

# Financial Services Compliance 2021

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# Financial Services Compliance 2021

**Contributing editors****Zachary J Zweihorn****Davis Polk & Wardwell LLP**

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Lexology Getting The Deal Through is delighted to publish the fourth edition of *Financial Services Compliance*, which is available in print and online at [www.lexology.com/gtdt](http://www.lexology.com/gtdt).

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on Egypt, Indonesia, Ireland and Italy.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editor, Zachary J Zweihorn of Davis Polk & Wardwell LLP, for his assistance with this volume.



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# Luxembourg

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## REGULATORY FRAMEWORK

### Regulatory authorities

#### 1 | What national authorities regulate the provision of financial products and services?

National regulatory authorities responsible for supervision of financial products and services are the Luxembourg Ministry of Finance, the Commission de Surveillance du Secteur Financier (CSSF) and Central Bank of Luxembourg (BCL).

The Luxembourg Ministry of Finance is the ultimate authority, defining the policy regarding the financial sector in the Grand Duchy of Luxembourg.

Placed under the direct authority of the Ministry of Finance, the CSSF is the supervisory authority supervising and regulating the market in financial products, instruments and services.

The BCL also has a role in the regulation of financial products and services. As an integral part of the European System of Central Banks, it implements decisions of the European Central Bank.

#### 2 | What activities does each national financial services authority regulate?

### CSSF

The CSSF regulates the following types of entities:

- central securities depositories, responsible for the registration and safekeeping of securities and the settlement of securities in exchange for cash through their securities settlement systems;
- credit institutions, whose activities consist in receiving deposits or other repayable funds from the public and granting credit for their own account;
- investment firms, including:
  - investment advisers;
  - brokers in financial instruments;
  - commission agents;
  - private portfolio managers;
  - professionals acting for their own account;
  - market makers;
  - underwriters of financial instruments;
  - distributors of units/shares in undertakings for collective investment;
  - financial intermediation firms;
  - investment firms operating a multilateral trading facility (MTF) in Luxembourg; and
  - investment firms operating an organised trading facility (OTF) in Luxembourg;
- investment fund managers (of alternative investment funds and UCITS, etc);
- investment funds and vehicles;

- mortgage credit intermediaries;
- payment institutions/electronic money institutions/account information service providers;
- data reporting service providers, including:
  - approved publication arrangements;
  - consolidated tape providers; and
  - approved reporting mechanisms;
- specialised professionals of the financial sectors (PFS), including, among others:
  - registrar agents;
  - professional depositories of financial instruments;
  - professional depositories of assets other than financial instruments;
  - operators of a regulated market authorised in Luxembourg;
  - currency exchange dealers;
  - debt recovery (ie, parties that collect third parties' debts);
  - professionals performing lending operations;
  - professionals performing securities lending;
  - family offices;
  - mutual savings fund administrators;
  - corporate domiciliation agents; and
  - professionals providing company incorporation and management services;
- support PFS, acting as subcontractors of operational functions on behalf of other specialised professionals of the financial sector including:
  - communication agents;
  - administrative agents of the financial sector;
  - primary IT system operators of the financial sector;
  - secondary IT system and communication networks operators of the financial sector;
  - dematerialisation service providers;
  - conservation service providers;
- Virtual asset service providers.

### BCL

When it comes to regulation of specific activities, the BCL is mainly responsible for ensuring efficiency and safety of payment and securities settlement systems as well as safety of payment instruments.

#### 3 | What products does each national financial services authority regulate?

'Product' or 'financial product' is not defined under Luxembourg financial supervision law. However, the CSSF supervises the market in financial instruments. A list of financial instruments is included in Annex II Section B of the Law of 5 April 1993 on the financial sector, and includes:

- transferable securities, including:

- shares in companies and other securities equivalent to shares in companies, partnerships or other entities and depositary receipts in respect of shares;
- bonds or other forms of securitised debt, including depositary receipts in respect of such securities; and
- any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;
- money-markets instruments (cheques, bills, certificates of deposit, etc);
- units in collective investment undertakings;
- options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (other than by reason of default or other termination event);
- options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or an MTF;
- options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned under the previous bullet point, and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- derivative instruments for the transfer of credit risk;
- financial contracts for differences; and
- options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

We acknowledge that in certain European countries the term 'financial product' also includes for instance:

- payment accounts and related payment facilities;
- savings accounts and related saving facilities;
- electronic money; and
- credit.

