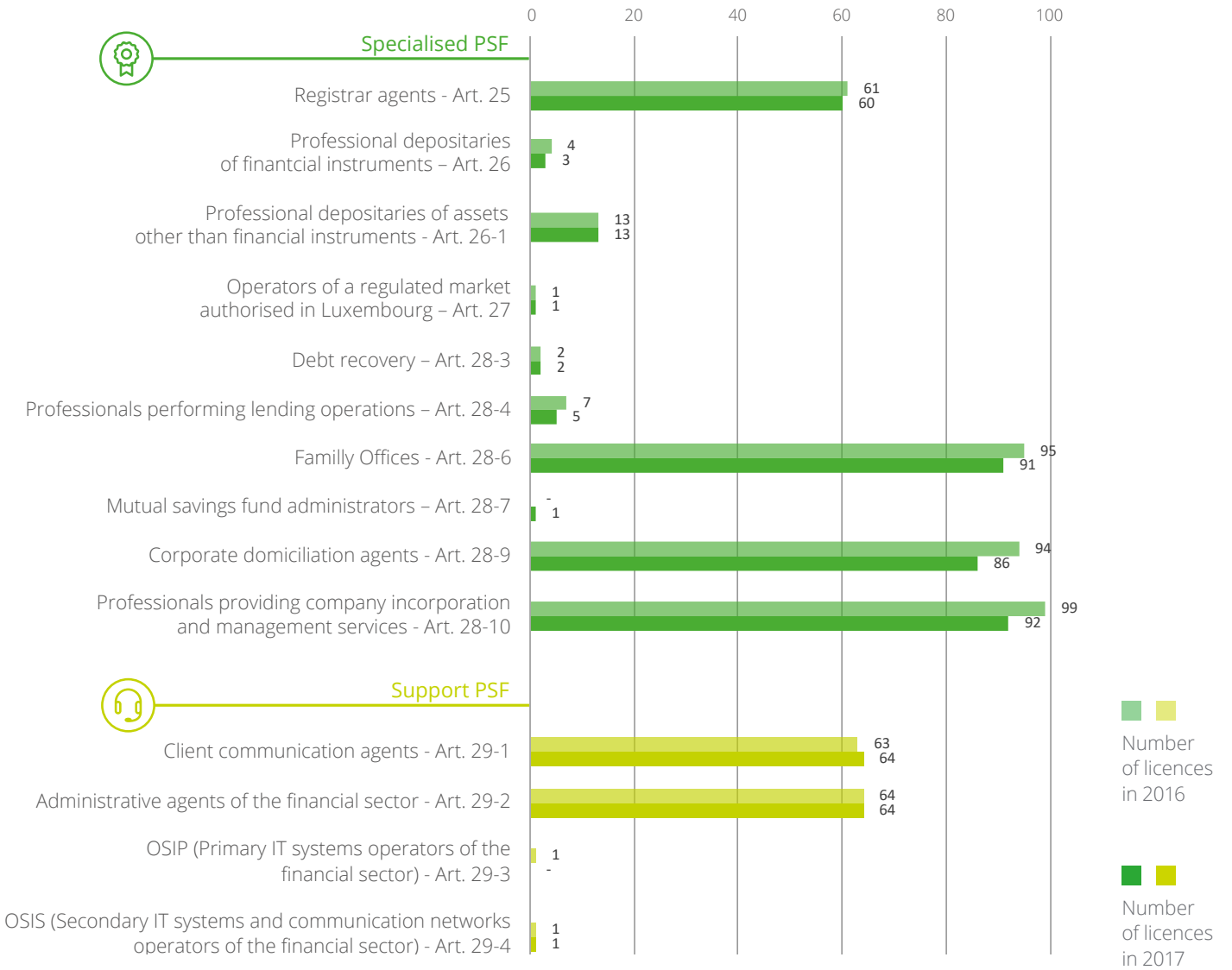
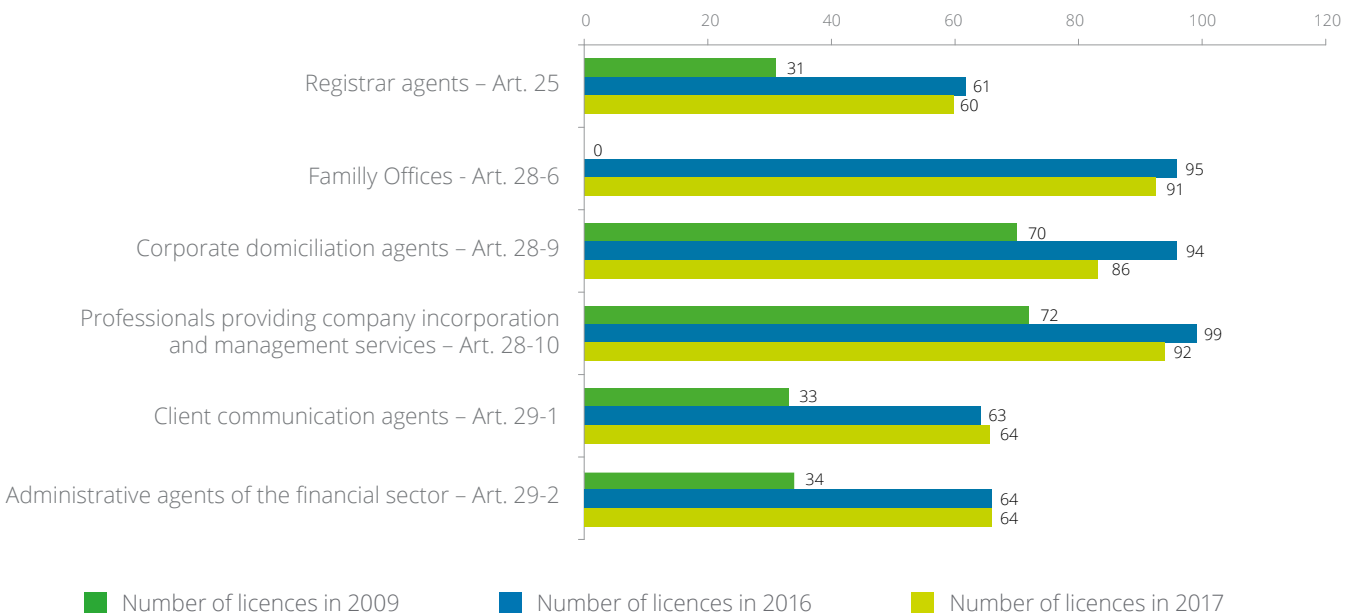


Figure 21: Change in the six main licences held by specialised PSF as at 31 December 2017



VAT Group: a new management tool for the financial sector



Raphaël Glohr
Partner - Tax
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Michel Lambion
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Since 31 July 2018, firms based in Luxembourg may form a VAT group and trade without charging VAT.

