

Financial Sector Professionals
(FSP) in Luxembourg
2011 Overview and outlook
of a fast-growing sector



Foreword



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Following the great success of the first edition of our 'Overview and Outlook' brochure dedicated to Luxembourg Financial Sector Professionals (FSPs), we are delighted to bring you the 2011 edition.

Supplemented by analyses of recent developments in the sector, key figures and new interviews, this brochure offers an overview of the FSPs.

It reveals the importance of this industry to the Luxembourg economy and illustrates the different existing typologies and how they are developing.

This year was once again marked by a tightening of the regulatory constraints in a financial crisis climate. This is affecting the whole the financial sector, particularly Financial Sector Professionals, and from where we now stand, no one can predict how long it will last or how it will affect Luxembourg.

Until now, FSPs have been able to put up a strong resistance to this situation. The growing number of FSP applications in 2010 and confirmed in 2011 is encouraging for the future.

New prospects are emerging for the industry. Current discussions about the creation of a licence category related to the Family Office suggest a new momentum of growth for the wealth management sector. Similarly, increasing investment in art, Islamic finance, insurance and pensions should also give a new impetus to FSPs specialising in the investment fund sector, which has a strong grounding in Luxembourg. Lastly, Luxembourg is more than ever anticipating legislation on e-archiving, extending the scope of the activities of the Auxiliary FSP.

We would like to thank Pascal Berichel, Jean Fuchs, Yves Meert and Elo Rozencwajg for their priceless involvement in this brochure. The experience they have of the industry provides an enlightened vision of the development prospects of the sector and also the advantages that Luxembourg offers to FSPs.

We hope you enjoy reading our publication.

Introduction



Banks are not the only entities in Luxembourg that can access finance activities

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

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

This special access is not without consequences in terms of governance, structure, risk management and prudential supervision. It is governed by the Law of 5 April 1993 on the financial sector* as amended by the Law of 13 July 2007 on Markets in Financial Instruments (MiFID).

By virtue of the demands of professional secrecy in the banking sector, many non-financial players have made the necessary efforts, and sometimes on a large scale, to obtain FSP approval allowing them to serve other players in the financial sector.

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

- **Investment undertakings**
(Art. 24 - 24-9 of the Law)

Defined as firms supplying or providing investment services to third parties on a professional and repetitive basis.

These are mainly:

1. Investment advisers
2. Financial instrument brokers
3. Agency brokers
4. Asset managers

- **Specialised FSPs**
(Art. 25 - 28-10 of the Law)

Specialised FSPs as defined in the Law of 28 April 2011 are entities active in the financial sector but which do not offer investment services. These mainly include:

1. Providers of company incorporation and management services
2. Company administrators
3. Registrars

- **Auxiliary FSPs**
(Art. 29-1 - 29-4 of the Law)

Auxiliary FSPs acting principally as subcontractors for operating functions on behalf of banks or other Financial Sector Professionals.

These include:

1. *Auxiliary FSPs* not involved in information technologies, namely client communication agents (Art. 29-1) and financial sector administration agents (Art. 29-2). The Law of 28 April 2011 extends the activities of these FSPs to specialised investment funds (SIF), SICAR (*Société d'Investissement en capital à risque* or Venture Capital Companies) and approved securitisation entities.
2. *Auxiliary FSPs* involved in information technology, namely operators of primary computer systems in the financial sector (OSIP - Art. 29-3) and operators of communications networks and secondary computer systems in the financial sector (OSIS - Art. 29-4).

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

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

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

Scope of FSPs in the Luxembourg economy

We have analysed four main dimensions of FSPs, namely the economic, social, political and geographical diversity aspects

The growing importance of an economic player

Based on a study carried out by the *Haut Comité de la Place Financière* (HCPF) on the existing position as at 31 December 2010, we have identified the direct contributions of the financial services industry to the Luxembourg economy and in particular the contribution made by FSPs (figure 1).

Several findings:

- Excluding *auxiliary FSPs* (as in the HCPF study), the value added per FSP employee was much higher than in the banking sector - a difference of almost 30% between the two sectors

Figure 1: Summary of figures for the financial industry between 31 December 2010 and 31 December 2009

	Added value (bn €)	(%) GDP	Employees	(%) Employment	Taxes (bn €)	(%) Taxes revenue	Added value / employee (K €)
2010							
FSP (<i>investment undertaking and specialised</i>)	1,98	5	5,824	2	0,14	1	340
Banks	6,96	17	26,254	7	1,00	10	265
Insurances	2,49	6	4,668	1	0,50	5	533
Management company	2,18	5	2,339	1	0,33	3	932
Total financial industry	13,61	33	39,085	11	1,97	19	2,071
2009							
FSP (<i>investment undertaking and specialised</i>)	2,05	5	5,745	2	0,12	1	357
Banks	5,31	14	26,420	7	1,18	12	201
Insurances	1,66	4	4,605	1	0,24	2	360
Management company	1,97	5	2,308	1	0,24	2	854
Total financial industry	10,99	28	39,078	11	1,78	17	1,772



- FSPs (excluding *auxiliary FSPs*) account for 15% of the jobs in the financial sector. However, including *auxiliary FSPs*, the number of jobs created by FSPs account for almost one third of the total number of jobs in the financial industry
- The contribution made by FSPs, excluding *auxiliary FSPs*, to tax receipts is still quite sizeable and amounts to almost 8% of the total tax contributions paid by the financial industry

These findings show us that FSPs should not be underestimated compared with other players in the financial industry.

Size of market

With continuous growth of almost 80% in seven years, FSPs in Luxembourg are constantly re-affirming their presence. In 2010 there were 301 FSPs in the Grand Duchy compared with 166 in 2004.

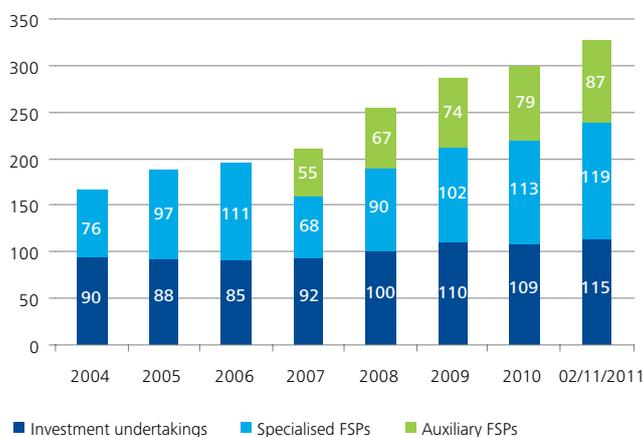
This movement is confirmed on the date of our publication when, according to the CSSF website (list dated 2 November 2011), there were 321 entities, including 115 *investment undertakings*, 119 *specialised FSPs* and 87 *auxiliary FSPs*. These figures illustrate the position occupied by FSPs over the past few years.

Since 2007, the number of *auxiliary FSPs* grew by almost 44% and *specialised FSPs* grew by 66%. *Investment undertakings* meanwhile grew at a more moderate pace, having risen by 6% since 2007 (figure 2).

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

- The growth in the financial marketplace, particularly for the investment funds and company administrators sector, which enlarges the field of services an FSP is able to offer
- The increased activity in financial and non-financial services for which FSP approval is now obligatory
- The recognition of a quality label, as FSPs are regulated by the CSSF
- The attractiveness of Luxembourg. Since 2007 over 75% of the FSPs created in Luxembourg are of foreign origins

Figure 2: Annual number of FSPs by category



Source : Statistiques CSSF www.cssf.lu



Aggregated balance sheet and net profits of FSPs (figure 3)

The sum of the balance sheets of all the FSPs amounted to €11,421 million at 31 December 2010 as compared to €22,456 million at the end of December 2009, a fall of 49% in balance sheet totals over one year. In the CSSF's annual report, this decrease is explained mainly by the reduction in the activity volume of one *specialised FSP* which carries out lending transactions. At 31 December 2010, this entity's balance sheet accounted for 20% of the total balance sheets of all the FSPs compared with 60% as at 31 December 2009.

In view of the diverse range of players covered by the term FSP, we prefer to use the net profit rather than the balance sheet as a criterion because we think it gives a more accurate depiction of the strength and reality of the industry.

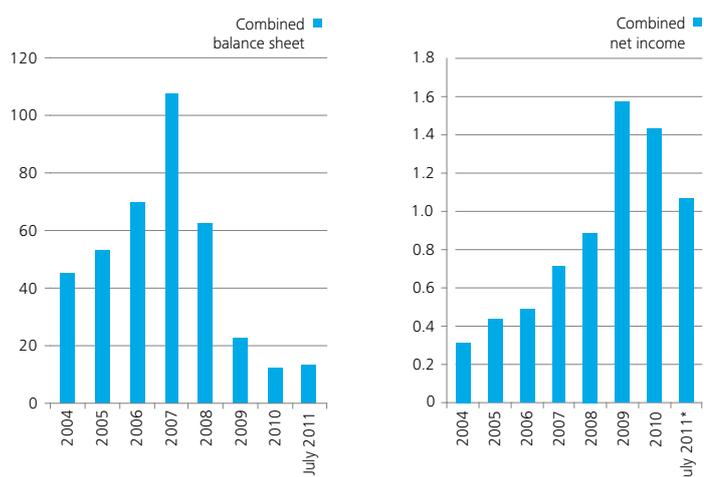
Here again FSPs show a drop, but it is less pronounced than for the balance sheets. The sum of the net profits fell from €1,577 million at 31 December 2009 to €1,452 million at 31 December 2010, a decrease of 8% in net profits over one year. According to the CSSF, this decrease was mostly due to two *specialised FSPs*, including the one identified above when we referred to balance sheets. The combined profits of these two FSPs accounted for over 70% of the total net profits at 31 December 2010 compared with 82% in 2009.

When these two entities are excluded from the total, the net profits of *specialised FSPs* between 2008 and 2010 amounted to €78, €68 and €72 million. Net profits therefore rose by almost 6% between 2009 and 2010.