Although the aforementioned items do not qualify as a financial instrument under Luxembourg law, these products are regulated by the CSSF as well. Further, the BCL is responsible for ensuring efficiency and safety of payment and securities settlement systems as well as safety of payment instruments.

## Authorisation regime

### 4 What is the registration or authorisation regime applicable to financial services firms and authorised individuals associated with those firms? When is registration or authorisation necessary, and how is it effected?

Authorisation is required for most of the regulated activities in Luxembourg. Registration requirements apply for instance to tied agents and virtual asset service providers.

## Authorisation process

Although it is expected that this process will change, currently the authorisation to perform regulated activities is generally granted by the minister responsible for the CSSF. Currently this is the Luxembourg Minister of Finance. The authorisation is granted upon written application to the Minister of Finance. Upon receipt of a written application, the CSSF performs an investigation of the application and verifies whether all legal requirements for the relevant application are fulfilled. The CSSF encourages applicants to first transmit their application files to the CSSF before filing the formal application request with the Minister of Finance.

Before transmitting the application to the CSSF, the applicant may contact the CSSF to request information on the qualification of an activity, on the need for an authorisation, on the status requested, on the application documentation for the authorisation file or any other important question relating to the applicant's project.

The applicant may submit a detailed and complete file to the CSSF by using the application forms available on the CSSF website. The complete application file must be submitted to the CSSF in paper and electronic form. The application file has to include all necessary information required for the assessment thereof.

Upon receipt of the file by the CSSF, the applicant receives an acknowledgement mentioning the department in charge of the file and the name of a contact person at the CSSF. The CSSF will examine the file and may raise comments or request additional information. Once the CSSF deems that the relevant conditions are fulfilled, the applicant will be notified in writing and the applicant may file an official request with the Minister of Finance.

Once the application file is submitted to the Minister of Finance, the decision of the Minister of Finance will (in principle) be notified to the applicant within six months following receipt of the application file. Should the application file be incomplete, the applicant will be notified of the decision of the Minister of Finance within six months following receipt of the missing information.

A decision shall be taken within 12 months, at the latest, of the receipt of the application. If no decision is notified within 12 months, it means that the application has been refused.

## Registration process

The registration starts with sending a formal registration application filed with the CSSF. If an applicant submits a formal registration file to the CSSF, all documents and information required must be included by using the relevant forms made available on the CSSF website.

The registration file must be provided to the CSSF in electronic form via the 'managed file transfer system' of the CSSF. The required link will be provided to the applicant by the CSSF. The submission of a registration file does not entail registration with the CSSF. The registration is effective upon inclusion of the applicant in the CSSF register.

The CSSF reserves the right to ask for additional information and documents during the registration process. The CSSF also reserves the right not to commence the analysis of the registration file as long as the registration file is not complete and the requested information and documents are missing.

## Legislation

### 5 | What statute or other legal basis is the source of each regulatory authority's jurisdiction?

The CSSF has been established by (and derives its regulatory authority from) the Law of 23 December 1998, as amended from time to time.

The BCL is currently governed by (and derives its regulatory authority from) its Organic Law of 23 December 1998, as amended.

### 6 | What principal laws and financial service authority rules apply to the activities of financial services firms and their associated persons?

There is no central financial supervision law in Luxembourg regulating all financial services (and their providers). Various laws apply to regulated entities, the main laws being:

- Law of 5 April 1993 on the financial sector;
- Law of 10 November 2009 on payment services;
- Law of 17 December 2010 relating to undertakings for collective investment;
- Law of 22 March 2004 on securitisation; and
- Law of 12 November 2004 on the fight against money laundering and terrorist financing.

In addition to these laws, the CSSF has published many complementary rules and guidance, such as FAQs, regulations and circulars. These can all be freely accessed on the CSSF's website, [www.cssf.lu/en](http://www.cssf.lu/en).