The main feature of a VAT group is that VAT does not apply on goods and services supplied between members of the group as these transactions are deemed "out of scope" for VAT purposes.

VAT grouping is therefore a particularly practical tool for businesses that cannot or can only partly recover VAT on their costs, such as banks, insurance companies, fund managers, certain PSF and holding or financial companies.

Any person based in Luxembourg, whatever their legal or fiscal status, including Luxembourg-based subsidiaries of foreign companies, may be a member of a VAT group. The group's members must have close links on an economic (similar or interconnected activities), organisational (common legal or de facto management) and financial level. Financial links are defined with reference to the rules relating to accounting consolidation (Article 1171-1 of the law on companies), i.e. the holding of at least 50 percent of the voting rights or the exercise of effective control over another company. The financial links must be certified by a company auditor

The main feature of a VAT group is that VAT does not apply on goods and services supplied between members of the group as these transactions are deemed "out of scope" for VAT purposes.

or a public accountant when the group is formed and the certification must be renewed each year.

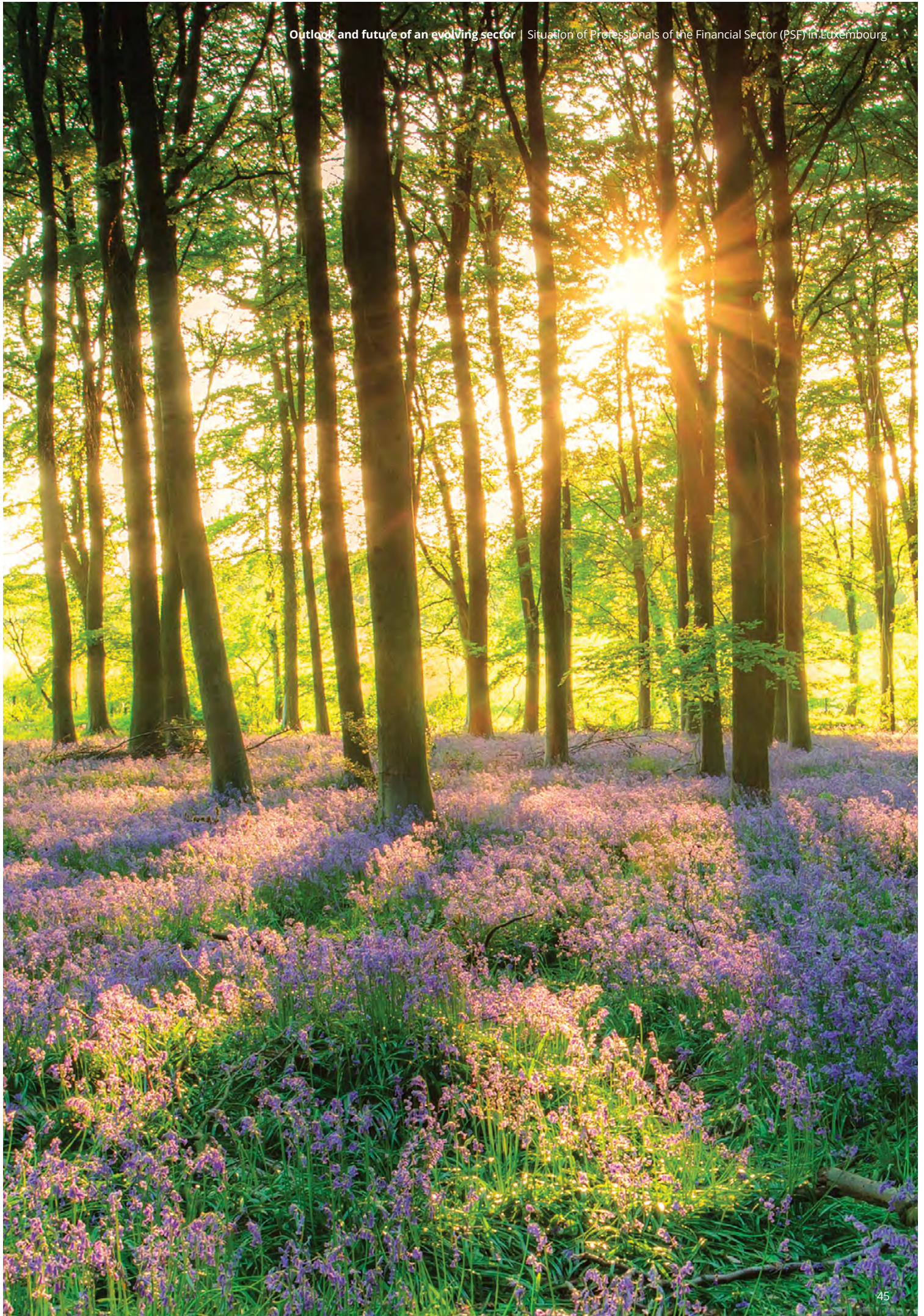
Whether or not to form a group is an important question for all concerned parties. However, when this option is exercised, no cherry-picking is possible. All entities having the three above-mentioned links must belong to the group, even though an opt-out clause may be exercised in certain circumstances. Note that it is only possible to be a member of one VAT group in Luxembourg and that membership must be maintained for at least two years. The group members are jointly and severally liable for the group's VAT liabilities to the tax administration.

The VAT group must appoint one member to act as its representative to the tax administration and will be given

a VAT number to be used in its dealings with the latter. The members retain the "LU" VAT number for their business with third parties (billing of sales and purchases). This measure avoids the practical problems inherent in changing the VAT number (e.g. sending invoices with an invalid VAT number, wrongly charging VAT, etc.).

Although they are not subject to VAT, a specific document or pro-forma invoice must be issued for transactions between members. In addition, a statement of these intra-group transactions must be sent to the tax administration each year.

In conclusion, while Luxembourg is only the 18th EU Member State out of 28 to introduce this regime, it has clearly leveraged the experience of the other Member States by adopting a flexible but legally sound system.



Questions to Rolf Caspers Head of Sanne Group (Luxembourg) S.A.

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

We are seeing a very positive change driven by the growth of alternative products and securitisation, which, beyond regained investor interest, is primarily due to the combination of two factors: BEPS (Base Erosion and Profit Shifting) and Brexit. On the one hand, BEPS has generated an increase in demand for services from professionals

in terms of substance and compliance, and Luxembourg is taking advantage of its sound, internationally-renowned expertise and this "flight-to-quality" phenomenon. On the other, the uncertainties surrounding Brexit have prompted many companies, particularly asset managers, to relocate to the continent to distribute their products in the European Union and follow investor demand for EU-based products. In this context, Luxembourg appears to be the preferred destination for the creation of more complex alternative funds.

Furthermore, with the AIFM Directive, we are witnessing a centralisation of products, and Luxembourg also offers optimum flexibility for structures (SIF, UCITS, RAIF, securitisation vehicles, etc.) and an ideal environment for the cross-border activities of asset management companies.