An analysis of the profits by category (figure 4) reveals that:

- Most of the FSPs' net profits (76%) were generated by *specialised FSPs*. But if the two entities with the highest profits are excluded, the adjusted net profit of the *specialised FSPs* only accounts for 5% of the total figure for FSPs
- The net profit for *investment undertakings* has grown very strongly over three years, rising from €83 million in 2008 to €171 million in 2009 and €294 million in 2010, an increase of 250%, revealing the sector's resilience to the financial crisis
- The importance of *auxiliary FSPs* is relatively low compared with the size of the sector in terms of employment

Figure 3: Balance sheet totals and FSP profits (in €million)



Source: CSSF newsletter September 2011, latest information dated 31 July 2011

* For comparison purposes, the profit at 31 July 2011 was pro-rated over 12 months

Figure 4: Breakdown of balance sheet totals and profits by FSP category

(millions €)	Balance sheet total						Net results					
	2008		2009		2010		2008		2009		2010	
	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share	Amount	Relative share
Investment undertakings	2,024	3%	1,132	5%	1,655	15%	83	9%	171	11%	294	20%
Specialised FSPs	60,013	96%	20,147	90%	8,746	77%	768	86%	1,377	87%	1,116	77%
Auxiliary FSPs	639	1%	1,177	5%	1,020	9%	39	4%	30	2%	42	3%
Total	62,676	100%	22,456	100%	11,421	100%	891	100%	1,577	100%	1,452	100%

Source: CSSF Report 31 December 2010



Three questions to Elo Rozencwajg, Chief Executive of Hottinger & Cie

How do you see investment undertakings evolving in the Luxembourg economy?

To be frank, I am realistic rather than optimistic. The development of the private banking sector, in which most *investment undertakings* are involved, may have been connected with banking secrecy for years. The recent attacks on banking secrecy are embarrassing but the sources of motivation of our clients have changed. This dependency has gradually become blurred in recent years. The development is no longer driven by the fear that prevailed after the war and during the cold war of 'hiding' and protecting your assets in a secure place in a peaceful haven. The future of private banking now rests fundamentally on performance or the quality of the management and returns, but more importantly on the quality of the services offered. In this respect Luxembourg has many advantages to offer.

These services must provide added value to our clients. Although the 'small' clients with less than €250,000 are withdrawing from Luxembourg, wealthier clients are likely to continue to flock here. Nevertheless, I think that this movement is still concentrated on the European clientele rather than on the 'trans-continental' clientele. Luxembourg is not yet sufficiently well-known to attract clients from other continents.

What are the major challenges facing investment undertakings?

The main challenge for private banking, even beyond Luxembourg, is the current economic crisis. The crisis started a number of years ago and no-one knows when it will be resolved. This crisis is having an impact on the entire sector and could last even longer, particularly since future growth is located on the most geographically distant markets.

The containment of costs and the transformation of income (issues concerning retrocession fees questioned by the MiFID) are the core challenges for Luxembourg. Costs arising from the new regulatory constraints and

the developments of IT systems are growing strongly. European pressure regarding information exchange is also a challenge for the sector and Luxembourg will need to find acceptable solutions for the sector.

Although Luxembourg is a pleasant city for visitors, it is not exactly accessible for private banking clients from Brazil or India. Notable developments could be achieved by improving rail and air links.

The main challenge, taking into consideration all these factors, will therefore be to ensure that Luxembourg remains competitive by offering efficient and high-quality services.

What advantages does Luxembourg offer investment undertakings?

The geographical location of Luxembourg, the ease of access for close neighbours via a network of motorways, a pleasant environment, linguistic expertise unique in the world, extensive technical expertise and a qualified workforce are some of the advantages that Luxembourg can offer.

I would also include a more user friendly price structure as one of the advantages, and of course the abundance of offers connected to asset management such as domiciliation, the ease of opening foreign currency accounts, fiscal reporting or fiscal engineering, as well as a wide variety of products such as the various types of funds and insurance policies with open architecture.

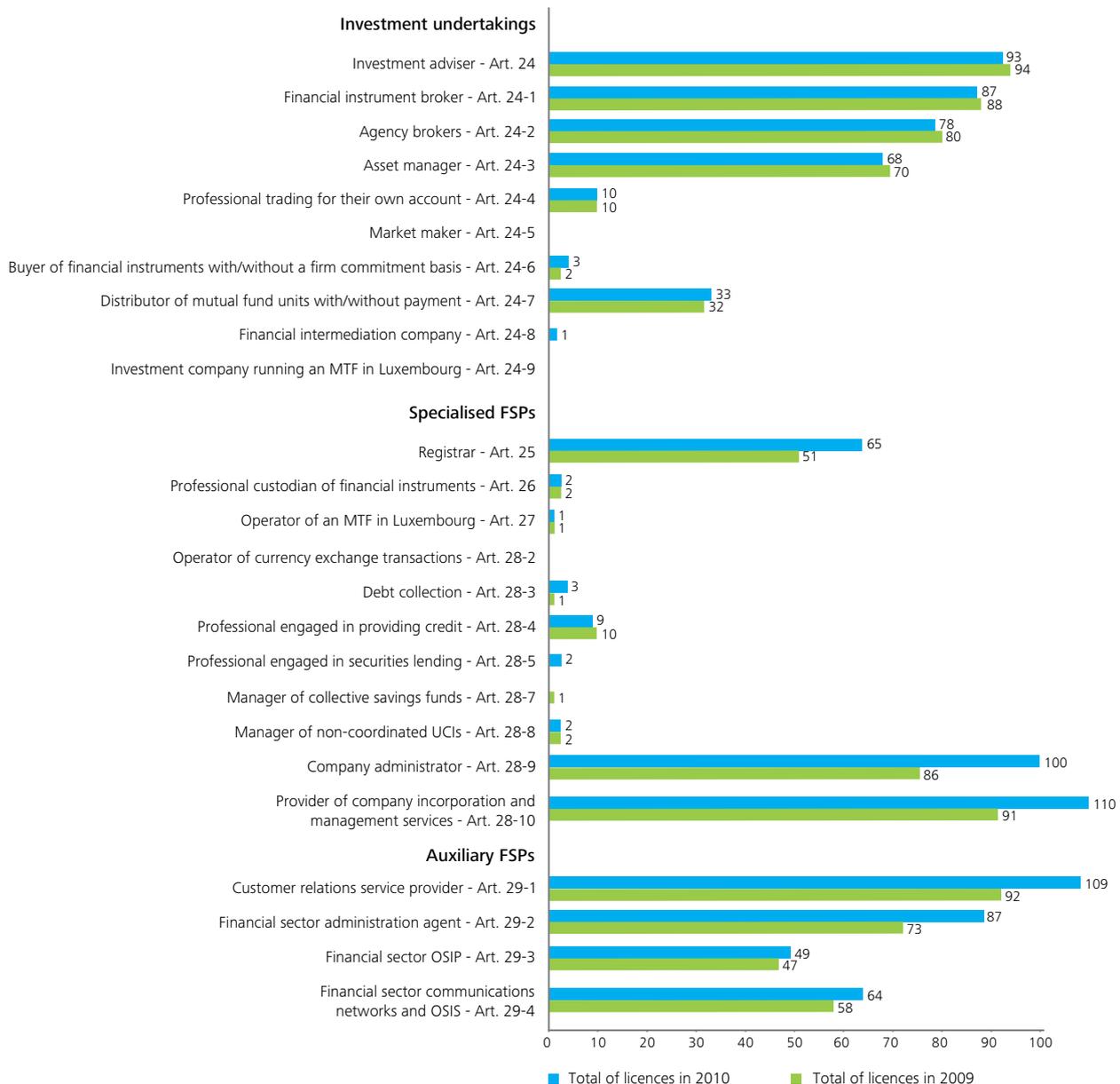
Other - no lesser - advantages result from the political climate, which is highly favourable to the development of the sector, the climate of honesty, thanks to which Luxembourg's reputation is growing, and most of all, the administrative pragmatism which prevails.

Luxembourg knows, perhaps as a result of its size, how to adapt to economic change and to be pragmatic enough to enable constant growth. We hope that this trend will continue.

Distribution of the number of licences (figure 5)

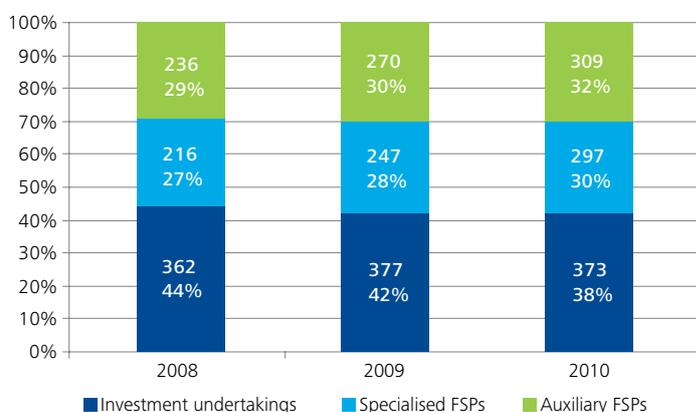
The most sought-after categories are those under Art. 28-10 'Providers of company incorporation and management services', followed closely by Art. 29-1 'Customer relations service provider' and Art. 28-9 'Company administrator'. The licence applications for these three categories rose by 20%, 18% and 16% respectively between 2009 and 2010. The most common form of licence in 2009 under Art. 24, the 'investment advisers' was in fourth position at 31 December 2010, one licence having ceased to exist. This slight decline was also noted for most of the *investment undertaking* licences. There was a very strong rise in licences under Art. 25 'Registrar', which rose from 51 licences in 2009 to 64 in 2010, an increase of 25%.

Figure 5 : Total number of FSP licences at 31 December 2009 and 31 December 2010



FSPs often intend to apply for more licences than necessary when they are setting up. They hope thereby to avoid having to make a subsequent application to extend their licence to the CSSF which would be necessary if they decide to expand their range of activities.

Figure 6: Number and breakdown of licences since 2008



The above chart confirms the trend among FSPs. Licences of *specialised FSPs* and *auxiliary FSPs* have experienced a sharp rise of 38% and 31% respectively since 2008, whilst licences of *investment undertakings* have fallen slightly since 2009.

For *specialised FSPs*, the rise in licences in 2010 was 63% in terms of applications from new FSPs (which obtained their FSP status in 2010), and 37% for applications from existing FSPs which wanted to diversify their activities. 76% of the new *auxiliary FSPs* licences originate from FSPs formed in 2010 and 24% from existing FSPs in 2010.

The fall in the number of *specialised FSPs* and *auxiliary FSPs* in 2010 comes mainly from companies which have voluntarily chosen to give up their FSP status (a total of 13 entities). We see that only one entity gave up a licence in 2010 but is still an FSP as at 31 December 2010.

The most common forms of licences are for *investment undertakings*, which accounted for nearly 38% of licences in 2010. However, their proportion compared with *specialised FSPs* and *auxiliary FSPs* fell between 2009 and 2010.

