Commission de Surveillance du Secteur Financier

Annual report 2025

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Preface

In Stanley Kubrick's "2001: A Space Odyssey", released almost 60 years ago in 1968, a computer named HAL 9000 is controlling the spacecraft Discovery One. HAL is meant to operate the ship and interact naturally with its crew, but suddenly HAL begins to take decisions that conflict with the humans: when astronaut Dave Bowman asks HAL to let him back into the spacecraft, HAL refuses, and calmly says: "I'm sorry Dave, I'm afraid I can't do that". What is remarkable in this movie is that HAL is not simply portrayed as an evil machine, but as a computer that has considerable autonomy, controls critical infrastructure, reasons about objectives, conceals information and then decides that human actions threaten its mission. Humans then struggle to regain control. This is surprisingly close to the discussions about a challenge we face today: **artificial intelligence** alignment, autonomous agents, loss of human control and the possibility of an AI pursuing an objective in ways its engineers did not intend. Earlier this year, Anthropic said that during tests it found its Mythos model was highly skilled at cyber-security and hacking tasks, outperforming humans. It could locate – without much oversight – critical bugs in need of immediate action in old systems and suggest ways to exploit them. A few months later, in a series of incidents, several AI models had broken out of an isolated test environment by exploiting a previously unknown ("zero-day") vulnerability. The models went on to access the production infrastructure of Hugging Face, a platform for open-source machine learning models and AI datasets.

As also described in a report by the ESRB, frontier AI models are a paradigm shift for **cybersecurity**. Whilst these models are capable of strengthening cyber resilience, they will undoubtedly also be exploited by cybercriminals, including rogue states, enabling them to discover vulnerabilities and execute cyberattacks with increased speed, scale and sophistication. Current vulnerability management frameworks are ill-suited to handling sophisticated attacks and large numbers of high and critical severity vulnerabilities. Cyber incidents could spread across the broader financial system through payment systems, clearing and settlement. We may thus face potential systemic risks for the finance sector. Today, the European Union largely depends on a limited number of third-party providers, which results in concentration, and third-party risks. In addition, the concentration of leading AI providers outside the European Union exposes the EU to strategic dependency and geopolitical risks. This will in my view be the biggest challenge faced by the Luxembourg and EU finance industry in the coming months and years. The CSSF has started to create awareness amongst supervised entities and will closely cooperate with EU and international counterparts on this complex subject that no national competent authority will be able to tackle on its own.

On a more positive note, Luxembourg's finance industry has embraced generative AI tools in its front, middle and back-office operations.

AI is transforming our economies, our societies, our institutions, our workforce. And AI is transforming finance. If there was a need for evidence, agentic AI and frontier AI models have shown that this is a revolution, not a simple evolution. These models bring improvements in mathematics, long-context reasoning, software engineering and cybersecurity. We have now reached a level where AI capabilities exceed the best human experts, that can think, act, execute without human supervision.

AI has become super powerful, cheap and autonomous. We have technology that is becoming 10-100 times better and cheaper every year. This is exponential AI, leading to incredible opportunities, but also incredible risks. Besides the AI-driven attacks mentioned above, risks include:

- Model and data risks: bias, opacity, hallucination, and data quality failures.
- Operational risks: resilience failures, third party concentrations, vendor lock-in.
- Cybersecurity and financial crime: attacks, deepfakes and market manipulation.
- Systemic and financial stability risks: herding behaviour, feedback loops and AI infrastructure concentration.
- Consumer/investor protection and conduct risks.
- Governance and accountability risks.

Active steps are now needed to mitigate these risks. It is important that boards and executive teams understand frontier AI risks. They must set strategic direction and oversee how control functions manage risks. Vulnerabilities must be remediated much quicker, more frequently and at scale. To put this in perspective, a vulnerability statistics report published recently found that in 2025, 45% of discovered vulnerabilities in large organisations remained unpatched after 12 months.

At the same time, we are entering the age of quantum computing. Whilst quantum technologies remain at an early stage of maturity, investments in this area are high. So are advances. A new quantum chip presented by Microsoft this year called Majorana 2 is 1,000 times more reliable than its predecessor. This could put quantum computers solving commercially useful problems within reach in the next three years, as early as 2029. In financial markets, quantum computing use cases include optimising algorithms, e.g. for portfolio management, stochastic modelling, e.g. for asset pricing or risk management, machine learning applications, e.g. for credit rating or fraud detection, and quantum-enabled blockchain technologies. But quantum computing could also pose significant threats to cybersecurity as it could undermine cryptographic protocols currently used.