## Scope of regulation

### 7 | What are the main areas of regulation for each type of regulated financial services provider and product?

When applying for approval and during its lifetime as a regulated entity, various specific criteria must be complied with by regulated entities. These criteria heavily depend on the kind of service that is provided or business that is performed. For instance, the following regulatory requirements can be identified:

- Legal form: for most regulated entities specific requirements exist concerning legal form. For example:
  - central securities depositories (CSDs) must be a legal entity;
  - credit institutions must be legal persons incorporated under Luxembourg law (either a public limited company (*société anonyme*), limited partnership with a share capital (*société en commandite par actions*) or cooperative society (*société coopérative*));
  - investment firms: parties managing third party funds must be legal persons, etc;
  - a management company of an investment fund may have the form of a public limited company (*société anonyme*), a private limited company (*société à responsabilité limitée*), a cooperative company (*société coopérative*) or a cooperative company set up as a public limited company or a corporate limited partnership (*société en commandite par actions*);
  - payment institutions and electronic money institutions must be a legal person;
  - specialised professionals of the financial sectors (specialised PFSs) may, in general, be natural or legal persons (either a public entity or commercial company). However, most categories of specialised PFSs require that the applicant be a legal person; and
  - a support PFS must be a legal person (either a public entity or commercial company).

- Capital base and own assets: whether requirements apply varies per regulated financial service provider. For example:
  - credit institutions must have a fully paid-up share capital of at least €8.7 million and the capital base may not be less than the amount of the prescribed authorised capital;
  - investment firms must prove that they have a subscribed and fully paid-up share capital of not less than €50,000. Depending on the category of investment firm for which the authorisation is sought, the required minimum share capital may amount to up to €730,000;
  - a management company of an investment fund must have a fully paid-up (in cash) share capital of at least €125,000;
  - a payment institution must have initial capital of €20,000–€125,000 (depending on which payment service is provided) and its own funds may not be below this threshold;
  - an electronic money institution must have initial capital of at least €350,000 (and its own funds may not be below this threshold);
  - specialised PFSs must have a fully paid-up share capital of not less than €50,000. Depending on the category of specialised PFS for which the authorisation is sought, the required minimum share capital may amount to up to €730,000; and
  - support PFSs must have a fully paid-up share capital of not less than €50,000. Depending on the category of support PFS for which the authorisation is sought, the required minimum share capital may amount to up to €370,000.
- Central administration: in general the registered office and central administration of financial service providers must be located in Luxembourg. Further requirements may apply with respect to the location of for instance personnel (HR, compliance, internal control, etc) and IT, depending on the kind of service that is provided.
- Shareholders: the shareholding structure of a financial service provider has to be transparent and well organised.
- Professional standing and experience: members of the management and the shareholders must be of good reputation, and persons involved have to be adequately skilled and experienced. Evidence thereof is commonly requested (ie, in the form of police records, declaration of honour, copy of identity cards, resume, etc).
- External audit: unless exempted under specific provisions, financial service providers must have their annual accounts and, if applicable, their consolidated accounts audited by one or more approved statutory auditors.
- Adequate internal control procedures: financial service providers have to implement internal control functions for a functioning and prudent management of the firm. In this context, compliance, risk and internal audit functions are of importance.

## Additional requirements

### 8 | What additional requirements apply to financial services firms and authorised persons, such as those imposed by self-regulatory bodies, designated professional bodies or other financial services organisations?

Besides applicable laws and regulations, financial service firms should take into account the various FAQs, circulars, regulations and other guidance published by the CSSF. Although these rules do not constitute formal laws or regulations, these should be taken into account by financial service firms as well. These documents can be published on the CSSF's website, [www.cssf.lu/en](http://www.cssf.lu/en).

Further, financial service providers that are commercial companies should comply with the corporate law provisions, for instance included in:

- the Law dated 10 August 1915 on commercial companies; and

- the Law of 19 December 2002 on the trade and commercial register, accounting and annual accounts of companies.

These provisions mainly concern registration of the company and publication of annual accounts, amendment of the articles of association, manager of the company, but can also cover non-cumulating requirements of key functions, conflict of interest issues and requirements to be present in Luxembourg.

## ENFORCEMENT

### Investigatory powers

- 9 | What powers do national financial services authorities have to examine and investigate compliance? What enforcement powers do they have for compliance breaches? How is compliance examined and enforced in practice?

To ensure that regulated entities and related persons comply with applicable laws and regulations, the Commission de Surveillance du Secteur Financier (CSSF) supervises regulated entities and related persons as follows on a continuous basis:

- regulated entities need to complete forms and transmit them to the CSSF on a regular basis;
- there is mandatory notification to the CSSF; and
- on-site visits are carried out.

In addition, the CSSF may request additional information on an ad hoc basis.