This variation comes mostly from six entities which gave up their FSP status in 2010 and also three entities which were still FSPs as at 31 December 2010, which gave up their *investment undertaking* licences.

The FSP: a consistent and stable employer

According to the latest CSSF estimates as at 31 December 2010, FSPs, including *auxiliary FSPs*, employ 14,159 people, whilst jobs in banking account for only 12,095 more jobs.

Based on the survey carried out by the HCPF on the situation existing at 31 December 2010, we estimate that the FSP sector accounts for 2% of the total jobs of the working population in the Grand Duchy.

FSPs are Luxembourg's second-largest employers in the financial industry, ahead of insurance and management companies (figure 1, page 6).

Employment in FSPs

Employee numbers in recent years have grown almost non-stop (figure 7).

The number of FSP employees grew by almost 5% between 2009 and 2010, notably in an environment in which banking jobs had been declining for several years.

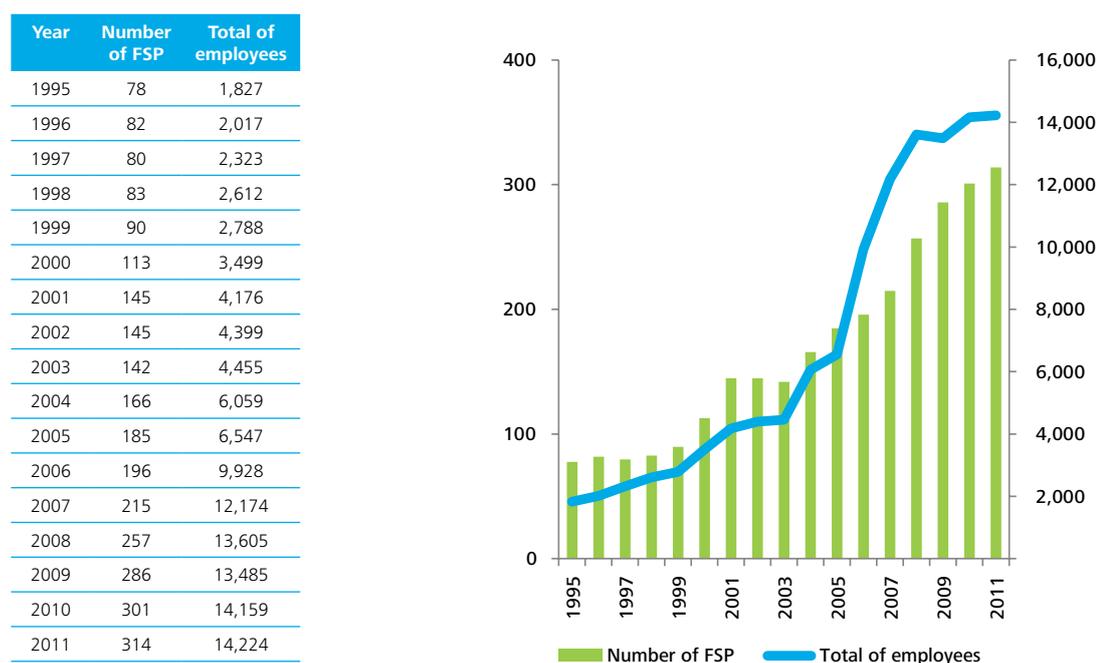
This rise in the number of employees was mainly due to *auxiliary FSPs*, which grew constantly in number throughout the year. According to the CSSF annual report, these were not new jobs because a large proportion of this rise was due to new FSPs authorised in 2010, including some companies which were already active. These employees went into the category of *auxiliary FSP* employees after receiving their FSP licence.

Employment by *auxiliary FSPs* is shown in figure 8:

We see that more than 12% of *auxiliary FSP* employees are manual workers, including 80% who are part time. Employees accounted for 81% of the *auxiliary FSP* workforce, up by 10% compared with 2009.

Women accounted for 22.5% of the employees in *auxiliary FSPs*. The figure was slightly higher, but was well below the high rate at banks of 46% at the end of 2010.

Figure 7: Summary of jobs by year and comparison with movements in the number of FSP



Source: CSSF report 31 December 2010 and CSSF Newsletter September 2011
 Latest information is dated 30 June 2011

Figure 8: Breakdown of jobs by category of employee in auxiliary FSPs

	2009	2010	Variation
Executive staff	462	539	77
Administrative staff	6,102	6,719	617
Logistical staff	917	991	74
<i>of which part-time</i>	662	795	133
Total	7,481	8,249	768
Men	5,842	6,397	
Women	1,639	1,852	
Employment rate of women	22%	22.5%	

Source: CSSF report 31 December 2010



Three questions to Pascal Berichel, Worldwide director, Fund Distribution Services, *Société Générale* group

How do you see specialised FSPs evolving in Luxembourg?

I would prefer to talk about Registrars. Fundamentally we are very closely linked to the Luxembourg market, not just the fund market but also private banking, due to its creativity and the numerous SIFs which are structured within this framework. Luxembourg has confirmed itself as the uncontested leader in the fund industry, but that leadership is difficult in an irregular market subject to violent jolts, the increasing effects of the financial crisis being the latest example of this. I am upbeat and see our activities evolving positively, probably much more due to the cross-border distribution of our products rather than the more confidential products in Luxembourg such as pension funds, life insurance or Islamic finance which offer new opportunities.

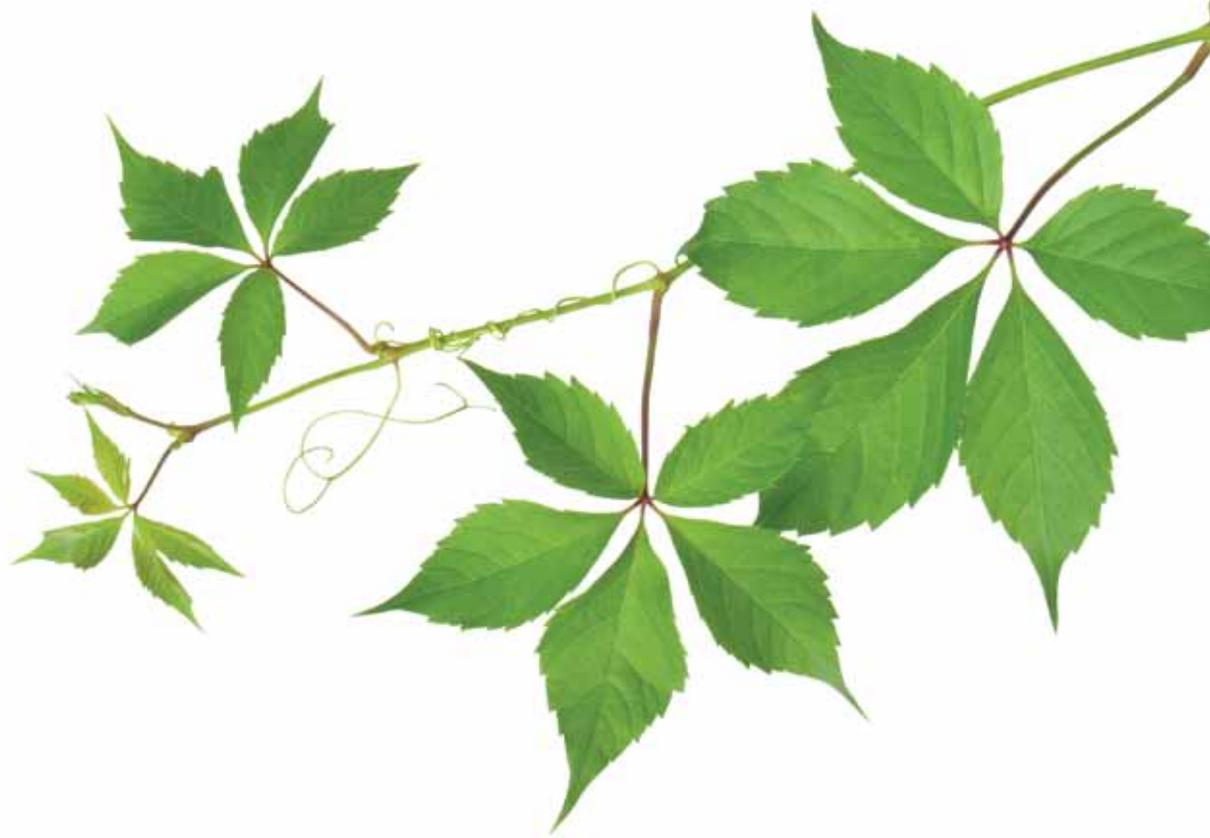
What are the major challenges faced by specialised FSPs today?

There are many challenges. Registrars are experiencing a redefinition of their activities with direct impacts on our operation of TS2 and LuxCSD which will inevitably change the current model and also the impacts of UCITS IV, the AIFMD and the FATCA. We do not yet know how much effort this will require and how to best achieve it. The capacity for adaptation and professionalism in Luxembourg should make it possible to find new opportunities with respect to UCITS IV and the AIFMD.

The transfer agent industry is becoming more international in order to respond to its clients which manage international distribution.

Offering distribution capacities, particularly in Asia and Latin America, but also in emerging markets, is becoming inevitable.

Luxembourg has several advantages and is able to rely on its qualified, well-trained and abundant workforce. Of course it is quite unstable but it is mainly the indexing of salaries over which we have no control. However, I don't think outsourcing is the panacea. We should keep this solution in mind, but we mustn't forget that it pre-supposes the handling of large volumes and high-qualified local human resources.



What advantages does Luxembourg offer specialised FSPs?

There are indeed advantages and they should be expressed around the value-added model for asset managers and investors. Human resources are essential. In Luxembourg the workforce is very well trained, flexible and speaks the languages of all investors. Employment law and the natural turnover on the employment market provide a high degree of fluidity and allow the adjustments that may be necessary.

Economic and financial stability in the Grand Duchy, with transparent and understandable indicators, is a considerable strength, particularly compared with our neighbours.

Ireland in particular also offers fiscal stability, but how long will this position be maintained in view of its financial situation?

The regulator is also a strong point. The regulator is happy to accept an ongoing dialogue, to travel regularly in order to conduct inspections, have proper discussions and involve competent employees. In addition, Luxembourg has made the judicious choice of regulating all its FSPs. It is a sign of quality and an additional

guarantee for the international investor.