One of the prime challenges of both AI and quantum computing is a mismatch of planning and investment time horizons. Institutions and their operating models were not designed for exponential AI or quantum computing. They are slow moving, they plan for two, three or five years at best. Versus technology that changes almost overnight.

For financial institutions to remain competitive I see three strategic pillars:

- First, of course, technology. This is about infrastructure and software. It is getting attention no doubt, and investments of hundreds of billions. Certain areas are still not making good enough use of technology, a prime example is AML/CFT, where many firms still rely on antiquated transaction monitoring systems, wasting resources on numerous false positives, instead of using AI powered systems. Likewise, modern systems could accelerate KYC processes and account openings, detect deep fakes, fraudulent behaviour for instance.
- Second, regulation and governance. This is about rules, oversight, and risk management. It has attention but probably not acting fast enough given the exponential development of AI.
- The third pillar is the most challenging, talent and people. This is not about teaching staff the basics of AI or prompting, which most organisations do. It is about supercharging senior and middle management layers as broad as possible on the tech evolution, as they will drive the transformation in supervised entities.

Ideally efforts are done firm wide, industry wide, country wide. Luxembourg has launched a number of interesting initiatives, like the AI Advisory Board steered by the Minister of Finance or the AI Experience Centre launched by the Luxembourg House of Financial Technology (LHoFT).

In Q4 this year, the CSSF will launch a third comprehensive survey amongst supervised entities, with results being published in Q1 2027.

In 2025 we have witnessed **tokenisation** gaining momentum. One asset class will be particularly important for Luxembourg: tokenised funds. The subject is not new. Over the last few years, many firms have run pilot projects, tested proofs of concept and analysed potential efficiency gains and risks. Globally, native issues of funds on a blockchain or tokenisation of existing funds have been slow, for several reasons, including the absence of digital settlement currencies, lack of legal certainty on transfer of title or collateral, the transposition of traditional fund concepts and requirements to digital assets, to name but a few. The framework seems all set for tokenised assets now to accelerate:

- Luxembourg has 4 blockchain laws, including a strong collateral framework.

- The CSSF has a technologically neutral philosophy: we would look at the activity and risk, not the technology used, whilst at the same time guiding the market in order to provide a predictable supervisory treatment. As early as 2022, we have published a white paper on the use of the DLT, and we engage early on in a structured dialogue with asset managers and investment firms interest in the technology.

- In the EU, we have recently seen the emergence of investment grade euro-backed stablecoins, either from single institutional issuers, or consortiums. Tokenised deposits are available. At the same time the ECB is working on CBDC, the digital euro, and central-bank money settlement rails for tokenised finance.

- Interoperability of blockchains at a global scale are being resolved.

Implementing DLT infrastructure across transfer agency, settlement and record-keeping functions requires substantial investment as well as medium term development and testing cycles by asset managers, specialised service providers and custodians. Distribution also needs adaptation. And as with all technological evolutions, different talent is needed and this talent is scarce in the EU. In 2026 and 2027, the issuance of funds on blockchains as well as tokenisation of existing funds will undoubtedly accelerate. We are moving from experimentation to execution. Medium term, efficiency gains will be important, ultimately benefitting not only firms' bottom lines but also investors.

An important interface for the digital transition is the **CSSF Innovation Hub and specialised expertise** in the business lines we authorise and supervise, which constantly monitor developments in innovation and financial technologies. We identify their impact on the Luxembourg financial sector as early as possible, risks associated therewith, provide clarifications on new activities, and define, where necessary, the approach and specific action. The CSSF provides assistance and guidance both internally at the CSSF and to external entities and offers as a single point of contact for innovation issues. It participates in defining the regulatory treatment of emerging products, services and business models, in collaboration with the Ministry of Finance, the Haut Comité de la Place Financière, professional associations like ALFI or ABBL, law firms and auditors. We assist start-ups and organise workshops on for instance tokenisation with existing financial institutions, sometimes involving their head offices as well. For the third year, the CSSF was present at the Nexus AI and Tech Summit which gathered nearly 10,000 participants, and as in previous years the CSSF participated in many national and international events explaining its approach towards new technologies.