Depending on the subject matter, the CSSF may issue warnings, reprimands, administrative measures and sanctions such as fines or temporary or definitive bans from performing one or several operations or activities. Sanctions are published on the CSSF's website, [www.cssf.lu/en](http://www.cssf.lu/en).

### Disciplinary powers

- 10 | What are the powers of national financial services authorities to discipline or punish infractions? Which other bodies are responsible for criminal enforcement relating to compliance violations?

Depending on the subject matter, the CSSF may issue warnings, reprimands, administrative measures and sanctions such as fines or temporary or definitive bans from performing one or several operations or activities. Sanctions are published on the CSSF's website.

The CSSF does not have any criminal or civil powers. The Ministry of Justice has such power. Nevertheless, the CSSF can request, for instance, the freezing or sequestration of assets with the President of the Tribunal d'arrondissement (District Court) of Luxembourg, or refer information to the State Prosecutor for criminal prosecution.

### Tribunals

- 11 | What tribunals adjudicate financial services criminal and civil infractions?

No dedicated court has been appointed in Luxembourg for matters related to financial services. The New Code of Civil Procedure (NCCP) provides rules on the jurisdiction of Luxembourg courts. The competent court for a specific case depends, for instance, on the subject of the case (ie, a civil, commercial or criminal act), the amount involved and the capacity of the parties (ie, merchants or not).

## Penalties

- 12 | What are typical sanctions imposed against firms and individuals for violations? Are settlements common?

The CSSF has a wide range of enforcement instruments. The CSSF is entitled to impose the below penalties on legal persons subject to its supervision, the members of their management body, their effective managers or the persons responsible for a breach of these supervised entities as well as natural persons subject to such supervision:

- warnings;
- reprimands;
- a fine of up to €5 million (and depending on the facts up to 10 per cent of the total annual net turnover or up to twice the amount of the benefit derived from the breach);
- temporary or definitive prohibition on operations or activities;
- temporary or definitive prohibition on participation in the profession; and
- suspension of the voting rights attached to shares or units held by the shareholders or members held responsible for the breaches.

These sanctions are published on the CSSF's website. Settlements are not common.

## COMPLIANCE PROGRAMMES

### Programme requirements

- 13 | What requirements exist concerning the nature and content of compliance and supervisory programmes for each type of regulated entity?

When preparing compliance and supervisory programmes the principle of proportionality should be taken into account. The detail and extensiveness of such programmes depends on the size of the regulated entity and its business.

Furthermore, there are no hard and fast rules for specific wording of compliance and supervisory programmes. The content of the programmes must be determined based on the objective that must be reached (ie, prevention of money laundering, compliance with applicable regulatory laws for credit institutions, payment service providers, investment firms, etc). The content of the programmes must suffice in order to reach that objective.

The objectives to be reached are laid down in specific laws regulating the relevant regulated activity (except for anti-money laundering rules which apply to regulated entities in general). These criteria are laid down in, for instance:

- Law of 5 April 1993 on the financial sector;
- Law of 10 November 2009 on payment services;
- Law of 17 December 2010 relating to undertakings for collective investment;
- Law of 22 March 2004 on securitisation; and
- Law of 12 November 2004 on the fight against money laundering and terrorist financing.

When preparing the programmes, it should be taken into account that generally a regulated entity must have a robust internal governance arrangement, which includes a clear organisational structure with well-defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report risk they might be exposed to, and adequate internal control mechanisms. The compliance function is key in this respect. It is advisable to include this in the programmes.

The Commission de Surveillance du Secteur Financier (CSSF) has published various circulars providing further guidance on the compliance function. See for instance:

- Circular 12/552 (as amended) for credit institutions;
- Circular 04/155 for specialised PFSs, payment institutions and electronic money institutions;
- CSSF Circular 18/698 for investment fund managers and registrar agents; and
- Circular 20/758 for investment firms.