Major regulatory developments (AIFMD, GDPR, FATCA, AML, etc.) are clearly impacting trends. Client demands are more and more complex and the skills required have changed drastically. It is becoming increasingly difficult for small

players to gain or even retain all the necessary skills. Due to this regulatory pressure and the need to attain a critical size, we should continue to see a concentration of players. I wouldn't be surprised to see a handful of large companies sharing the market in a few years' time.

What are the main challenges facing Luxembourg in the business sector you represent?

Compliance with BEPS regulations has enhanced Luxembourg's image outside the country.

More importantly, Luxembourg is still facing problems attracting talent, such as accountants and computer specialists for example.

One answer could consist in using outsourcing solutions, but we must bear in mind that successful outsourcing demands an efficient internal organisation. On a national level, outsourcing will also require different skills and qualifications. Quality of work will change; we should outsource the least value-added tasks, and adapt training systems accordingly.

To grow, we must mature, but we have the capacity to do that.

Access to a corporate banking system, i.e. a system dedicated to our own and to our clients' business, is another challenge, although possibly less prominent. It is not always easy for management organisations to open an account in a Luxembourg bank and be able to make international transfers.

What are the main opportunities for the PSF that you represent?

We are seeing the emergence of a new kind of activity with financial technologies, Blockchain technology, ICOs (Initial Coin Offering) and cryptocurrencies.

We are at the dawn of a real technology revolution and we mustn't miss it.

Luxembourg is multi-disciplinary, but we must reach a consensus on the rules and operating methods. We must work together to develop solutions in FinTech services with, for example, fund robo-advisors, Blockchain bond issues and the use of cryptocurrency to invest in funds. A revolution is also occurring in terms of means. In the UK, for example, some sectors already offer Sandbox Arrangements so that innovative products and services or new service models can be tested in a predefined environment without having to fulfil strict regulatory requirements.

There are numerous initiatives for progress on standardisation and automation, but also to offer new services. Financial technology is a major opportunity, with the emergence of smart contracts and blockchain to keep contracts for example.

I'm sure that Luxembourg will have a role to play in this context. Alongside these technological innovations, Luxembourg is a confirmed financial centre, with key language skills, definite flexibility and an unrivalled product and service offering. Investors from outside the EU regard Luxembourg as a hub.



What are your expectations?

Luxembourg must shed its image as a tax haven among foreign companies, professionals and the "man in the street", once and for all. I believe we should pursue and step up our efforts to improve our "brand image".

I would also like to see some substantial investments in facilities, and reasonable prices in real estate, to support the country's growth and development. The Greater Region has limited capacities and we must improve our connections with other regions, beyond our borders.

 Interview by Raphaël Charlier and Adil Sebbar – 02 July, 2018

2.4 Support PSF

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

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

The first group includes client communication agents under Art. 29-1 (37 entities at year-end 2017 and 38 entities at year-end 2016), coupled in 44% of cases with Art. 29-2 as financial sector

administrative agents (16 entities at year-end 2017 and 15 entities at year-end 2016). Administrative agents are automatically authorised to carry on activities as client communication agents.

The second group includes 61 IT PSF under Art. 29-4 as OSIS (59 at year-end 2016) which are supplemented:

- In 35 cases by OSIP licences (Art. 29-3). OSIP (Art. 29-3) are automatically authorised to carry on OSIS activities (Art. 29-4)
- In 18 cases by licences under Art. 29-1 and 11 cases by licences under Art. 29-2.

The third group includes providers of dematerialization services of the financial sector (Art. 29-5) and of conservation services of the financial sector (Art. 29-6). At year-end 2017 and at year-end 2016, only one PSF held these licences.

The number of licences held by support PSF remained stable between year-end 2016 and year-end 2017, at 151 in 2016 and 152 in 2017. This stability is due to the withdrawal of one entity, which renounced its PSF status, and was offset by the creation of three support PSF in 2017.

Figure 22: Distribution of support PSF licences as at 31 December 2017

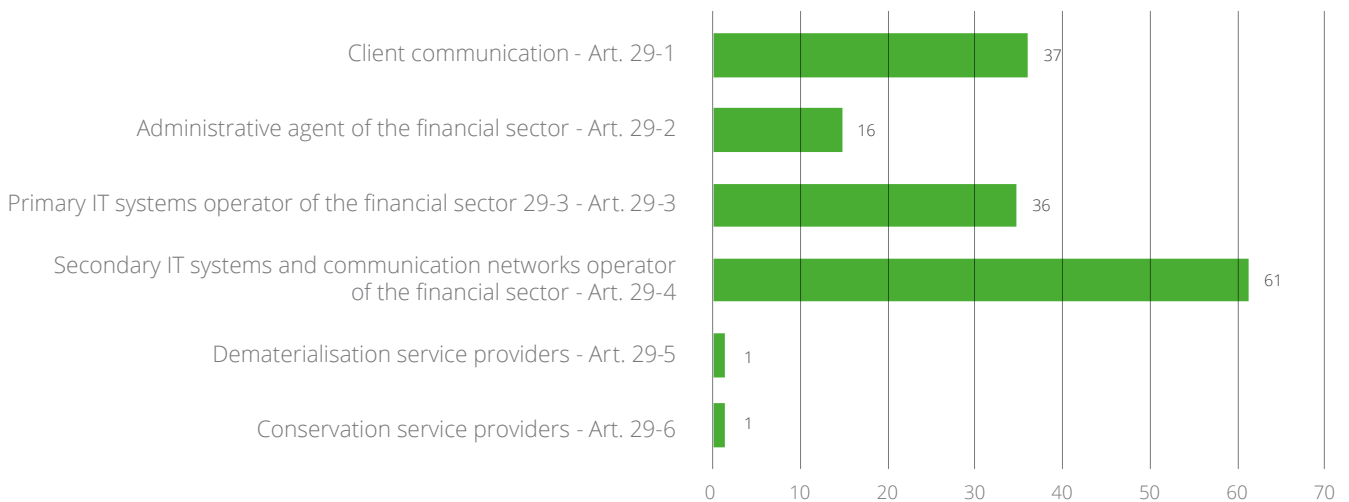
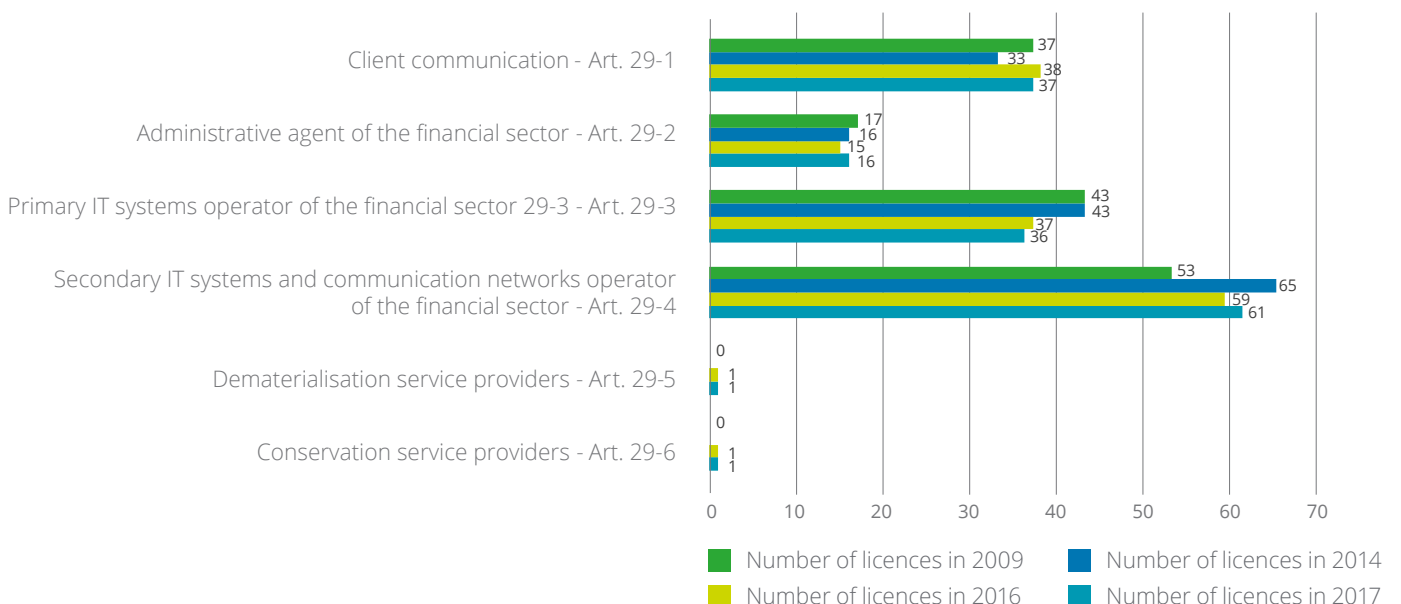