Luxembourg also has a network of professional associations, such as the ALFI for example, which plays a major role in the constant marketing process, emphasising the attractiveness of the country as a domicile for funds of all categories (UCITS, SIF, PE/RE). It is like an emulation of a marketplace where all the players, including large auditing firms, provide free of charge high calibre employees and considerable resources demonstrating a collective energy that cannot be found elsewhere. This puts the Luxembourg market at least six months ahead of other countries.

More representation through professional associations

FSPs are subject to the supervision of the CSSF. The FSP status is subject to a licence granted by the *Ministre des Finances* following a recommendation by the CSSF. The conditions for obtaining the status include notably the initial capitalisation, integrity, competence of the management and adequate governance based on a central administration in Luxembourg.

Among the professional associations, the following are the most representative of those defending the interests of the FSPs:

ALPP (Association Luxembourgeoise des Professionnels du Patrimoine)

A non-profit organisation. It includes over 100 independent companies, established in Luxembourg, whose complementary activities cover the entire range of financial and asset-management services for an international clientele of companies and private individuals.

Tel: +352 27 85 87 77
Fax: +352 26 26 49 22
www.alpp.lu
info@alpp.lu

ALFI (Association Luxembourgeoise des Fonds d'Investissement)

This body officially represents Luxembourg investment funds and includes a wide selection of service-providers: custodian banks, fund managers and administrators, transfer agents, fund distributors, law firms, consultants and tax advisers, auditors and accounting firms, IT service providers etc. Its mission is to make Luxembourg the most attractive centre for international investment funds.

Tel: +352 22 30 26 – 1
Fax: +352 22 30 93
www.alfi.lu
info@alfi.lu

Association des PSF de support

This association was created in 2007 and currently has over 40 active corporate members which provide services to financial institutions. The aim of this association is to inform its members of the prospects for the activity segments, the synergy between the players in order to attract projects on an international scale to Luxembourg and the proactive treatment of topics directly affecting *auxiliary FSPs*.

Tel: +352 43 53 66 – 1
Fax: +352 43 23 28
www.fedil.lu
psfsupport@fedil.lu



Numerous other organisations gravitate around FSPs, including the following:

IFMA

(The International Facility Management Association)

IFMA Luxembourg is the local branch of this international association. With over 20,000 members in 50 countries, the association is open to Facility Managers and provides them with the expertise needed to carry out their activities.

Tel: +352 26 005 400

contact@ifma.lu

www.ifma.org

L.A.F.O.

(Luxembourg Association for Family Offices)

This relatively young Luxembourg professional association, with around thirty members, specialises in the Family Office sector. The L.A.F.O. is primarily a service-provider for wealthy families and entities, which coordinates, manages and supervises all the services to their clients (assets management, law firms, tax advisers, banks, trust, notaries etc).

Tel: +352 27 85 87 77

info@lafo.lu

www.lafo.lu

FedISA

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

Formed on 26 March 2010, FedISA Luxembourg is a not-for-profit association for innovation in dematerialisation issues and electronic archiving. Its objective is to bring together the players on the Luxembourg market, including consultants, users and suppliers of products and services to manage the information lifecycle, dematerialisation issues, electronic archiving and storage such as OSIPs and OSISs (*auxiliary FSPs*).

www.fedisa.eu

(The Luxembourg website is under construction.)

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AGDL

(Association pour la Garantie des Dépôts)

AGDL provides a mutual guarantee system covering cash deposits (deposit guarantee) and claims resulting from investment transactions (compensation of investors) as defined by the Law and its articles of association for its members' clients and investors. The members of the

AGDL are banks, the Financial Service Division of *Postes et Télécommunications* and *investment undertakings*.

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ISACA

(Information Systems Audit and Control Association)

With over 86,000 members in more than 160 countries, of which approximately one hundred are located in Luxembourg, the ISACA is a major worldwide provider of knowledge, certifications, exchanges, promotion and security training in information technology (IT), systems security and assurance, corporate governance of information technology companies and management of IT risk and compliance.

Founded in 1969, ISACA acts as a promoter of international conferences, publishes a magazine and develops international systems for auditing and information system management. The institution is open to IT auditors who may be involved with FSPs.

www.isaca.lu

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IRE

(Institut des Réviseurs d'Entreprises)

The IRE members are registered company auditors (*réviseurs d'entreprises*) and approved auditing firms. It defends the rights and interests of the profession, issues norms relating to contractual auditing, ensures compliance with professional standards and duties and the legislation on money laundering and the financing of terrorism. It also performs the tasks allocated by the CSSF. The FSP commission within this institution demonstrates the benefit of the IRE to the industry.

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IIA Luxembourg

(Institute of Internal Auditors)

IIA Luxembourg is the local branch of the *Institut des Auditeurs Internes* and the promoter of the Code of Ethics and standards guiding the profession. IIA Luxembourg currently has around 400 members employed by nearly 100 companies based in Luxembourg, covering all sectors of business. The institution is open to internal auditors who cover FSPs.

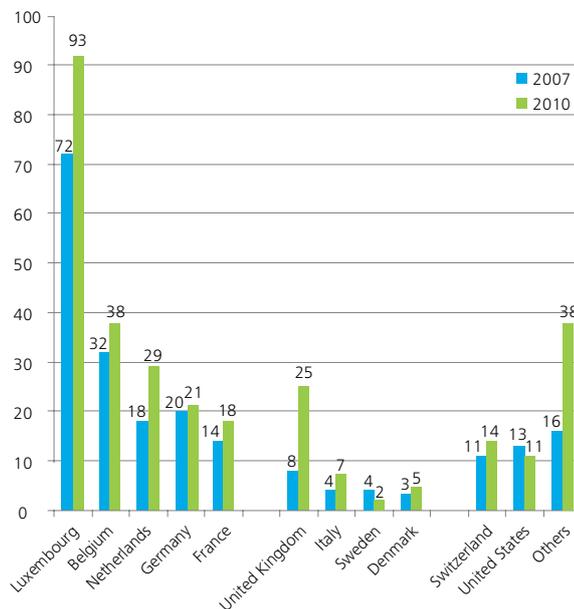
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Figure 9: Geographical origins of FSPs



Source: CSSF statistics www.cssf.lu

Players of diverse geographical origins

The diverse nature of the geographical origins of FSPs demonstrates the interest many countries have in the sector. The chart above tends to demonstrate the major importance of FSPs of Luxembourg origin, emphasising the existence and development of a dynamic local market.

There are 106 players from neighbouring countries such as Belgium, France, Germany and the Netherlands.

Two-thirds of FSPs are therefore local players and from neighbouring countries with geographically close owners and directors. This is in contrast with the banking sector, where the players are much more international.

Nevertheless, the FSP market has highly international origins albeit principally European. As a matter of fact, 80% of FSPs are from the European Union. The country with the largest growth in FSPs between 2007 and 2010 is the UK with 17 new FSPs, an increase of 200%. The UK is in third position in terms of FSP origins.



Three questions to Yves Meert, President of the IFMA - International Facility Management Association - (Luxembourg section)

How do you see the FSPs you represent in the Facility Management sector evolving in the Luxembourg economy?

The Facility Management sector covers all activities relating to the management of working infrastructure and is closely linked to outsourcing. We currently have around forty facility manager members and around ten associate members which provide services, from amongst 200 potential players, of which two-thirds may be affected by the *auxiliary FSP* status. Our association covers a wide range of activity sectors, more than 20, including notably the telecoms and information technology infrastructure sectors, but also security, organisation of travel, the food sector, printing, archiving and reception etc. This corresponds to the management of 3,2 million square metres of office space and support services used by more than 150,000 people in the Grand Duchy of Luxembourg. In terms of market, the Facility Management sector accounts for revenues of almost €1,3 billion, plus rents totalling €2,3 billion and a workforce of around 20,000 people.

The Facility Management sector is clearly growing, with the will and desire of many players, particularly in the financial sector, to downsize and to refocus on their core activities.

Outsourcing affects all Facility Management activities but many other activities can be and are outsourced. This pattern is likely to continue and, although in macro-economic terms this could be seen in the short term as a mere transfer between entities, medium and long-term growth should appear through the formation of specialists and consequently of additional expertise or of labels developing in Luxembourg and which could possibly be exported. Finally, technological developments create new opportunities, for example, in terms of telecommunications using web conferencing.

What are the main challenges in the area of activity of the FSPs that you represent?

The principal and important challenge for the association lies in gaining awareness both amongst members and clients of the requirements regarding outsourcing, both in terms of risks to be covered and in terms of responsibilities. This challenge is even greater for the financial sector in view of the regulatory requirements. This greater awareness should lead to a higher degree of professionalism amongst the entities. Although the initial objective of outsourcing is often to reduce costs, people must not neglect the risk of operational losses in cases where the supervision of this outsourcing is not properly organised by an outsourcing manager. For example, who is aware that photocopiers and scanners retain the latest photocopies in the memory and therefore contain highly confidential information? Another area is that the distribution of the internal mail rarely includes a tracking system. Or simply outside office hours that a significant number of outsiders have access to the offices and therefore potentially to documents e.g. maintenance, cleaning and removal staff.