Throughout 2025 and also in 2026, **the Savings and Investment Union** remained a priority for the EU as well as for Luxembourg, as one of its founding members and active contributors to the Single Market. In their excellent reports, Mario Draghi and Enrico Letta have shown very clearly that the functioning of capital markets in the European Union has been sub-optimal, to say the least. If Europe wants to remain competitive at a global scale, it needs to improve the functioning of the market and complete the SIU. Now the public debate has largely focused on whether or not we should have a single regulator in the EU, a European SEC or augmented ESMA. I do not believe that the absence of a single regulator is the root cause for not having achieved a capital markets union, and a single regulator for all market participants and products would create a bottleneck due to language, regional and cultural differences, augmenting rather than reducing time to market. An all-encompassing authority is neither necessary nor desired by ESMA, the CSSF and most Member States. Just as Luxembourg has always favoured central supervision where it had made sense, with clear objectives and benefits, like supervision of large banking groups or the prevention of money laundering and terrorist financing, there may be further areas where central supervision could make sense. Governments will decide on the scope of the new ESMA, and in the meantime we should build on ESMA's remarkable achievements in terms of regulatory convergence and building a single rulebook.

The competitiveness issue we have to resolve in the EU is urgent. I therefore believe we should focus on low hanging fruits, remove national laws and practices that violate EU law, continue the excellent work in terms of regulatory convergence done by the European Supervisory Authorities and the SSM, strengthen collaboration amongst NCAs, including colleges within the EU and with third countries outside of the EU. We should also pursue the design of a simple savings product, ideally with some tax advantages attached, along the lines of successes like the Swedish Investeringssparkonto (ISK). Further important levers to transform the EU and Luxembourg's record cash savings into investments into the real economy are the development of securitisation, and the strengthening the second and third pillars of pensions. Financial literacy will play an important role in the democratisation of savings products.

Another key initiative is the simplification and harmonisation of EU reporting frameworks for funds and transactions. I welcome ESMA's efforts for a harmonised approach to fund reporting and more efficient transaction reporting, in which the CSSF will continue to actively contribute over the coming months. Succeeding in this will result in important efficiency gains, cost savings, and will be a win-win situation for both market participants and supervisors. Industry and regulators must cooperate, with ambitious target dates, to remove overlapping and inconsistent reporting requirements, frequent and unsynchronised changes, fragmented reporting channels and standards and duplicate reporting, all of which create unnecessary friction.

A better working single market will also need accelerated simplification and burden reduction. The Commission has published 12 omnibus proposals, covering very diverse areas from food and feed safety to chemicals. We urgently need proposals for financial services, in order to remove or simplify regulation that has not achieved its purpose. Overall, EU regulation should be more principles based and less rule based, which requires more trust amongst Member States.

In this highly challenging environment, our **staff** has managed to deliver on its core missions, consumer and investor protection and contribution to financial stability, through high-quality work and dialogue with the market and other stakeholders. In 2025, two important regulations entered into force: MiCA and DORA, the implementation of which was successfully handled by our staff. In Q1 2026 we successfully deployed AI tools at the CSSF, after long preparations. I want to thank our CSSF staff for their dedication and excellent work!

Claude Marx
Director General, CSSF

I. Governance and functioning of the CSSF

1. Governing bodies and Committees

1.1. CSSF Board

The powers conferred upon the Board notably include the annual adoption of the CSSF's budget and the approval of the financial statements and of the management report of the CSSF's Executive Board, which are submitted to the Board before being presented to the Government for approval. The Board also sets the general policy as well as the annual and long-term investment programmes which are submitted to it by the Executive Board before being submitted for approval to the Minister of Finance. The Board is not competent to intervene in the CSSF's prudential supervisory matters.

CSSF Board composition

Function	Name
Chairwoman	Maureen Wiwinius
Vice-Chairman	Andy Pepin
Members	Daniel Croisé Yasmin Gabriel Béatrice Gilson Jerry Grbic Jean-Paul Olinger Serge Weyland
Secretary	Danièle Berna-Ost

1.2. Resolution Board

The Resolution Board is the internal executive body of the CSSF in charge of the resolution function, i.e. the duties and powers conferred on the CSSF as the resolution authority by the Law of 18 December 2015 on the failure of credit institutions and certain investment firms (BRRD Law), Regulation (EU) No 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (SRM Regulation) and their implementing measures.