Figure 23: Change between 2017, 2016, 2014 and 2009 of licences granted to support PSF



The FinTech revolution: What are the opportunities for PSF in Luxembourg?



Carlo Duprel

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In a permanently evolving market, incremental changes are hardly noticed. Sometimes, however, industrial sectors undergo radical changes, where the usual evolution is significantly disrupted by external technological, demographic, regulatory or economic forces. Today, the FinTech (financial technology) surge is reshaping the financial sector on a global scale with a flurry of new players attracting significant attention from markets, customers and investors. Indeed, global investments in financial technology ventures reached US\$57.9 billion across 875 deals in the first half of 2018 alone and show no signs of slowing down.

A favourable environment facilitates the increasing emergence of potentially disruptive FinTech companies. Drivers such as technological innovations, regulations, a new generation of self-directed digital customers, and an ever-increasing mass of data are changing the rules of the game. FinTechs are taking advantage of the evolving ecosystem and are quick to offer solutions that can significantly affect the traditional ways of doing business across the financial services industry. Luxembourg is not shielded from such developments and certainly benefits from the rapid increase in the number of FinTechs, the set-up of consortium initiatives such as LuxHub and Infrachain, the launch of the Luxembourg House of Financial Technology (LHoFT) and the increasing number of incumbent

financial institutions calling upon innovative start-ups to empower their digital transformation. Collaboration between incumbents and start-ups is key to enable a flourishing financial sector and is not simply limited to bank/start-up relationships. PSF in particular provide the possibility for start-ups to engage with them in numerous ways. While FinTechs can certainly support PSF and vice versa, they can just as much become PSF themselves and potentially compete with certain types of PSF.

PSF power the emergence and development of FinTech firms by providing them with next-generation cloud solutions. Given their ability to adapt their business model and service proposition to foster innovation, PSF might as well be qualified as FinTech firms themselves. Similarly, FinTech start-ups are considering becoming PSF, e.g. certain

FinTech firms providing data analytics and business intelligence solutions could become a support PSF with the status of a secondary IT systems and communication networks operator.

Likewise, some robo-advisory FinTechs are authorised as investment firm PSFs. While this allows these firms to effectively compete with other asset managers regulated as PSF, the status also offers a degree of comfort to existing financial institutions that consider cooperating with them.

These different market movements yield a PSF sector that is constantly challenged while being empowered by the advent of FinTechs. Whilst certain financial institutions may benefit from innovative service and product offerings, others could face significant competition. One thing is clear—such market upheavals require a fresh look at known things.

FinTechs are taking advantage of the evolving ecosystem and are quick to offer solutions that can significantly affect the traditional ways of doing business across the financial services industry.

Questions to Yves Reding CEO of EBRC S.A.

What changes do you expect for support PSF in IT services?

In 2003, the lawmaker wanted to transpose the confidentiality, security and reliability rules specific to the Luxembourg financial sector to the IT companies that support the country's financial industry – its main economic driver. It was therefore decided to place these IT services under the supervisory authority of the CSSF. And today, 15 years later, the decision can be regarded as a stroke of political genius because, as a result, an entire economic chain is governed by a single set of requirements that are shared and understood across the board. It is this drive to achieve a very high standard of quality that has set Luxembourg's IT sector apart.

Consequently, in 2004, we saw the emergence of the first IT PSF, with

IBM, Cetrel and EBRC for example, obtaining the status. These new PSF were soon handling vital activities (payment services, business resilience, etc.) for financial institutions in a regulated framework and were gradually entrusted with an increasingly comprehensive and strategic role (from outsourcing to BPO). Then, in 2008, the banking and finance world found itself facing major upheavals, which induced an additional, significant corpus of regulations, particularly to improve security for clients.

In this context, the reform of Article 41 of the Financial Sector Law, introduced on 6 February 2018, marks the start of a fundamental change. The rules of the game have changed: regulated support PSF could now find themselves in competition with non-regulated players who thus escape major requirements

which nonetheless continue to weigh on support PSF. In our view, the authorities should guarantee a level playing field in which fair rules apply to all actors. We will no doubt see a concentration or shrinking of the support PSF sector, as well as a redefinition of the talent profile sought by the financial sector overall. So far, the reform has resulted in the sector losing potential clients from abroad, who have decided to keep their IT centres outside Luxembourg. We are yet to see the beneficial effects of the reform, within the framework of Brexit for instance.

What are the main challenges facing Luxembourg in the business sector you represent?

Following on from my previous remarks, the effects of the Article 41 reform and the need to adapt our services

are the main challenges the sector will face. Companies will have no choice but to review their service offering and branch out further into the layers that underpin the business of finance companies. Today, clients want stronger partnerships with PSF who can add more value to their transactions.