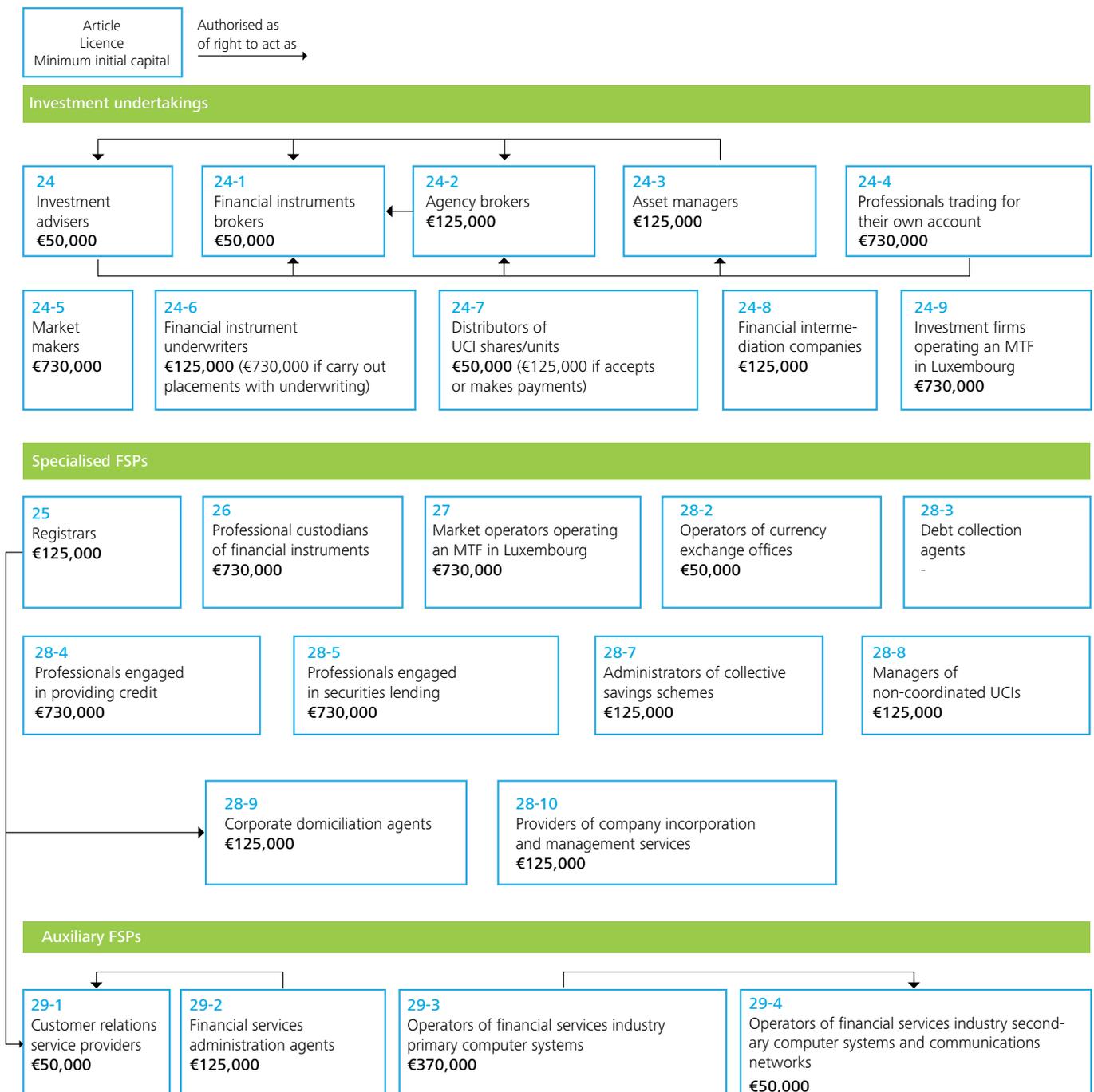
What advantages does Luxembourg offer the FSPs which you represent?

The concentration of expertise should make it possible not just to meet the target of maintaining costs but also to control and even increase the level of quality of the services outsourced. Also, in the financial sector, the advantage lies in the existence of an authorisation. This authorisation with all its requirements is a guarantee of a certain degree of quality, and first and foremost provides a better level of control of the processes outsourced and greater awareness of these processes. The fear of losing the authorisation should encourage the players to remain highly attentive to the quality of services offered. This incentive is a benefit to Facilities Manager clients, who will be better served but also to the suppliers of services themselves who are already present on the market in relation to the non-Luxembourg competitors.

Types of FSPs

Detailed description of licences

The following table shows in diagram form the various categories as well as the various licences granted to FSPs.



The appendix includes a summary table of the key information on FSPs by type of licence, the legal definition of the licence and products and services offered, the minimum required capital and, where applicable, the amount of civil liability insurance required by law in order to carry out the activity.

Due to the high number of licences, which are largely independent of each other, there are more than 67 million possible combinations of licences although there were only 301 FSPs in existence as at 31 December 2010. Accordingly, it is of interest to examine the principal combinations of licences in existence amongst FSPs.

Figure 10 opposite shows the licences by main categories and the overlaps between categories as at 31 December 2009 and 31 December 2010. FSPs have the option of combining several licences but it is the principal FSP licence allocated by the CSSF which determines the category of the FSP.

An *investment undertaking* licence takes precedence over the other categories of *specialised FSPs* or *auxiliary FSPs* and is therefore the FSP's principal licence. So the FSP would then be identified as an *investment undertaking*.

A *specialised FSP* licence takes precedence over an *auxiliary FSP* licence and would therefore be the FSP's main category. So the FSP would then be identified as a *specialised FSP*.

By deduction, *auxiliary FSPs* do not have an *investment undertaking* licence or *specialised FSP* licence.

The total number of FSPs included in this analysis at 31 December 2010 was 227:

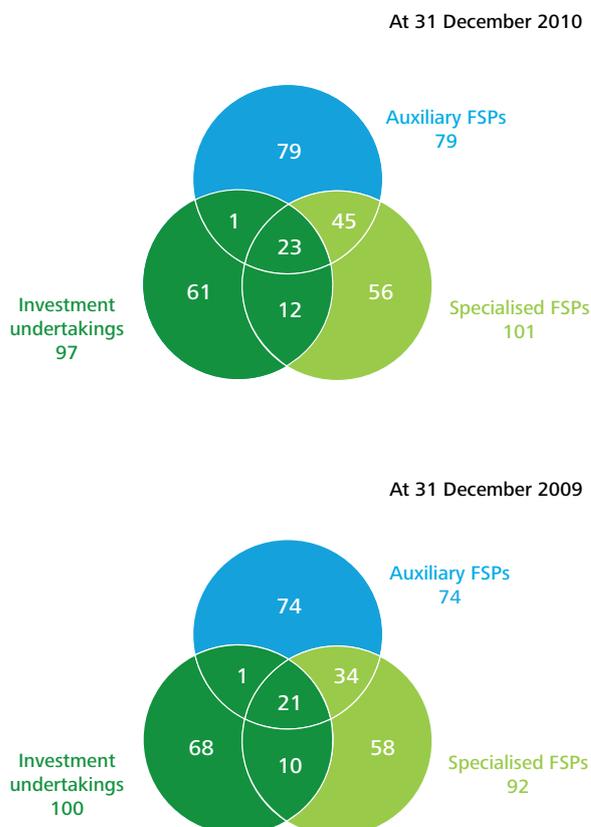
- 97 *investment undertakings*
- 101 *specialised FSPs* - 35 players with *investment undertaking* status have already been identified above and are therefore not counted as *specialised FSPs*
- 79 *auxiliary FSPs* - 69 players with *investment undertaking* and *specialised FSP* status have already been identified above and are therefore not counted as *auxiliary FSPs*

For comparison purposes, the total number of FSPs included in our analysis at 31 December 2009 was 266* including:

- 100 *investment undertakings*
- 92 *specialised FSPs*
- 74 *auxiliary FSPs*

Entities authorised pursuant to Articles 24 to 24-9 were classified as *investment undertakings*. *Specialised FSPs* are entities authorised under Articles 25 to 28-10. *Auxiliary FSPs* are entities that only have licences under Articles 29-1 to 29-4.

Figure 10: FSP licences by categories



* Deloitte Brochure 'FSP, Profile of a high growth sector' issued in November 2010

Of the 301 FSPs in existence at 31 December 2010, the following 24 were excluded from the analysis in order to avoid creating an excessive distortion between players in terms of activity and/or size:

- **4 FSPs with special status**

- Association Coopérative Européenne des Fonctionnaires Internationaux
- Entreprise des Postes et Télécommunications
- Europay Luxembourg S.C.
- Visalux S.C.

- **8 FSPs with single status**

Investment undertakings:

- Lombard Intermédiation Services S.A. (Art. 24-8 financial intermediation company)

Specialised FSPs:

- VP Lux S.à r.l. (Art. 26 Professional custodian of financial instruments)
- Clearstream International S.A. (Art. 26 Professional custodian of financial instruments)
- Société de la bourse de Luxembourg S.A. (Art. 27 Market operators operating of an MTF in Luxembourg)
- CGFP-Epargne A.s.b.l. (Art. 28-5 – Professional engaged in securities lending)
- Merrill Lynch Equity S.à r.l. (Art. 28-5 – Professional engaged in securities lending)
- Orionis Management S.A. (Art. 28-8 – Manager of non-coordinated UCIs)
- Arminius Fund Management (Art. 28-8 – Manager of non-coordinated UCIs)

- **12 FSPs are branches of European entities**

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

Investment undertakings

Unlike the other two categories of FSPs, *investment undertakings* have a European passport for the purpose of distributing their products and services. They can set up branches and freely provide services with a single notification procedure to the authorities of the other Member States of the European Union.

The number of *investment undertakings* included in the analysis as at 31 December 2010 was 97 compared with 100 at 31 December 2009. Based on this analysis the following factors appear:

First, the overwhelming majority of these *investment undertaking* (99%) have one of the following four licences, or all four:

- 92 are authorised investment advisers (Art. 24)
- 86 are authorised financial instruments brokers (Art. 24-1)
- 77 are authorised as agency brokers (Art. 24-2)
- 67 are authorised asset managers (Art. 24-3)

70% of *investment undertakings* have all four licences.

There is only one exception to this rule, KMC Finance S.A. which is only authorised as a distributor of UCI units (Art. 24-7).

In addition to these principal licences, we see that only 33 *investment undertakings* also have the status of distributor of UCI units (Art. 24-7).