In general, when preparing compliance programmes the first step is to have a compliance charter in place, duly approved by the management of the company. The compliance charter must include at least a clear definition of the compliance function within the company, its power, responsibilities and its position within the organisation. Subsequently, persons responsible for the compliance function have to:

- identify and state the standards and essential rules to which the company is submitted in the exercise of its activities in the various markets;
- identify, assess and classify the compliance risks to which the company is exposed before:
  - the establishment of the company;
  - a new type activity or product is launched;
  - a new business relationship is entered into; and
  - on a continuing basis, in the course of its activities (ie, the identification, assessment and classification of compliance risks must be kept up to date at all times);
- establish a risk-based control plan; and
- implement guidelines in a compliance policy for the personnel of the different professions in the exercise of their daily tasks. These rules must be reflected in a way appropriate in the instructions, procedures and internal controls for areas directly relevant to compliance and take into account the code of conduct and corporate values adopted at the establishment of the company.

The aforementioned (and the results thereof) is usually laid down in the compliance programmes as well.

## Gatekeepers

### 14 | How important are gatekeepers in the regulatory structure?

Gatekeepers play a key role in the regulatory structure of regulated entities. In this respect, directors, managers and the persons in charge of the three internal control functions (ie, the risk control function, the compliance function and the internal audit function) all play an important role.

## Internal auditor

The internal auditor has the task to assess the adequacy and effectiveness of the central administration, internal governance and business and risk management. The internal auditor must be independent from the other internal control functions and report directly to the chairman of the board.

## Risk control

To assist the management in limiting the risks to which the company is or may be exposed, the persons responsible for the risk control function have to anticipate, identify, measure, monitor and control the relevant risks and report all of them. The risk control function shall ensure that the authorised management and the board of directors receive a comprehensive, objective and relevant overview of the risks to which the company is or may be exposed.

## Compliance

The compliance function shall assist and advise the management on issues of compliance in joint consultation with the internal auditor. In order to promote independence, a chief compliance officer is appointed entitled to directly contact the chairman of the board of directors or, where appropriate, the members of the audit committee, the (other members of the) compliance committee and the CSSF.

## Directors' duties and liability

### 15 | What are the duties of directors and senior managers, and what standard of care applies to the boards of directors and senior managers of financial services firms?

General duties of directors of Luxembourg companies are laid down in:

- the Law dated 10 August 1915 on commercial companies, as amended; and
- the Law dated 19 December 2002 relating to the register of commerce and companies as well as the accounting and the annual accounts of companies, as amended.

In short, the general duties of directors consist of management and representation of the company (in the interest and within the corporate objects of the company), and the preparation of the financial accounts of the company.

Furthermore, the board of directors in financial service firms has the overall responsibility to ensure the execution of activities and preserving the business continuity based on a sound central administration and internal governance arrangements. The duties of the board of directors have to be performed with reasonable care, skill, diligence and independence. It has to implement a sound and prudent management.

The management is in charge of implementing strategies and guiding principles laid down by the board of directors through the effective, sound and prudent day-to-day business (and inherent risk) management.

### 16 | When are directors and senior managers typically held individually accountable for the activities of financial services firms?

Directors can incur personal liability based on various grounds. For instance:

- from a corporate law perspective, directors can be held personally liable if they:
  - perform acts that fall outside their mandate as directors of the company;
  - do not act in the interest of the company; or
  - violate applicable law or the articles of association;
- directors can be held personally liable if they do not follow applicable rules imposed by the CSSF (for instance, specific rules laid down in applicable circulars);
- in case of insolvency of a company, the insolvency representative may engage the directors' liability (specifically if the directors fail to file the confession of bankruptcy within the required period, such faulting director may be subject to the simple bankruptcy's offence and risk an imprisonment sentence from one month to two years);
- if a crime or an offence is committed in the name and in the interest of a company by one of its directors, the director can be declared criminally responsible; and
- a director could be held liable in case of non-compliance with tax laws applicable to the company.

## Private rights of action

### 17 | Do private rights of action apply to violations of national financial services authority rules and regulations?

As a general principle, when a fault or wrongful behaviour results in damage and when a causal link between the damage and the fault can be established, private rights of action may apply.

## Standard of care for customers

### 18 | What is the standard of care that applies to each type of financial services firm and authorised person when dealing with retail customers?

Financial services firms are bound by general conduct business rules. For instance, they have to:

- act:
  - honestly and fairly;
  - with due skill, care and diligence;
  - in compliance with all regulatory requirements applicable to them; and
  - in the best interests of their clients and the integrity of the market;
- apply resources and procedures required for the proper performance of their business;
- (where relevant) seek from their clients information regarding their financial situation, investment experience and objectives as regards the services requested (ie, to ensure that the offered service meets the needs of the counterparty or ensure that clients are not over credited);
- adequately disclose material information; and
- try to avoid conflicts of interest and, when they cannot be avoided, ensure that clients are fairly treated.