For some time now, we have been witnessing the growing digitalisation phenomenon, which calls for regulation. Data protection and confidentiality practices vary around the globe: (i) in the US, data is regarded as an exploitable good, stored in huge clouds; (ii) in Asia, on the whole, supervision is not an issue, but sometimes to the detriment of individual freedoms; (iii) in Europe, on the other hand, our philosophy is quite different; personal data protection is crucial. The GDPR, which entered into force in May 2018, has further underlined these different perspectives and realities.

Against this backdrop, clients of support PSF are ever more demanding as regards the confidentiality and quality of data processing, thereby sustaining the continuous improvement policy our sector must drive, both in terms of processes and the services we provide.

From a technological perspective, we are no doubt moving towards a higher level of automation and robotization, particularly to guarantee more available and responsive services for clients, and to streamline everyday, recurrent uses of banking services. Expectations are also high with respect to data protection and security. The needs of the sector's clients are changing and we must adapt to them in order to remain competitive and aligned with our clients' overall strategy.

What are the main opportunities for the PSF that you represent?

Above all, Luxembourg must assert itself as a strong digital marketplace in Europe by promoting the lead it has gained thanks to the banking and financial sector in general, especially in the area of data security and confidentiality.

The need to maintain trust for "sensitive" clients and our ecosystem's ability to adapt should offer some good growth opportunities, with clearer requirements. Legal certainty and the integrity and availability of data should be improved, while reducing the risks inherent in digital technology. While this is true for the financial sector above all, it could apply to many other sectors in which expectations are high, such as healthcare, the legal profession, defence, logistics, e-commerce and insurance.

The circulars on outsourcing issued by the CSSF in 2017 are also worthy of note. They specified requirements for the supply of services and confirmed, if necessary, the crucial responsibility placed on companies to adopt quality outsourcing solutions.

We should also mention the emerging surge towards a framework of trust, a trend that is also at work in the Network and Information Security Directive (the NIS Directive) for example, which will apply to Operators of Essential Services in finance. And there is the EBA consultation on outsourcing launched in June 2018, which reinforces rules on the cyber-resilience of financial stakeholders. These initiatives should help restore the position of support PSF at the heart of this demanding ecosystem.



What are your expectations?

The status of support PSF should carry certification, to give end clients security and quality they can promote, while gaining international recognition, in the same way as and in combination with certain ISO certifications. Vital efforts in promoting this status should also be maintained, and we should showcase our strengths internationally, to position Luxembourg as the centre of digital excellence within the European Union.



Interview by Raphaël Charlier and Adil Sebbar – 07 August, 2018

Direct taxes

Fiscal outlook for 2019 and review of developments in 2018



Julien Lamotte

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A look back over the fiscal year 2018

Although fiscal year 2018 did not see any major changes in tax law, some significant measures came into force nonetheless, while clarifications were provided in respect of some others after several years of application:

- The combined rate of Corporate Income Tax (Impôt sur le Revenu des Collectivités: "IRC") and Municipal Business Tax (Impôt Commercial Communal: "ICC") for Luxembourg City has been reduced from 27.08 percent to 26.01 percent as from 1 January.
- Two new tax incentives came into force in respect of software and could have a positive impact on the effective rate of tax paid by the taxpayer. These measures are a new 80 percent tax exemption scheme applying to revenues from intellectual property ("IP") and an investment tax credit for software acquisitions. The law of 17 April 2018¹ inserted a new Article 50ter into the Income Tax Law providing for an 80 percent exemption on net revenues from eligible IP assets (and a total exemption for Wealth Tax). Eligible assets are particularly patents and copyrights

in software. It should be added that, pursuant to the recommendations made by the OECD in Action 5 of the BEPS (Base Erosion and Profit Shifting) Action Plan and those of the European Union and its Code of Conduct, net revenues from IP assets eligible for the exemption must be adjusted by the amount of eligible expenditures, i.e. those incurred by the taxpayer for its R&D activities. This provision applies both to royalties and capital gains on the assignment of eligible IP rights and indirect IP revenue included in the products and services sold by the taxpayer. Finally, for software not eligible for the exemption, the lawmaker has granted a right to a tax credit of 8 percent up to €150,000, and 2 percent above that amount (but with a limit based on the amount of tax due) on software acquired on or after 1 January 2018. Taxpayers may not, however, benefit from the two regimes concurrently.

- Since 1 January 2018, IRC/ICC and Wealth Tax returns for 2017 and subsequent years must be submitted to the Tax Administration electronically. This obligation applies to business corporations such as public limited companies (SA), simplified joint-stock

companies (SAS), partnerships limited by shares (SCA), limited liability companies (SARL) and European companies (SE). Deadlines for filing returns have not changed.

- As regards late tax returns, while no change has been made to legislation, in practice we are seeing a growing number of cases - although still limited - in which penalties are applied for late filing: they amount to 10 percent of tax or €25,000. Failure to file tax returns by the end of the year following the year of taxation would appear to be penalised more systematically than before.
- In the same vein, the issue of transfer pricing (i.e. ensuring that intra-group transactions take place at market price), which has been the subject of various legislative amendments in recent years (circular on intra-group financing in 2011, introduction of an obligation for taxpayers to document transfer pricing policies in 2015 and modification of the intra-group financing circular in 2017 along with Articles of the income tax law), is becoming increasingly important. The Tax Administration wrote to Luxembourg-based asset management companies

¹ Law of 17 April 2018, Mém.A254 of 19/04/2018

in summer 2018 requesting disclosure of their transfer pricing documentation within two weeks. We have no doubt that this kind of request will be repeated for all entities in the financial centre. Taxpayers should therefore ensure that their documents are ready to be disclosed.

- Finally, on an international level, a new Directive came into force on 25 June 2018 aiming to broaden the scope of information exchanges in the field of taxation with a new type of reporting. Directive DAC 6², further amending the European Directive on administrative cooperation, aims to ensure that taxpayers and intermediaries declare certain cross-border arrangements having certain hallmarks defined in the directive. Although it is due to enter into

Although fiscal year 2018 did not see any major changes in tax law, some significant measures came into force nonetheless, while clarifications were provided in respect of some others after several years of application.

force on 1 July 2020, the fact remains that arrangements having the hallmarks set out in the directive and already in place since 25 June 2018 must be reported. Preparations should therefore be made as of now, and the necessary steps taken to identify arrangements falling within the scope of the obligation in order to facilitate reporting in the future.

Outlook for 2019

Although the finance law for 2019 has yet to be revealed at the time this article goes to print, the bills under study at the Chamber of Deputies as well as the international agenda and the forthcoming elections give us some idea of what fiscal year 2019 will hold in store:

- The outcome of the Luxembourg elections could influence some aspects of taxation in the Grand Duchy. For instance, one of the leading parties in the Chamber of Deputies has announced a gradual reduction in the corporate income tax rate with a view to reaching 20 percent by 2025. While it is unlikely to change in 2019, application of this announcement should be closely followed, as it would bring the corporate income tax rate in Luxembourg down towards the average rate in Europe, which fell below 22 percent in 2017³.
- On 19 June 2018, bill no. 7318 transposing the Anti-Tax Avoidance Directive⁴ was tabled in the Chamber. Most of the Directive's measures are new to domestic tax legislation and concern five areas of action included in the OECD BEPS Action Plan. This bill will no doubt undergo a few adjustments by the end of the year but will start applying on 1 January 2019 (except for provisions on exit tax rules). Certain measures, such as the introduction of a limit on interest deductibility and rules governing controlled foreign companies, could have a significant impact on some Luxembourg-based businesses.