Many of these FSPs also hold additional licences arising from other FSP categories:

- *Specialised FSPs*

- 23 with registrar licence (Art. 25)
- 20 with corporate domiciliation agent licence (Art. 28-9)
- 24 as providers of company incorporation and management services (Art. 28-10)

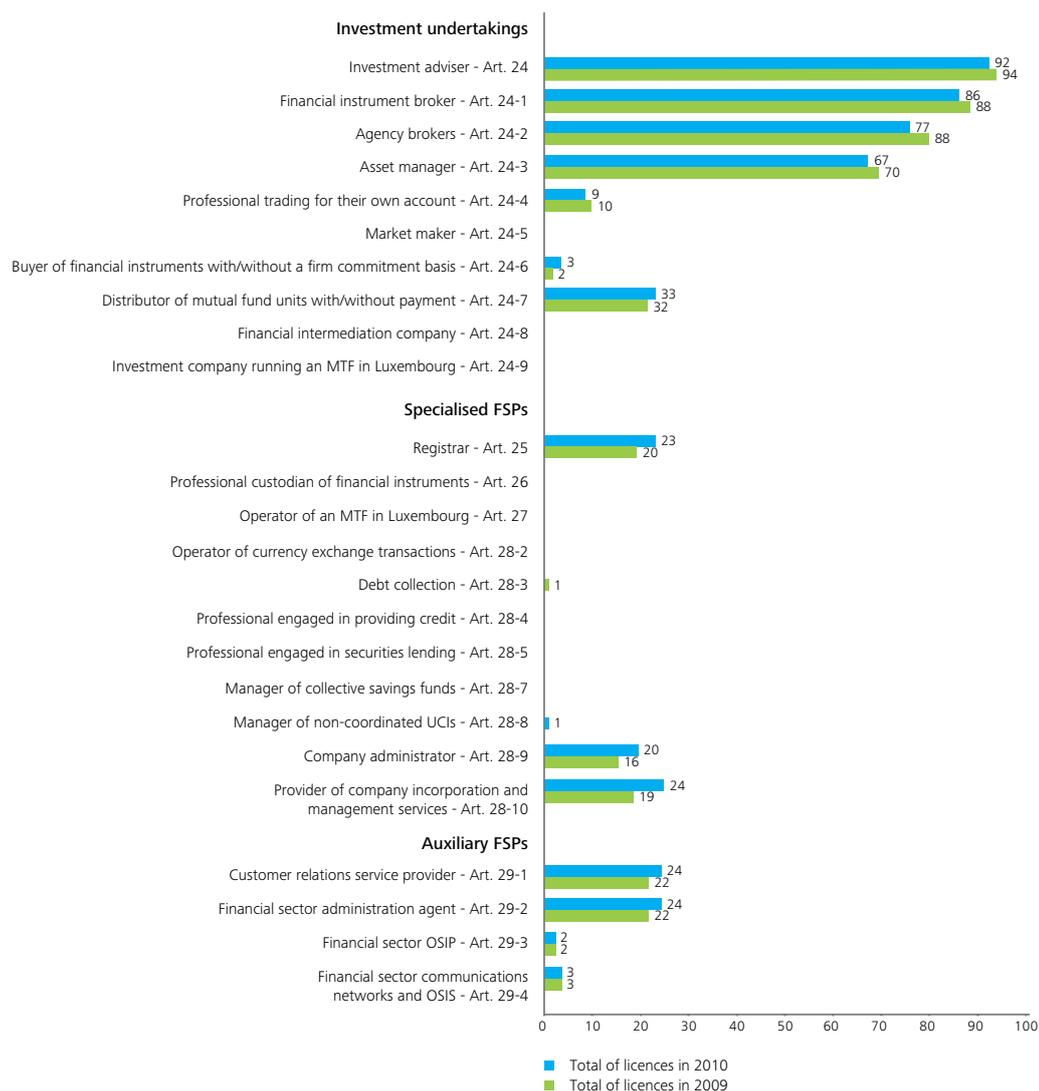
• *Auxiliary FSPs*

- 24 with customer relations service provider licences (Art. 29-1)
- 24 with financial services administration agent licences (Art. 29-2)

Additional activities are therefore quite uniform and mainly relate to the distribution of UCI units, administration or customer relations service providers, registrars and company administrators.

Figure 11 shows the licences held by *investment undertakings* between 2009 and 2010. It confirms the decline in the number of *investment undertaking* licences in 2010 and the trend of *investment undertaking* FSPs to diversify into *specialised FSPs* and *auxiliary FSPs*. The number of *investment undertaking* licences actually fell from 376 in 2009 to 367 in 2010. Amongst other reasons, this was explained by the omnipresence of the financial crisis, which continues to impact on this asset management related sector.

Figure 11: Licences granted to *investment undertakings*





Three questions to Jean Fuchs, Chairman of L.A.F.O., Luxembourg Association of Family Offices

What in your opinion are the reasons for the Family Offices draft law?

The Bill has been reviewed and corrected several times and is the product of a compromise between several parties. Fundamentally, we are campaigning for Family Offices legislation with four main aims:

- First, in order to obtain clarification by offering a definition of the term 'Family Office' which is widely used throughout the world but which, according to the participants, covers an extremely varied range of services.
- We also intend to strengthen the professionalism and, dare I say, raise the moral standards of the activity, as successfully done for Luxembourg company administrators a few years ago.
- We believe that a structuring of the activity will clearly lead to expansion of the activity in the Grand Duchy by attracting new clients.
- Finally, we believe that new players may be interested in domiciling their Family Office activities in Luxembourg in order to radiate throughout Europe.

What are the strong arguments for and against a regulated entity status?

Fundamentally, we want to defend the Luxembourg marketplace and we are convinced that all players gravitating around Family Offices - bankers, trustees, lawyers and other service-providers - would benefit from seeing this activity strengthened and gain credibility from regulatory supervision.

If the Family Office status were to be officially put under FSP status, it would also put Luxembourg expertise in this area in the public marketplace, within and beyond our frontiers. Luxembourg could then legitimately market its Family Offices.

I personally see the activities of Family Offices as the spearhead for new growth in the financial sector in Luxembourg and a growth springboard for all sectors.

Naturally some people are still reticent and advocate total liberalism or fear exposure in the public marketplace or the disadvantages of regulation. Apart from the fact that we don't necessarily want anybody and everybody in Luxembourg, single Family Offices are not affected by this new status and the CSSF recognises the principle of proportionality.

Furthermore, a whole series of professions exercising this activity without having to change their current positions (lawyers, etc.).



What benefits would attract and expand these new FSPs to and in Luxembourg?

Luxembourg is the best market I know for a very broad range of expertise, whether it be our bankers, trusts, funds, company administrators, lawyers and many other professions. We have an unparalleled concentration of expertise.

Luxembourg also offers a very broad range of asset management products which offer the best arrangements for all situations (SIF - Specialised Investment Funds, SICAR - *Société d'Investissement en capital à risque* or Venture Capital Companies, securitisation, asset management, insurance, etc.) in a multi-cultural and multilingual environment which can understand and adapt to all types of clientele.

The market would also offer a seal of quality, Luxembourg being one of the few countries in the world which will directly supervise Family Offices.

Specialised FSPs

Unlike *investment undertakings*, these entities do not benefit from a European passport but are able to carry out financial activities in Luxembourg. The *specialised FSPs* shown in the analysis numbered 101 at 31 December 2010 compared to 92 in 2009. Three principal sub-groups coexist in this category.

The first sub-group covers 41 registrars (Art. 25) with the following additional principal licences:

- *Specialised FSPs*: 90% of the registrars (37 entities) have company administrator licences (Art. 28-9) and providers of company incorporation and management services (Art. 28-10)

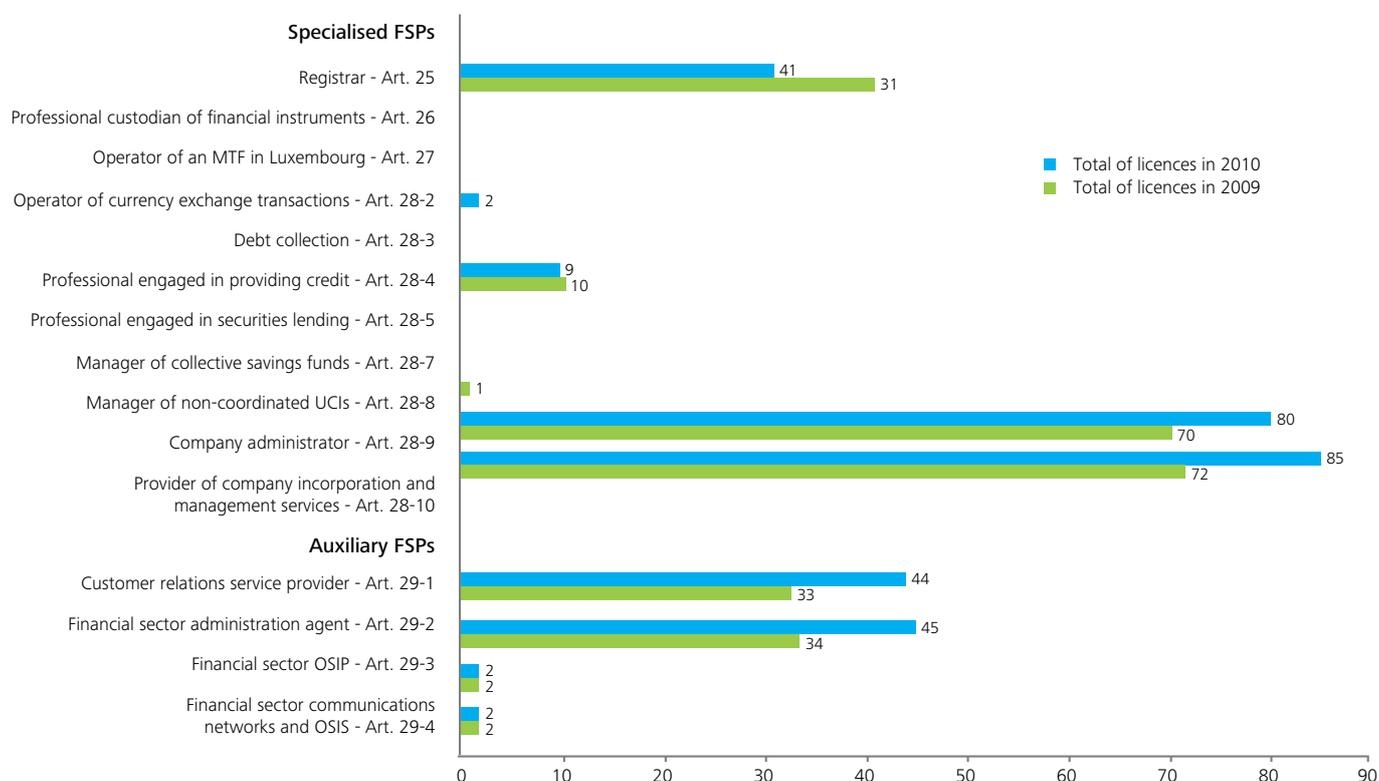
- *Auxiliary FSPs*: 100% of the registrars also have 29-1 and 29-2 licences as customer relations service providers and financial services administration agents respectively

- Last, only two of them have licences as operators of computer systems, namely licences 29-3 and 29-4

The second sub-group covers the nine professional engaged in providing credit (Art. 28-4).

This licence is almost unique but apart from one case it is not accompanied by any other licences. These are mainly subsidiaries of banks such as Fortis, ING or BNP, and also subsidiaries of international groups such as PK Airfinance. These entities carry out financial or operational leasing activities.