When dealing with retail clients, stronger information or investigation requirements apply.

### 19 | Does the standard of care differ based on the sophistication of the customer or counterparty?

Compared to professional clients, retail clients benefit from stronger protection provisions, for instance by stronger information requirements that apply when dealing with retail clients and the fact a regulated party should act more prudently towards retail clients.

A professional client is defined as a client that possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. For instance credit institutions, investment firms, other financial institutions, insurance undertakings, collective investment schemes and their management companies, pension funds, etc are regarded as professional clients. Further, there is an 'opt-in possibility' to be regarded as a professional client. This in line with MIFID II.

## Rule making

### 20 | How are rules that affect the financial services industry adopted? Is there a consultation process?

The rules impacting financial services are adopted via various channels. In the legislative system of the Grand Duchy of Luxembourg, the Chamber of Deputies or the government can initiate a bill of law. The Council of State will give its opinion (except in case of emergency) before the adoption of the law by the Chamber of Deputies as well as various committees and organisations such as the European Central Bank (ECB), the Central Bank of Luxembourg (BCL), the Commercial Chamber, etc.

In addition, the CSSF is entitled to present to the government any suggestions likely to improve the financial sector's legislative and regulatory environment. The CSSF is also authorised to issue guidance, circulars and regulations.

Finally, professional associations such as the Luxembourg Bankers Association (ABBL) formulate opinion papers and proposals on legislation, taxation, and banking regulation at national, European and international levels.

## CROSS-BORDER ISSUES

### Cross-border regulation

#### 21 | How do national financial services authorities approach cross-border issues?

Regulated entities that are duly authorised by a regulator in another member state of the European Union can, in principle, benefit from the European possibility to passport licences (when complying with the standard registration obligations). In line with the European system, the home state regulator will remain the competent regulator.

If services or activities are being performed from outside the European Union into the Grand Duchy of Luxembourg, per specific case it needs to be assessed what regulatory requirements apply.

### International standards

#### 22 | What role does international standard setting play in the rules and standards implemented in your jurisdiction?

To the extent European standards are not already directly applicable, Luxembourg is known to follow these rules and implement them in the national legislation relatively unchanged.

## UPDATE AND TRENDS

### Key developments of the past year

#### 23 | Are there any other current developments or emerging trends that should be noted?

Relevant laws on AML/CFT have become more strict and the Commission de Surveillance du Secteur Financier (CSSF) has strengthened its action in this respect.

The CSSF also took part in the work of the FATF with regard to the risks linked to virtual assets and virtual asset service providers, digital identity and more generally demonstrated an interest increase for financial innovation ([https://www.cssf.lu/wp-content/uploads/C\\_Financial-innovation\\_February-2021.pdf](https://www.cssf.lu/wp-content/uploads/C_Financial-innovation_February-2021.pdf)).

#### 24 | What emergency legislation, relief programmes and other initiatives specific to your practice area has your state implemented to address the pandemic? Have any existing government programmes, laws or regulations been amended to address these concerns? What best practices are advisable for clients?

Luxembourg has implemented a general 'Neistart Lëtzebuerg plan' and continues to implement numbers of measures to adapt and protect the financial market from the consequence of covid-19. For instance:

- various extensions of deadlines for notifications, questionnaire submissions or reports due with the CSSF have been agreed;
- Circular 20/740 has been published, providing guidance to all professionals who are subject to the CSSF's anti-money laundering and counter-terrorism financing supervision. The CSSF sets out new and emerging ML/TF threats resulting from covid-19, as well

as several possible areas of particular vulnerability for the financial sector and mitigating actions that supervised professionals can implement going forward, and the CSSF's approach to AML/CFT supervision during this period.

In addition, corporate measures have been adopted impacting all companies. The Luxembourg business registers agreed an additional administrative period of four months for the filing of annual accounts for registered entities for the financial year 2019 at the standard rate. Nevertheless, besides this administrative extension, late annual account filing remains a breach of Luxembourg law.

Further, up to 30 June 2021 meetings of companies can be held outside of a physical meeting even if the articles of association of the relevant company determine otherwise relating to (1) general meetings; (2) meetings of boards of directors and managers; and (3) annual general meetings.

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