- To accentuate the impact of the BEPS Action Plan and give it effect more swiftly, the OECD planned for certain measures to be introduced by means of a Multilateral Convention to Implement Tax Treaty Related Measures ("MLI"). The MLI seeks to change, via a single multiparty convention, a whole host of bilateral tax treaties without further negotiations. The bill approving the MLI has been tabled in the Chamber of Deputies and should be ratified by year-end 2018. Implementation of these provisions will depend on the pace at which other states concerned by bilateral tax treaties referred to in the MLI proceed with their transposition.

- Finally, as the France-Luxembourg tax treaty was renegotiated on 20 March 2018, its transposition should be monitored in 2019 for a probable entry into force in 2020 with some significant impacts on various aspects such as the treatment of funds, taxation of cross-border workers and the heightened risk of recognition as a permanent establishment in France in the event of free provision of services.

² Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

³ https://ec.europa.eu/taxation_customs/sites/taxation/files/taxation_trends_report_2017.pdf

⁴ Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices

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Deloitte's proposed services

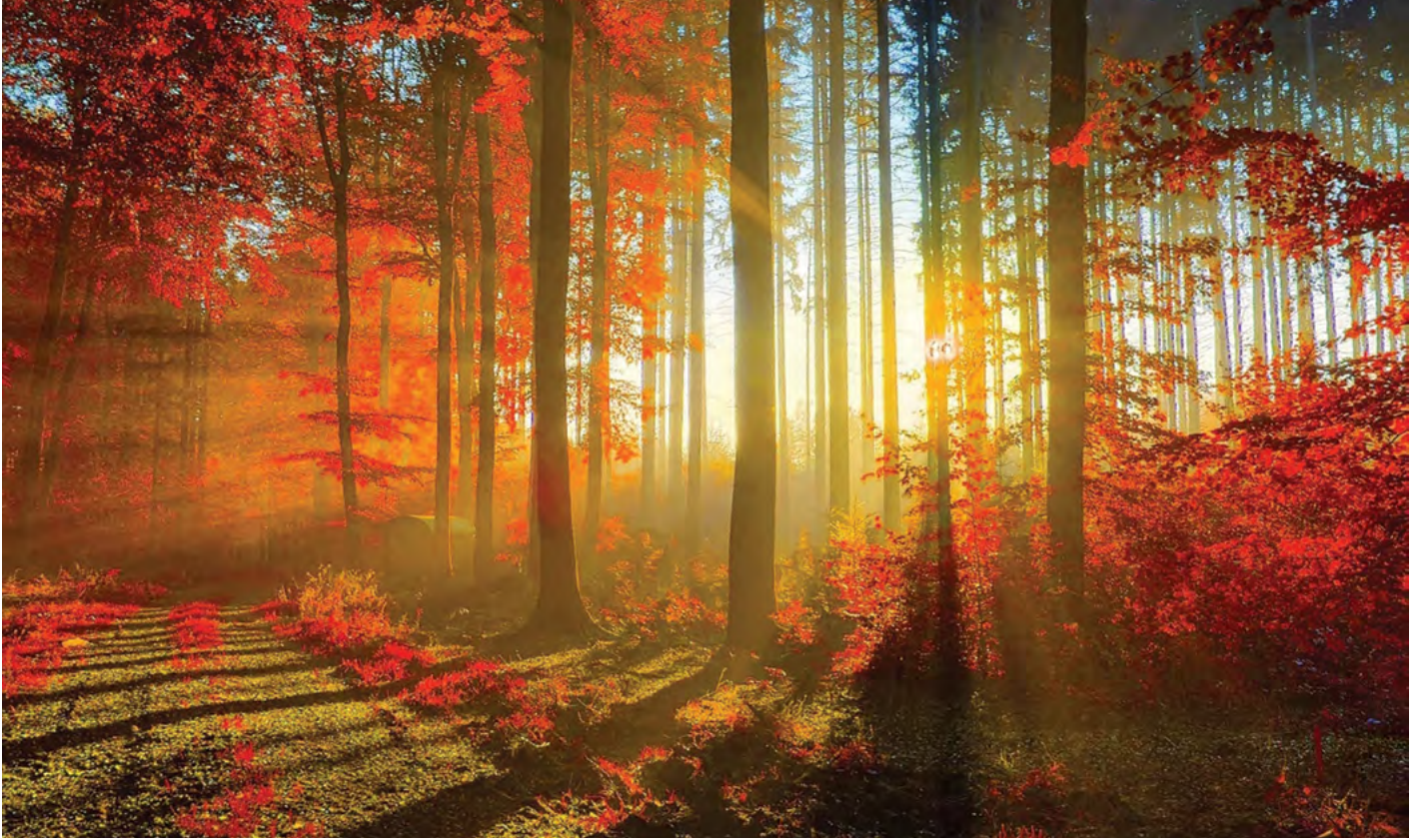
Upon creation	56
During the development stage	58
Until termination of operations	59



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

Upon creation

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



During the development stage

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

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

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Useful addresses

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Organisations representing PSF

Expanding representation across professional associations

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

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

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

Tel: +352 621 135 933

www.lafo.lu

Association Luxembourgeoise des Professionnels du Patrimoine (ALPP)

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

Tel : +352 26 26 49 8075

www.alpp.lu

Luxembourg International Management Services Association (LIMSA)

Created in 2004, the purpose of this association is to promote the Luxembourg trust industry and the representation of the professional interests of its members.

It organises seminars and other meetings and develops initiatives on a central level, which would be too costly or difficult for individual members. It safeguards the promotion of the commercial interests of trust companies and defend their interests with the authorities, in particular by participating in commissions and working groups.