Figure 12: Licences granted to specialised FSPs



The latest sub-group includes 80 company administrators (Art. 28-9) of which 37 are authorised as registrars (Art. 25). As regards the additional licences held by these company administrators, we see that:

- They almost always also have licences under Art. 28-10 relating to providers of company incorporation and management services, with only one exception
- When company administrators also have licences under Art. 29-1 relating to customer relations service providers and Art. 29-2 relating to financial services administration agents, these entities almost all have licences under Art. 25 relating to registrars except for three entities

The number of *specialised FSP* licences rose from 184 in 2009 to 217 in 2010 (figure 12). This 18% growth, despite the financial crisis, is illustrated by the increase in the number of licences:

- Under article 25, which rose by 10. The 32% rise in licences mainly comes from the incorporation in 2010 of seven new entities. Four existing FSPs applied for this licence and one entity gave up its FSP status
- Under Article 28-10, which rose by 13. The rise of 18% in licences mainly comes from the incorporation in 2010 of 13 new entities. Four existing FSPs applied for this licence and four entities gave up their FSP status

Auxiliary FSPs

As with *specialised FSPs*, *auxiliary FSPs* do not have a European passport.

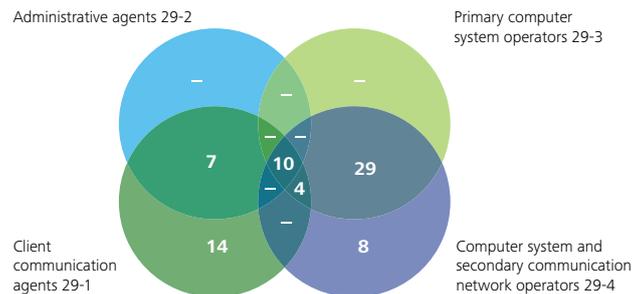
Auxiliary FSPs included 79 financial professionals at 31 December 2010 compared with 74 in 2009, which held the following licences:

- 40 customer relations service providers (Art. 29-1)
- 18 financial sector administration agents (Art. 29-2)
- 45 operators of financial services industry primary computer systems (OSIP, Art. 29-3)
- 53 operators of the financial services industry secondary computer systems and communications networks (OSIS, Art. 29-4)

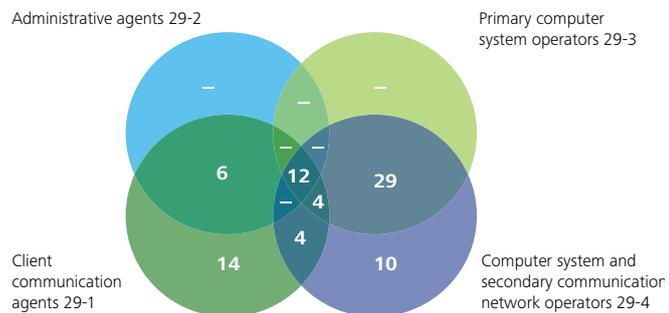
More than a third of these entities are local and are not part of a group. In a few isolated cases they belong to banks, but the majority belong to specialist IT groups such as Xerox, IBM and HP.

Figure 13: Distribution of *auxiliary FSPs* licences

At 31 December 2009



At 31 December 2010



Source: CSSF report at 31 December 2010



On the basis of the analysis it appears that two principal licences co-exist in this category.

The first group consists of 40 entities which are purely administrative and/or communication agents, with only licences pursuant to Art. 29-1 relating to customer relations service providers and/or pursuant to Art. 29-2 relating to administration agents. Administration agents (Art. 29-2) are automatically authorised to carry out customer relations service provider activities (Art. 29-1).

The second group consists of the 59 IT FSPs (i.e. having licences under Art. 29-3 relating to OSIPs and/or linked to Art. 29-4 relating to OSISs) and which are supplemented in 19 cases by licences under Articles 29-1 or 29-2. OSIPs are automatically authorised to carry out OSIS activities (Art. 29-4).

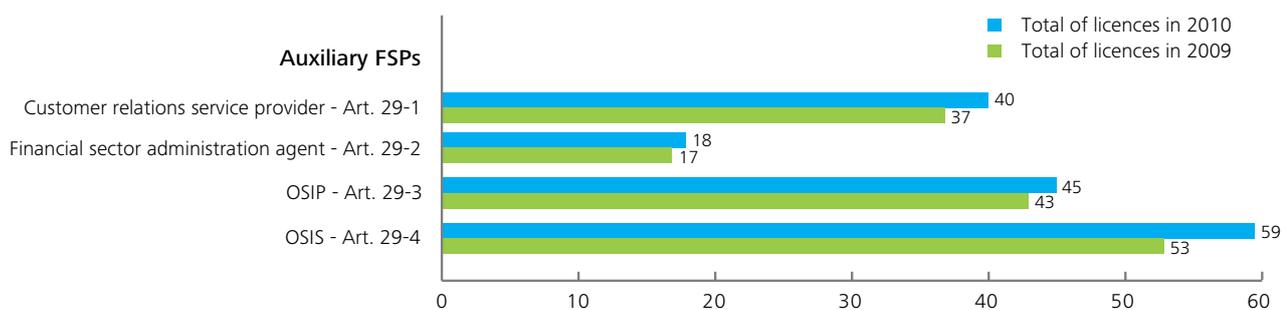
The number of *auxiliary FSP* licences rose from 150 in 2009 to 162 in 2010 (figure 14).

As such:

- 11 *auxiliary FSPs* were incorporated in 2010 - five local entities and six entities which belonged to a group - generating 22 *auxiliary FSP* licences
- 6 *auxiliary FSPs* gave up their FSP licence which brought about the withdrawal of 10 *auxiliary FSPs* licences from these entities

This 7% growth in *auxiliary FSP* licences emphasises the attractiveness of this sector of activity and confirms the growth potential even during a crisis.

Figure 14: Licences granted to *auxiliary FSPs*



The Bill on electronic archiving should soon see the light at the end of the tunnel

In its programme presented on 29 July 2009 to the *Chambre des Députés*, the government said that “it would soon introduce legislation on electronic archiving and would make the necessary adjustments to the legal framework on electronic commerce to specify the legal value of electronic documents”. It also said that “these measures of a legal nature are set in a spirit of diversification of the economic marketplace and create a favourable framework to attract IT companies active in long-term electronic archiving and data hubs with value-added services”.

In this context, the new legislation on electronic archiving, much-awaited but still at a preliminary stage, should provide the necessary innovation and adjustments to the current law which dates from December 1986. The earlier law, as emphasised by the CSSF in its 2008 and 2009 annual reports, contains legal uncertainties for dematerialisation and the destruction of original documents in hardcopy form. The preliminary Bill should soon be submitted to the Government Council and will then have the status of a Bill for discussion in the *Chambre des Députés* and then be voted on. A Grand Ducal Decree will specify the methods for applying the new law.

One of the highly innovative aspects of the future Bill is the creation of a new statute called *Prestataires de Services de Dématérialisation et de Conservation de documents* (“PSDC”) [Providers of Dematerialisation and Document Protection Services]. The purpose of this status is to strengthen the trust in digital documents and would allow licensed PSDC accredited companies to give a probative value to the archives they hold in the eyes of the law.

Obtaining this status would be subject to a PSDC accreditation system devised by the ILNAS (*Institut Luxembourgeois de la Normalisation, de l’Accréditation, de la Sécurité*). The PSDC accreditation system will define the organisational and technical requirements that a company must meet to obtain and keep the PSDC status. Particular attention will be paid to the

accreditation system because if it is too restrictive and costly, it would endanger the deployment of the new legislative framework. Conversely, an insufficiently rigorous accreditation system would create security risks and a lack of confidence in the digital documents. Unlike *auxiliary FSP* status, the PSDC status applies to all industrial sectors. ILNAS will carry out the monitoring of the PSDC, but it remains to be seen if there will be collaboration between the ILNAS and the CSSF for companies which already have *auxiliary FSP* status. There have been different thoughts on the subject, including the possibility of creating a new *auxiliary FSP* status for the dematerialisation and conservation services applying to the financial sector. As soon as the Bill is available, this information should be clarified.

The PSDC status should open up new opportunities both nationally and internationally for IT companies offering electronic archiving services. The law will also allow companies which so wish to acquire the PSDC accreditation on their own account, thus constituting probative value for their own archives. The PSDC status also aims to provide guarantees regarding financial stability, supervision by the national authorities and the obligation to return data in cases, for example, where the PSDC ceases to operate.

Apart from the necessary adaptation to the current legislative framework with respect to dematerialisation and electronic archiving, the Bill therefore introduces significant innovations and economic challenges for the Luxembourg marketplace. If the Bill is approved, it will still need to convince the players, notably in terms of the level of requirements of the accreditation system as regards security and costs. The FedISA Luxembourg Association, whose members are users and suppliers of electronic archiving services, will play an important role in contributing to the success of this new law. In short, given the challenges and risks, we can conclude that the passing of the Bill may be later than initially planned.



Roland Bastin
VP of ISACA Lux et Partner
Deloitte Luxembourg

Services offered by Deloitte

At all stages, Deloitte is available to help, assist and serve the objectives of FSPs. Over the years we have built up experienced teams who are able to support the development of FSPs in Luxembourg and beyond

Upon creation

Organisation and regulatory compliance	<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
Corporate finance	<ul style="list-style-type: none">• Business plans, including reviews of different scenarios, possibilities of subcontracting administrative and accounting organisation, etc. This business plan is an integral part of the CSSF licence documentation
Human resources	<ul style="list-style-type: none">• Support in relation to change such as a transfer from another entity, recruitment of specialist employees
Direct taxation and VAT	<ul style="list-style-type: none">• Tax advice and assistance, structural implementation• Due diligence

During the development stage

Organisation and regulatory compliance	<ul style="list-style-type: none">• Administrative and accounting organisation, and review of the compliance of services offered to clients in line with the CSSF's requirements.• Procedures Manual covering the following aspects: administrative, IT, accounting, internal controls, etc.• Proposing compliance tools such as U-Comply• Rules of conduct in line with the best practice of the financial centre and MiFID rules• Training in all the above areas• Assistance in relations with the authorities• Provision of a regulatory hotline.• Within the framework of subcontracting, inventory of services to be provided and drafting of service level agreements (SLA)
Management of operating risk internal audit	<ul style="list-style-type: none">• Outsourcing or co-sourcing of the internal audit function• Advisory services for the definition of relations with third parties and suppliers, and definition of the corresponding risks• ISAE 3402 and SSAE 16 (assistance in compliance with SAS 70, improvement in existing SAS 70 and certification)
Anti-money laundering and fraud prevention, detection and investigation	<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
Basel II and liquidity	<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 II, in particular in respect of the advanced method relating to operational risk• Development of quantitative models relating to credit, market and operating risks• Training in all of the above areas



