



# Overview of the CSSF annual report 2023

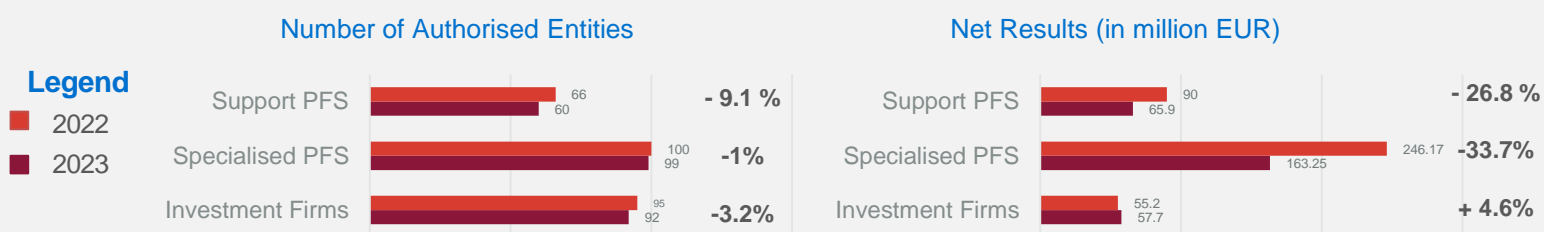
## Investment Professionals of the Financial Sector (PFS)

## This newsletter marks the fourth publications 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 Professionals of the Financial Sector (PFS).

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

### Professionals of the Financial Sector (PFS)



#### I) Investment Firms

The CSSF's monitoring of investment firms in 2023 focused on :

##### Compliance with quantitative standards:

1. Capital base: Investment firms must maintain a minimum capital base and it is monitored by the CSSF monthly. In 2023, two firms were found non-compliant; one of these cases led to the firm's dissolution and liquidation.
2. Capital ratios: Investment firms must adhere to new capital ratio requirements. The CSSF intervened at six firms for deficiencies, closely overseeing their efforts to address issues. One firm's non-compliance led to its dissolution and liquidation, while another received an injunction for issues with its capital instruments.
3. Concentration risk: Investment firms are subject to concentration risk regulations. In 2023, the CSSF did not report any interventions related to this aspect.
4. Liquidity requirements: Firms must hold liquid assets amounting to at least one third of their fixed overheads from the previous year. The CSSF issued an injunction to one firm for failing to meet these requirements in 2023.

##### Introductory visits:

These visits are conducted at newly authorized investment firms or existing firms that have received authorization to engage in new activities. In 2023, the CSSF did not conduct any introductory visits.

##### Specific audits:

The CSSF can request a statutory auditor to perform specific audits on aspects of a financial professional's operations. The costs of such audits are borne by the institution. In 2023, the CSSF did not exercise this authority.

##### AML/CTF:

In 2023, an annual AML/CFT questionnaire helped assign risk scores to investment firms, which were refined with expert judgment to guide on-site and off-site supervision. Key findings prompted 45 observation letters and four injunctions related to issues like name screening and compliance with AML/CFT procedures.

The CSSF analyzed audit and control reports, resulting in 21 observation letters and two injunctions. Further, three observation letters and four injunctions addressed weaknesses found in firms' self-assessments and procedures. Additional reviews included meetings with compliance officers and a thematic review on the goAML platform, which led to 11 observation and 37 injunction letters.

## II) Specialised PFS

The CSSF's monitoring of Specialised PFS in 2023 focused on :

### Capital Base:

Specialised PFS must demonstrate a minimum capital base for legal entities or own assets for natural persons. In 2023, the CSSF identified six entities with non-compliance issues, a decrease from 12 in 2022. These cases were resolved satisfactorily.

### Corporate Governance and Day-to-Day Management:

The CSSF intervened 15 times in 2023 (compared to 4 times in 2022) through observation letters addressing non-compliance in management

practices. Issues included insufficient presence or involvement of managers in daily operations and the need for reorganization of the management or administrative body.

### AML/CTF

The CSSF continued risk-based AML/CFT supervision in 2023, informed by an annual questionnaire. This resulted in 24 observation letters addressing various compliance issues and 23 acknowledgment letters for compliance officer appointments. Key AML/CFT topics, including ML/TF risks and sanctions related to Ukraine, were discussed in nine meetings with specialised PFS, while eight welcome visits assessed controls like name screening and transaction monitoring.

## III) Support PFS

The CSSF's monitoring of Support PFS in 2023 focused on :

### Publication of Circular CSSF 24/850:

This circular, issued in January 2024, outlines annual documentation requirements for support PFS and their statutory auditors. It introduced a self-assessment questionnaire, replacing the previous risk assessment report, and simplified the descriptive report format. The circular emphasizes a risk-based and proportional approach, varying based on the type of services offered. Support PFS must now submit the self-assessment, descriptive report, and other required documents annually, starting with financial years ending on or after 31 December 2023.

### Impact of NIS2:

Effective from October 2024, NIS2 (Network and Information Security Directive) enhances cybersecurity measures across the EU. The CSSF continued to engage with national bodies to prepare for its implementation, highlighting its significance for support PFS involved in digital infrastructure and ICT services. Efforts included awareness campaigns to ensure readiness.

### Impact of DORA (Digital Operational Resilience Act):

Applicable from January 2025, DORA focuses on resilience in the financial sector. While support PFS are not directly within its scope, those offering ICT services may be classified as third-party providers under DORA, requiring compliance with new contractual and regulatory standards.

### Qualification of Activities and Authorisation Applications:

In 2023, the CSSF processed two new applications for support PFS authorisation and two requests for extension. One extension was approved, and the others are under review.

### Introductory Visits:

Conducted at newly authorized or expanding support PFS, these visits aim to verify adherence to business plans and infrastructure standards. In 2023, the CSSF performed one such visit.

### Capital Base Compliance:

Support PFS must maintain a minimum capital base per legal requirements. In 2023, the CSSF identified two non-compliant entities, down from five in 2022. These issues were resolved satisfactorily.

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



### On-site Inspections

Published 22/10/2024



### Credit Institutions

Published 28/10/2024



### IFMs and UCIs

Published 04/10/2024



### PFS

Published 11/11/2024



### Payment, Electronic Money Institutions and VASPs

By 18/11/2024



### 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.



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