

SUPPORT PFS FRAMEWORK

A competitive advantage of the Luxembourg's financial centre

- **Support PFS what does it mean?**

Digital technologies are fundamentally changing how the financial sector operates and delivers value to customers. In this context, Support PFS (Professionals of the Financial Sector) are **service providers operating for the banking, payment, investment management, and insurance sectors**, that are subject to the prudential supervision of the national competent **authority (NCA)**, namely the Commission de Surveillance du Secteur Financier (CSSF). As regulated entities, Support PFS have to comply with **stringent requirements within the same legal framework as the financial institutions they serve, albeit with a certain degree of proportionality**, ensuring the **highest standards** of professional secrecy, reliability, security, and compliance, to strengthen clients' and partners' trust in the services they offer.

Being **regulated entities**, Support PFS should take into account the regulatory requirements directly to provide the solutions they offer. Their supervision covers various aspects, including:

- **Regulatory reporting and audits, and due diligence,**
- **Financial soundness and integrity of management,**
- **ICT risk management and security,**
- **Risk assessment and regular testing of business continuity and operational resilience,** and
- **Internal governance, administrative and accounting organization.**

By meeting these obligations, Support PFS aim to offer financial institutions a secure and compliant framework, aligning with the evolving regulatory landscape and strengthening the resilience of the financial ecosystem.

Luxembourg's financial sector has an edge in Europe in terms of compliance with European financial regulations, such as DORA or the EBA guidelines, thanks to the Support PFS framework.

- **What types of services do support PFS provide?**

For over 20 years, Support PFS have played a key role in strengthening Luxembourg's thriving financial ecosystem. Specializing in regulated support services, they provide a suite of essential functions including IT infrastructure, data management, compliance, and back-office operations tailored to the needs of financial institutions. Their expertise acquired over the years ensures that banks, payment institutions, investment firms, and insurance companies operate efficiently while meeting stringent regulatory requirements.

01 OPERATIONAL AND IT SERVICES

- Core banking IT systems management and maintenance
- Cloud services and data hosting
- Cybersecurity and data protection (consulting)
- Cybersecurity incident response teams (CERT / CSIRT)
- IT Security Infrastructure (design, deployment and maintenance)
- IT support
- Payment processing and transaction clearing
- Software development and technical support
- API management and related services (e.g. in the context of PSD2)
- Business continuity solutions

02 COMPLIANCE AND RISK MANAGEMENT

- Anti-money laundering (AML) transaction monitoring
- Know Your Customer (KYC), customer due diligence checks and document verification
- Fraud detection and prevention services
- Regulatory reporting and monitoring
- Provision of various compliance services (e.g. verification of payee, etc.)

03 CUSTOMER SERVICE AND SUPPORT

- Support center operations (Helpdesk)
- Complaint management and resolution

04 FINANCE AND ACCOUNTING SERVICES

- Payroll and employee benefits processing
- Accounts payable/receivable processing
- Financial reporting and tax compliance

05 OPERATIONAL EXCELLENCE SERVICES

- Document management and archival services
- Electronic signature
- Collateral management
- Loan servicing and administration
- Policy administration (e.g., renewals, endorsements)
- Claims file management

06 CUSTOMER COMMUNICATIONS MANAGEMENT

- Transactional document outsourcing
- Secure electronic communication services
- Print & mail services

• What makes support PFS the relevant partner for your organization?

In an increasingly complex regulatory and technological landscape, support PFS play a crucial role in supporting financial institutions. They provide services that ensure operational efficiency, regulatory compliance, and effective risk management, allowing financial institutions to focus on their core business while maintaining the highest standards of service and security.

Operating in a highly regulated and well-supervised jurisdiction, these entities offer a comprehensive toolbox to financial institutions, ensuring data residency/operational residency, and professional secrecy. Support PFS leverage cutting-edge technologies to enhance financial operations. They offer robust, sovereign IT infrastructure, manage local operations in a transparent, regulator-supervised supply chain environment. They also specialize in hybrid, complex and resilient solutions that provide financial institutions with the security and stability needed to operate confidently in a fast-evolving environment.

With extensive experience in the banking, investment, and insurance sectors, support PFS understand the specific challenges financial institutions face. Their expertise spans risk management, IT security, compliance, and business continuity, making them ideal partners for financial institutions looking to streamline operations while ensuring full regulatory compliance.

With deep understanding of regulatory frameworks such as DORA, NIS2, AI Act, eIDAS, and GDPR, these entities have set by-design capabilities to understand and translate legal and compliance requirements into operational solutions supported by suitable governance structures. Support PFS proactively perform regulatory watch ensuring that financial institutions remain compliant and prepared for evolving standards, and they are able to anticipate regulatory changes through the strong involvement with associations such as Finance and Technology Luxembourg, to engage in proactive discussion with regulators.

Developing a strong commitment to innovation, these service providers have grown into industry leaders, recognized for their precision, reliability, and strong sector expertise. As they continue to set new standards for excellence, they remain trusted partners in shaping the future of support services in the European financial sector.

By partnering with a support PFS, financial institutions gain access to a trusted, knowledgeable, and forward-thinking partner capable of ensuring compliance, security, and operational efficiency while driving innovation and digital transformation, in a multicultural environment with talents specialized in finance, law, technology, IT, and compliance, and supported by a multilingual working environment (French, English, German, Luxembourgish, etc.).

Choosing a support PFS means choosing a partner that understands business, protects data, and helps navigate the evolving financial landscape with confidence.

- **Where do support PFS come from?**

Luxembourg's reputation as a stable and well-regulated jurisdiction enhances trust. The creation of the support PFS license on August 2, 2003, amending the 1993 Financial Sector Law, marked a pivotal moment for Luxembourg's financial sector. The support PFS license is granted by the CSSF, ensuring regulatory oversight and boosting credibility with clients and partners. This regulatory framework established specific categories of service providers such as customer communication agents, administrative agents, and IT systems and communication network operators, offering activities complementary to the financial sector. The legislator's intention in 2003 was to extend the regulatory framework to certain outsourcing providers for the financial sector, bringing them under prudential supervision to manage the risks associated with such arrangements.

This framework allowed financial institutions to outsource non-core activities to highly skilled and regulated professionals operating under the supervision of the CSSF. Over time, the support PFS license became synonymous with trust, security, and excellence. By fostering high standards of compliance and operational resilience, the license has enabled support PFS entities to develop expertise, enhance services and skills, adapt to an increasingly complex regulatory environment and strengthen their role while contributing to the growth of Luxembourg's financial ecosystem.

More than twenty years later, the support PFS license stands as a pillar of Luxembourg's financial sector, reflecting its robustness and ability to adapt and navigate in a rapidly changing environment. It continues to drive innovation and reinforce the country's financial ecosystem. While the regulatory landscape continues to evolve, this framework has proven essential in maintaining Luxembourg's reputation as a leading financial hub in Europe and beyond.