Payment Services Directive (PSD)	<ul style="list-style-type: none"> • Training, comparative analysis and project management 	Direct taxation and VAT	<ul style="list-style-type: none"> • Fiscal optimisation • Due diligence • Operational assistance (also in respect of problems linked to the EU Savings Directive, Qualified Intermediary & FATCA, the exchange of tax information, tax treatment of investors, etc.) • Assistance with tax returns (IRC [corporate income tax], ICC [municipal business income tax], IF [wealth tax], withholding tax, VAT) • Assistance in respect of transfer pricing • Tax impact of IFRS • Devising of automated VAT procedures and specific management tools (e.g. VeriVAT) • Personalised training and tax hotlines
Adequacy of IT systems	<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 	Wealth management	<ul style="list-style-type: none"> • Support and implementation of customised tax structures for private clients (sales of companies, international transfer of assets, transfers of residence etc.) • Development of specific vehicles and products (philanthropy, 'art' funds, Islamic finance etc.) • Creation of tax guides
Corporate finance	<ul style="list-style-type: none"> • Assistance in connection with external growth - mergers, acquisitions, strategic alliances • Due diligence • Evaluation of FSPs 	External audit	<ul style="list-style-type: none"> • Audit of company accounts • Review of compliance of circulars and preparation either of analytical audit reports (for <i>investment undertakings</i>), or compliance reports (for specialised and Auxiliary FSPs) • Consultation on regulatory and accounting issues, conversion to IFRS, agreed procedures, etc. • Support relating to requests made by the CSSF • Certification of continuous training records in order to obtain related subsidies
Human resources	<ul style="list-style-type: none"> • HR policies, development of the HR function, evaluation, development and training, recruitment of employees with specialised experience 	Until the termination of operations	
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 tariffication models 	Liquidation services	<ul style="list-style-type: none"> • Assistance in setting up liquidation plans
IMS (Investment Management Services)	<ul style="list-style-type: none"> • Modular assistance in all issues relating to distribution networks for financial products (cross-border, marketing, regulatory, registration) • Investment policy: Review of monitoring systems for investment policies and valuation, support for complex financial instruments, assistance in designing new products and investment strategies, as well as advice and assistance in implementing UCITS IV • Corporate governance: Advice on establishing codes of conduct and assistance in the selection of domiciles and service providers 	Human resources	<ul style="list-style-type: none"> • Support in relation to change in connection with the transfer to another entity and within the framework of a liquidation
Accounting	<ul style="list-style-type: none"> • Assistance in setting up accounting procedures, regulatory reporting and all work in relation to accounting 	Direct taxation and VAT	<ul style="list-style-type: none"> • Tax advice and assistance in connection with a liquidation, merger, demerger or transfer • Procedures with the tax authorities

Appendix

Investment undertakings				
FSP	Article	Minimum capital (€)	Professional indemnity insurance (€)	Activity covered by the status
Investment advisers	24	€50,000	€1,000,000 per claim and an aggregate of €1,500,000 per year	Investment advisers shall be professionals engaged in the business of providing personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments. Investment advisers shall not be authorised to intervene directly or indirectly in the execution of the advice they provide. The simple provision of information is not covered by this Law.
Financial instruments brokers	24-1	€50,000	€1,000,000 per claim and an aggregate of €1,500,000 per year	Financial instruments brokers shall be professionals engaged in the business of accepting and transmitting, on behalf of clients, orders relating to one or more financial instruments without holding any clients funds or financial instruments. Such activity shall also include bringing together two or more parties thereby bringing about a transaction between those parties.
Agency brokers	24-2	€125,000		Agency brokers shall be professionals engaged in the business of executing on behalf of investors, orders relating to one or more financial instruments. Execution of orders on behalf of clients shall mean acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients.
Asset managers	24-3	€125,000		Asset managers shall be professionals engaged in the business of managing, on a discretionary and individual basis, investment portfolios including one or more financial instruments, under the terms of a mandate given by the client.
Professionals trading for their own account	24-4	€730,000		Professionals trading for their own account shall be professionals engaged in the business of the proprietary trading of own funds in one or more financial instruments in order to engage in dealings, where they provide in addition investment services or conduct in addition investment activities or deal on own account outside a regulated market or an MTF, on an organised, frequent and systematic basis in order to engage in dealings with third parties.
Market makers	24-5	€730,000		Market makers shall be professionals engaged in the business of presenting themselves on the financial markets and on a continuous basis as being willing to deal for their own account by buying and selling financial instruments against their proprietary capital at prices defined by them.
Financial instrument underwriters	24-6	€125,000 (or €730,000 if carry out placements with underwriting)		Financial instrument underwriters shall be professionals engaged in the business of underwriting financial instruments and/or placing such instruments with or without underwriting.
Distributors of shares/ units in UCIs	24-7	€50,000 (or €125,000 if accepts or makes payments)		Distributors of shares/units in UCIs shall be professionals engaged in the business of the distribution of the shares/units of Undertakings for Collective Investment licensed for distribution in Luxembourg.
Financial intermediation companies	24-8	€125,000	€2,000,000 per claim and an aggregate of €3,000,000 per year	Financial intermediation companies shall be professionals engaged in the business of: <ol style="list-style-type: none"> Providing personal recommendations to a client, either upon its request or at their own initiative, in respect of one or more transactions relating to financial instruments or insurance products Accepting and transmitting, on behalf of clients, orders relating to one or more financial instrument or insurance products without holding any clients funds or financial products. Such activity shall also include bringing together two or more parties thereby bringing about a transaction between those parties Performing, on behalf of associated investment advisers or brokers in financial instruments and/or assurance products, under a sub-contracting contract, the administrative and client reporting services inherent to the professional activities of these associates
Investment firm operating an MTF in Luxembourg	24-9	€730,000		Investment firms operating an MTF in Luxembourg shall be professionals engaged in the business of operating an MTF in Luxembourg apart from professionals who are market operators within the meaning of the Law on Markets in Financial Instruments.

Specialised PSFs				
FSP	Article	Minimum capital (€)	Professional indemnity insurance (€)	Activity covered by the status
Registrars	25	€125,000		Registrars shall be professionals engaged in the business of keeping a register of one or more financial instruments. The keeping of a register comprises the reception and execution of orders concerning such financial instruments, for which they are the necessary accessory.
Professional custodians of financial instruments	26	€730,000		Professional custodians of financial instruments shall be professionals engaged in the business of receiving deposits of financial instruments, solely from financial service professionals, for the purpose of safe-keeping, administration (including holding and ancillary services) and facilitating their onward transmission.
Market operators operating an MTF in Luxembourg	27	€730,000		Market operators operating an MTF in Luxembourg shall be those persons managing or operating an MTF in Luxembourg authorised in Luxembourg apart from investment firms operating an MTF in Luxembourg.
Operators of currency exchange offices	28-2	€50,000		Operators of currency exchange offices (bureaux de change) are professionals who carry out foreign currency purchase and sale transactions in cash.
Debt collection agents	28-3			The business of collecting third parties' debts, to the extent that it is not the legal preserve of bailiffs (huissiers de justice), may be authorised only with the express approval of the Minister of Justice.
Professionals engaged in providing credit	28-4	€730,000		Professionals engaged in providing credit are professionals engaged in the business of granting loans to customers for their own account.
Professionals engaged in securities lending	28-5	€730,000		Professionals engaged in securities lending are professionals engaged in the business of lending or borrowing securities for their own account.
Administrators of collective savings schemes	28-7	€125,000		Administrators of collective savings schemes are professionals, whether natural or legal persons, engaged in the business of administering one or more collective savings schemes. For the purposes of this Article, a collective savings scheme shall be understood to mean any undivided pool of cash deposits managed on behalf of a group of savers acting in common, of which there are at least 20 in number, with a view to obtaining more favourable financial conditions.
Managers of non-coordinated UCIs	28-8	€125,000		Managers of non-coordinated UCIs are professionals engaged in the business of managing undertakings for collective investment other than UCIs established in Luxembourg or UCITS authorised in accordance with Directive 85/611/EEC as amended by Directive 2001/107/EC. Managers of non-coordinated UCIs may engage in the provision of central administration services for entities managed by them.
Corporate domiciliation agents	28-9	€125,000		Corporate domiciliation agents acting as financial service professionals shall be those legal entities or natural persons engaged in the business of allowing one or more companies to establish their registered office at their premises for the conduct of their activities consistent with their corporate objects, and of providing any manner of related services.
Providers of company incorporation and management services	28-10	€125,000		Providers of company incorporation and management services are professionals, be they natural or legal persons, engaged in the business of providing services in respect of the incorporation and management of one or more companies.

Auxiliary FSPs				
FSP	Article	Minimum capital (€)	Professional indemnity insurance (€)	Activity covered by the status
Customer relations service provider	29-1	€50,000		<p>Customer relations service provider are professionals engaging in the provision, on behalf of credit institutions, PFS, payment 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, PFS, payment institutions, insurance undertakings, reinsurance undertakings, contributors, members or beneficiaries of pension funds and investors in UCIs, SIFs, investment companies in risk capital and authorised securitisation entities* • 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
Financial services administrative agents	29-2	€125,000		<p>Financial services administrative agents are professionals who engage in the provision, on behalf of credit institutions, PFS, 'payment institutions', UCIs, pension funds, SIFs, investment companies in risk capital, authorised securitisation entities*, 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>
Operators of financial services industry primary computer systems	29-3	€370,000		<p>Operators of financial services industry primary computer systems shall be professionals responsible for the running of computer systems enabling the production of accounting and financial statements which are part of the computer facilities of Luxembourg and non-Luxembourg credit institutions, FSPs, UCIs, pension funds, insurance and reinsurance undertakings.</p>
Operators of financial services industry secondary computer systems and communications networks	29-4	€50,000		<p>Operators of financial services industry secondary computer systems and communications networks shall be professionals responsible for the running of computer systems other than those enabling the production of accounting and financial statements which are part of the computer and communication facilities of Luxembourg and non-Luxembourg credit institutions, FSPs, UCIs, pension funds, insurance and reinsurance undertakings.</p>

* The Law of 28 April 2011 expands the activities covered by this article to the SIF, SICAR and approved securitisation entities

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