# Overview of the CSSF annual report 2023

Credit Institutions

## This newsletter marks the second publication of a six- part series, offering an overview of the CSSF Annual Report for the year 2023. This edition of this series is dedicated to the key highlights for Credit Institutions.

On the 19 September 2024, the CSSF published its annual report focusing on the overview of the CSSF activities and initiatives in 2023. This publication aims to provide valuable information to assist relevant entities in gaining an understanding of areas requiring attention based on the CSSF observations.

In the previous publication, we focused on highlighting the outcomes of on-site inspections.

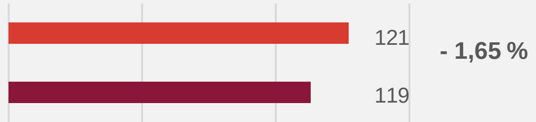
In this and future publications, we provide an overview of the key institutions under CSSF's supervision, offering insights into various aspects of CSSF's supervisory practices. Additionally, we highlight significant past and forthcoming priorities, along with key findings from off-site inspections. Secondly, our focus will shift to the noteworthy regulatory changes that unfolded in 2023, providing a glimpse into anticipated developments for the years ahead.

## Credit institutions

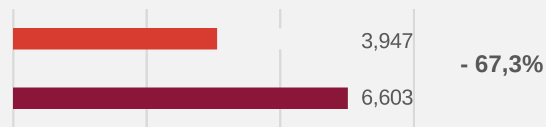
**Legend**

- 2022
- 2023

Number of Authorized Entities




Net Results (EUR million)




## Banking Supervision Practice

Responsibilities for prudential supervision vary depending on the type of Credit Institution and primarily encompass Solvency, Liquidity, and Internal Governance Oversight. The CSSF scope of supervision covers the following areas:

- Prudential Supervision of Less Significant Institutions (LSIs);
- Supervision of compliance with professional obligations related to Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF);
- Supervision of regulations related to Consumer Protection, such as Markets in Financial Instruments Directive (MiFID), laws governing mortgage and consumer credits;
- Market Integrity, including European Market Infrastructure Regulation (EMIR), Securities Financing Transactions Regulation (SFTR), Benchmark Regulation (BMR), and Covered Bonds Directive;
- Supervision of obligations arising from sectoral laws concerning Undertakings for Collective Investment (UCIs), notably those related to the role of the depositary bank for UCIs, under European or national regulations;
- Supervision of obligations deriving from other European or national regulations (e.g., Payment Services Directive 2 (PSD2), Network and Information Security Directive (NIS)).

***UPDATE* - CSSF Circular 22/821**

Circular CSSF 23/845, amended Circular CSSF 22/821, by introducing a self-assessment questionnaire (SAQ) in the long form report. This questionnaire assesses compliance with the security measures outlined in the Regulatory Technical Standards (RTS) on Strong Customer Authentication (SCA) and Common and Secure Communication (CSC), and is to be completed by the relevant entities.

## Prudential Supervision Priorities in 2023

The CSSF priorities for prudential supervision in 2022 included the following:

- **Compliance and Conduct Risk (including ML/TF):** The CSSF emphasized combating money laundering and terrorist financing, particularly in wealth management activities involving international clients. Through targeted communications and AML/CFT control plans, the CSSF imposed administrative fines on non-compliant banks. The FATF also praised Luxembourg's AML/CFT framework in a 2023 mutual evaluation report.
- **Operational Risk (IT and Cybersecurity):** The CSSF prioritized monitoring operational risks, including IT and cyber risks. This focus extended to digital transformation projects, cyber incidents, and risks associated with new technologies such as digital payments and cryptocurrencies.
- **Credit Risk:** In response to rising interest rates and tightening financial conditions, the CSSF closely monitored credit risks, emphasizing loan provisioning and the standards for credit granting. However, non-performing loans remained limited.
- **Climate-related Risks:** Following the publication of Circular CSSF 21/773, the CSSF initiated supervision of climate-related risks. A sample of banks conducted self-assessments, and the CSSF provided feedback on their alignment with sustainability expectations, also reviewing compliance with SFDR disclosures.

This newsletter, the first in a series of 6 publications.

1 **On-site Inspections**
*Published 22/10/2024*

2 **Credit Institutions**
*Published 28/10/2024*

3 **IFMs and UCIs**
*By 04/10/2024*

4 **PFS**
*By 11/11/2024*

5 **Payment, Electronic Money Institutions and VASPs**
*By 18/11/2024*

6 **Challenges for the next years**
*By 25/11/2024*

## Why Forvis Mazars for you?

### Joined-up Forvis Mazars engagement team

As a truly integrated partnership and firm, we operate seamlessly across borders. Our commitment to clients is absolute – we furnish you with a seasoned senior team well-versed in the intricacies of the field. You will benefit of senior leaders ‘on the ground’, poised to deliver not just insights but transformative, value-enhancing recommendations.

### Tailored, pragmatic, joined-up approach

In these challenging times, Forvis Mazars is committed to support you navigating the regulatory challenges. As a service provider, our work is practical, and our conclusions and action plans will be pragmatic and fine-tuned to our clients’ needs. We will tailor our approach to ensure our work meets each and every client's specific requirements.

### Personal and personable approach

We strongly believe that this sets us apart from the competition. Our commitment is to invest time and effort in truly understanding the unique environment of each entity we engage with. We approach every interaction with a willingness to listen, to empathize, and to adapt.

# Contacts


**Gianfranco Mei**
Partner – Advisory Leader
gianfranco.mei@forvismazars.com
+352 27 114 432

**Sophie Binninger**
Partner – Governance, Risk, & Internal Control
sophie.vedrine-binninger@forvismazars.com
+352 661 993 029

**Matthieu Duponchel**
Partner – Cybersecurity & Data Protection
matthieu.duponchel@forvismazars.com
+352 27 114 640

**Sushil Kumar**
Senior Manager – Cybersecurity & Data Protection
sushil.kumar@forvismazars.com
+352 27 144 442

**Deborah Cugnot**
Manager – AML/CTF Specialist
deborah.cugnot@forvismazars.com
+352 661 635 420

**Camilla Rossi**
Senior Consultant – GRIC
camilla.rossi@forvismazars.com
+352 661 794 788

**Mathieu Brizard**
Partner – Internal Audit
mathieu.brizard@forvismazars.com
+352 27 144 600

**Davis Maze Maze**
Partner – Risk Advisory
davis.maze-maze@forvismazars.com
+352 27 144 258

**Florian Gaudelet**
Senior Manager – AML/CTF Specialist
florian.gaudelet@forvismazars.com
+352 661 794 788

**Claudio Orlando-Miele**
Manager – Privacy Specialist
claudio.orlando-miele@forvismazars.com
+352 27 144 438

**Luca Bordin**
Assistant Manager – GRIC
luca.bordin@forvismazars.com
+352 27 114 459


Forvis Mazars is a leading global professional services network operating under a single brand with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Both members share a commitment to providing an unmatched client experience, providing audit & assurance, tax, advisory and consulting services across the globe.



Forvis Mazars Advisory Services – Autorisation ministérielle n°10016343

**forvismazars.com/lu**

forvis mazars