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

Tel : +352 466 111-2749

www.limsa.lu

Numerous other organisations pertain to PSF, including the following:

The International Facility Management Association (IFMA)

IFMA Luxembourg is the local branch of this international association. With over 22,600 members in 78 countries, it is open to facility managers to give them the skills necessary for their business.
Tel : +352 26 65 08 30
www.ifma.lu

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

Established on 26 November 2009, FedISA Luxembourg is a not-for-profit association serving innovation in matters of dematerialisation and electronic archiving. Its aim is to bring together the players in the Luxembourg market: experts, users and suppliers of information lifecycle management, dematerialisation, electronic archiving and storage products and services, such as OSIPs and OSISs (support PSF).
www.fedisa.lu

ISACA

With more than 140,000 members in over 187 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

Other useful addresses

Administration des contributions directes

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

Fédération des professionnels du secteur financier Luxembourg (PROFIL)

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

Administration de l'enregistrement et des domaines

Tel : +352 44 905-1
www.aed.public.lu

Fedil

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

Association des Banques et Banquiers, Luxembourg (ABBL)

Tel : +352 46 36 60-1
www.abbl.lu

Système d'indemnisation des investisseurs Luxembourg (SIIL)

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

Association Luxembourgeoise des Compliance Officers (ALCO)

Tel : +352 28 99 25 00
www.alco.lu

Institut des Auditeurs Internes Luxembourg

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

Association Luxembourgeoise des Fonds d'Investissement (ALFI)

Tel : +352 22 30 26-1
www.alfi.lu

Institut des Réviseurs d'Entreprises (IRE)

Tel : +352 29 11 39-1
www.ire.lu

Association Luxembourgeoise de Risk Management (ALRIM)

Tel : +352 26 94 59 97
www.alrim.lu

Institut Luxembourgeois des Administrateurs (ILA)

Tel : +352 26 00 21 488
www.ila.lu

Cellule de Renseignement Financier (CRF)

Tel : +352 47 59 81-447

Luxembourg for Finance (LFF)

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

Chambre de Commerce du Grand-Duché de Luxembourg

Tel : +352 42 39 39-1
www.cc.lu

Luxembourg Private Equity and Venture Capital Association (LPEA)

Tel : +352 28 68 19 602
www.lpea.lu

Commission de Surveillance du Secteur Financier (CSSF)

Tel : +352 26 251-1
www.cssf.lu

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Appendices

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5.1 PSF in a nutshell

Investment firms

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Investment advisers	24	50.000	EUR 1.000.000 per claim and an aggregate of EUR 1.500.000 per year	"Investment advisers are professionals whose activity consists in providing personal recommendations to a client, either at the initiative of the investment firm, or upon request of that client, in respect of one or more transactions relating to financial instruments. Investment advisers are not authorised to intervene directly or indirectly in the implementation of the advice provided by them. The mere provision of information is not covered by this law."
Brokers in financial instruments	24-1	50.000	EUR 1.000.000 per claim and an aggregate of EUR 1.500.000 per year	Brokers in financial instruments are professionals whose activity consists in receiving or transmitting orders in relation to one or more financial instruments, without holding funds or financial instruments of the clients. This activity includes bringing two or more parties together with a view to the conclusion of a transaction between the parties.
Commission agents	24-2	125.000		Commission agents are professionals whose activity consists in the execution on behalf of clients of orders in relation to one or more financial instruments. Execution of orders on behalf of clients means acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients.
Private portfolio managers	24-3	125.000		Private portfolio managers are professionals whose activity consists in managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.
Professionals acting for their own account	24-4	730.000		Professionals acting for their own account are professionals whose business is in trading against proprietary capital resulting in the conclusion of transactions in one or more financial instruments where they also provide investment services or perform in addition other investment activities or deal on own account outside a regulated market or an MTF on an organised, frequent and systematic basis, by providing a system accessible to third parties in order to engage in dealings with those third parties.
Market makers	24-5	730.000		Market makers are professionals whose business is to hold itself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against its proprietary capital at prices fixed by it.
Underwriters of financial instruments	24-6	125.000 or 730.000 (if they carry out placements on a firm commitment basis)		Underwriters of financial instruments are professionals whose business is to underwrite financial instruments and/or place financial instruments with or without a firm commitment.

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Distributors of shares/units in UCIs	24-7	50.000 or 125.000 (if they accept or make payments)		Distributors of shares/units in UCIs are professionals whose business is to distribute units/shares of UCIs admitted to trading in Luxembourg.
Financial intermediation firms	24-8	125.000	EUR 2.000.000 per claim and an aggregate of EUR 3.000.000 per year	Financial intermediation firms are professionals whose business is to: <ul style="list-style-type: none"> a) provide personal recommendations to a client, either at their own initiative, or upon request of the client, in respect of one or more transactions relating to financial instruments or insurance products, and b) receive and transmit orders relating to one or more financial instruments or insurance products without holding funds or financial products of the clients. This activity includes bringing two or more parties together with a view to the conclusion of a transaction between the parties, and c) perform on behalf of investment advisers and brokers in financial instruments and/or insurance products affiliated to them administrative and client communication services which are inherent to the professional activity of these affiliates, by means of an outsourcing contract.
Investment firms operating an MTF in Luxembourg	24-9	730.000		Investment firms operating an MTF in Luxembourg are those professionals whose business is to operate an MTF in Luxembourg, excluding the professionals that operate markets within the meaning of the law on markets in financial instruments.
Investment firms operating an OTF in Luxembourg	24-10	730.000		Investment firms operating an OTF in Luxembourg are those professionals whose business is to operate an OTF in Luxembourg, excluding the professionals that operate markets within the meaning of the law on markets in financial instruments.



Specialised PSF

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Registrar agents	25	125.000		Registrar agents are professionals whose business is to maintain the register of one or more financial instruments. The maintaining of the register includes the reception and execution of orders relating to such financial instruments, of which they are the necessary accessory.
Professional depositaries of financial instruments	26	730.000		Professional depositaries of financial instruments are professionals who engage in the receipt into custody of financial instruments exclusively from the professionals of the financial sector, and who are entrusted with the safekeeping and administration thereof, including custodianship and related services, and with the task of facilitating their circulation.
Professional depositaries of assets other than financial instruments	26-1	500.000		"Professional depositaries of assets other than financial instruments are professionals whose activity consists in acting as depositary for: <ul style="list-style-type: none"> - specialised investment funds within the meaning of the law of 13 February 2007, as amended, - investment companies in risk capital within the meaning of the law of 15 June 2004, as amended, - alternative investment funds within the meaning 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 in Luxembourg.
Currency exchange dealers	28-2	50.000		Currency exchange dealers are professionals who carry out operations involving the purchase or sale of foreign currencies in cash.
Debt recovery	28-3			The recovery of debts owed to third parties, to the extent that it is not reserved by law to certificated bailiffs, shall be authorised only with the assent of the Minister of Justice.
Professionals performing lending operations	28-4	730.000		"Professionals performing lending operations are professionals engaging in the business of granting loans to the public for their own account. The following, in particular, shall be regarded as lending operations for the purposes of this article: (a) financial leasing operations involving the leasing of moveable or immovable property specifically purchased with a view to such leasing by the professional, who remains the owner thereof, where the contract reserves unto the lessee the right to acquire, either during the course of or at the end of the term of the lease, ownership of all or any part of the property leased in return for payment of a sum specified in the contract;

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Professionals performing lending operations (continued)	28-4	730.000		<p>(b) factoring operations, either with or without recourse, whereby the professional purchases commercial debts and proceeds to collect them for his own account "when he makes the funds available to the transferor before maturity or before payment of the transferred debts".</p> <p>This article shall not apply to persons engaging in the granting of consumer credit, including financial leasing operations as defined in paragraph (a) above, where that activity is incidental to the pursuit of any activity covered by the law of 28 December 1988 on the right of establishment.</p> <p>This article shall not apply to persons engaging in securitisation operations."</p>
Professionals performing securities lending	28-5	730.000		Professionals performing securities lending are professionals engaging in the business of lending or borrowing securities for their own account.
Family Offices	28-6	50.000		Those persons carrying out the activity of Family Office within the meaning of the law of 21 December 2012 relating to the Family Office activity and not registered in one of the other regulated professions listed under Article 2 of the above-mentioned law are Family Offices and regarded as carrying on a business activity in the financial sector.
Mutual savings fund administrators	28-7	125.000		<p>"Mutual savings fund administrators are natural or legal persons engaging in the administration of one or more mutual savings funds. No person other than a mutual savings fund administrator may carry on, even in an incidental capacity, the business of administering mutual savings funds.</p> <p>For the purposes of this article, "mutual savings fund" means any undivided fund of cash deposits administered for the account of joint savers numbering not less than 20 persons with a view to securing more favourable financial terms."</p>
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 dematerialised securities.

Support PSF

PSF	Article	Minimum capital or capital base EUR	Professional indemnity insurance EUR	Activity covered by the status
Client communication agents	29-1	50.000		<p>"Client communication agents are professionals engaging in the provision, on behalf of credit institutions, PSF, payment institutions, electronic money institutions, insurance undertakings, reinsurance undertakings, pension funds, UCIs, SIFs, investment companies in risk capital (sociétés d'investissement en capital à risque) and authorised securitisation undertakings established under Luxembourg law or foreign law, of one or more of the following services:</p> <ul style="list-style-type: none"> - the production, in tangible form or in the form of electronic data, of confidential documents intended for the personal attention of clients of credit institutions, PSF, payment institutions, electronic money institutions, insurance undertakings, reinsurance undertakings, contributors, members or beneficiaries of pension funds and investors in UCIs, SIFs, investment companies in risk capital and authorised securitisation undertakings; - the maintenance or destruction of documents referred to in the previous indent; - the communication to persons referred to in the first indent, of documents or information relating to their assets and to the services offered by the professional in question; - the management of mail giving access to confidential data by persons referred to in the first indent; - the consolidation, pursuant to an express mandate given by the persons referred to in the first indent, of positions which the latter hold with diverse financial professionals."
Administrative agents of the financial sector	29-2	125.000		<p>Administrative agents of the financial sector are professionals who engage in the provision, on behalf of credit institutions, PSF, payment institutions, electronic money institutions, UCIs, pension funds, SIFs, investment companies in risk capital, authorised securitisation undertakings, reserved alternative investment funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law, pursuant to a sub-contract, of administration services forming an integral part of the business activities of the originator.</p>
Primary IT systems operators of the financial sector	29-3	370.000		<p>Primary IT systems operators of the financial sector are those professionals who are responsible for the operation of IT systems allowing to draw up accounts and financial statements that are part of the IT systems belonging to credit institutions, PSF, "payment institutions", electronic money institutions, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.</p>
Secondary IT systems and communication networks operators of the financial sector	29-4	50.000		<p>Secondary IT systems and communication networks operators of the financial sector are those professionals who are responsible for the operation of IT systems other than those allowing to draw up accounts and financial statements and of communication networks that are part of the IT systems belonging to credit institutions, PSF, "payment institutions", electronic money institutions, UCIs, pension funds, insurance undertakings or reinsurance undertakings established under Luxembourg law or foreign law.</p>



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

5.2 Summary of main regulations and circulars applicable to PSF

(as at 24 October, 2018)

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialised PSF	Support PSF
Organisation and internal control				
91/78	Segregation of assets for private portfolio managers	X (1)		
91/80 and 96/124	Staff numbers	X	X	X
93/95 and 11/515	Licence requirements	X	X	X
93/102	Activities of brokers or commission agents	X (2)		
95/120	Central administration		X	X
96/126	Administrative and accounting organisation		X	X
98/143	Internal control		X	X
00/17	Investor compensation schemes	X (3)		
04/146	Protection of undertakings for collective investment and their investors against Late Trading and Market Timing practices	X (3)	X (3)	X (3)
17/651	Credit agreements for consumers relating to residential immovable property		X	X
17/656 and 06/240 as amended by 17/657	Administrative and accounting organisation IT outsourcing			

CIRCULAR/REGULATION	TOPIC			
		Investment firms	Specialised PSF	Support PSF
07/307 as amended by 13/560, 13/568 and 14/585	MIFID: Conduct of business rules in the financial sector	X		
07/325 and 07/326 as amended by 10/442 and 13/568	Branches in Luxembourg or activities exercised in Luxembourg by way of free provision of services; branches in another Member State or activities exercised in another Member State by way of free provision of services	X (3)		
17/669	Prudential assessment of acquisitions and increases in holdings in the financial sector	X	X	X
12/536	Guidelines of the European Securities and Markets Authority on systems and controls in an automated trading environment	X (3)		
12/538	Lending in foreign currencies	X	X (4)	
12/552 as amended by 13/563, 14/597 and 16/642, 16/647 and 17/655	Central administration, internal governance and risk management	X	X (5)	
13/554	Evolution of the usage and control of the tools for managing IT resources and the management access to these resources	X	X	X
Reg. 16-07 (13-02 abrogated)	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	Organisational 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)	
Remuneration				
10/437	Remuneration policies in the financial sector	X	X	X
11/505	Proportionality principle when establishing and applying remuneration policies	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 10/495, 15/609, 18/694	Fight against money laundering and terrorist financing	X	X	X

CIRCULAR/REGULATION	TOPIC	Investment firms	Specialised PSF	Support PSF
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	Application extended to primary tax offences	X	X	X
Prudential ratios				
06/260 07/290 as amended by 10/451, 10/483, 10/497 and 13/568 07/301 as amended by 08/338, 09/403, 11/506 and 13/568 10/494 11/501 11/505 12/535 13/572	Capital adequacy ratios / large exposures; assessment process	X		
Reg. 14-01, 15-01 and 15-02 and 13/575, 14/582, 14/583, 15/606, 15/618, 15/620 and 15/622 as well as Regulation (EU) No 575/2013, ad hoc Commission Delegated Regulations (EU) and ad hoc Commission Implementing Regulations (EU)	Supervisory reporting requirements (CRR/CRD IV / FINREP)	X (3)		
09/403	Sound liquidity risk management	X		
11/506	Principles of a sound stress testing programme	X		
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	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

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

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

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

(3) depending on the activity of the PSF

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

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

(6) applicable only to PSF providing domiciliation activities

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