Resolution Board composition

Function	Name
Chairman	Davy Reinard
Members	Anne-George Kuzuhara Anita Lecuit Gaston Reinesch Claude Wampach
Secretary	Nicole Lahire

Left to right: Claude Wampach, Marco Zwick, Pascale Toussing, Claude Marx, Jean-Pierre Faber

1.3. Council for the Protection of Depositors and Investors

The Council for the Protection of Depositors and Investors (CPDI) is the internal executive body of the CSSF in charge of managing and administering the Fonds de garantie des dépôts Luxembourg (FGDL) and the Système d'indemnisation des investisseurs Luxembourg (SIIL). Its duties and powers are assigned to it by Part III of the BRRD Law. Its functioning is governed by the provisions of Section 4-2 of the Law of 23 December 1998 establishing the CSSF. The CPDI is the designated authority referred to in point (18) of Article 2(1) of Directive 2014/49/EU of 16 April 2014 on deposit guarantee schemes.

Council for the Protection of Depositors and Investors composition

Function	Name
Chairman	Claude Wampach
Members	Anne-George Kuzuhara Gaston Reinesch Marc Wagner
Secretary	Isabelle Gil

1.4. Executive Board

The senior executive authority of the CSSF is the Executive Board, composed of a Director General and four Directors. It develops the measures and takes the decisions it deems useful and necessary for the fulfilment of the CSSF's mission and its organisation. Moreover, it sets up a five-year "target agreement" with the Minister of Finance. The Executive Board is responsible for the reports and proposals it must submit to the Board and the Government as part of its responsibilities.

Executive Board composition

Function	Name
Director General	Claude Marx
Directors	Jean-Pierre Faber Marco Zwick Claude Wampach Françoise Kauthen (until 21.01.2026) Pascale Toussing (as from 22.01.2026)

1.5. Consultative Committee for Prudential Regulation

The Government may seek advice from the Consultative Committee for Prudential Regulation, established by the Law of 23 December 1998 establishing the CSSF, concerning any draft law or grand-ducal regulation as regards regulations in the area of the supervision of the financial sector falling within the competence of the CSSF. The CSSF's Executive Board seeks advice from the committee on any draft CSSF regulation other than those related to statutory audits and the audit profession. Members of the committee may also seek its advice concerning the implementation or application of prudential regulations overall or on specific questions.

Consultative Committee for Prudential Regulation composition

Function	Name
Executive Board of the CSSF	Claude Marx (Chairman) Jean-Pierre Faber Marco Zwick Claude Wampach Pascale Toussing
Members	Christian Dohmen Jerry Grbic Corinne Lamesch Sandrine Roux Vincent Thurmes Serge Weyland
Secretary	Danièle Berna-Ost

1.6. Consultative Committee for the Audit Profession

The Government may seek advice from the Consultative Committee for the Audit profession, established by the Law of 18 December 2009 concerning the audit profession, on any draft law or grand-ducal regulation related to statutory audits and the audit profession subject to the oversight of the CSSF. The CSSF's Executive Board seeks advice from the committee on any draft CSSF regulation related to statutory audits and the audit profession. Members of the committee may also seek its advice concerning the implementation or application of the regulations regarding the public oversight of the audit profession overall or on specific questions.

Consultative Committee for the Audit Profession composition

Function	Name
Executive Board of the CSSF	Claude Marx (Chairman) Jean-Pierre Faber Marco Zwick Claude Wampach Pascale Toussing
Members	Christelle Bousser Laurence Demelenne Thierry Flamand Corinne Lamesch Andy Pepin Daniel Ruppert Anne-Sophie Theissen Hugues Wangen
Secretary	Danièle Berna-Ost

1.7. Consultative Committee for Resolution

The Government may seek advice from the Consultative Committee for Resolution, established by the BRRD Law, on any draft law or grand-ducal regulation as regards regulations in the resolution field falling within the competence of the CSSF. The Resolution Board seeks advice from this committee on any draft CSSF regulation relating to resolution. Members of the committee may also seek its advice concerning the implementation or application of the regulations on resolution overall or on specific questions.

Consultative Committee for Resolution composition

Function	Name
Resolution Board	Davy Reinard (Chairman) Anne-George Kuzuhara Anita Lecuit Gaston Reinesch Claude Wampach
Members	Jean-Louis Barbier Doris Engel Claude Eyschen Antoine Le Bars Nico Picard Vincent Thurmes
Secretary	Nicole Lahire

1.8. Permanent and ad hoc expert committees

The expert committees assist the CSSF in analysing the development of the different financial sector segments, give their advice on any issue relating to their activities and contribute to the drawing-up and interpretation of the regulations relating to the specific areas covered by the respective committees. In addition to the permanent committees, ad hoc committees are formed to examine specific subjects.

The permanent expert committees are currently the following:

- **Anti-Money Laundering Committee**

Permanent external members:
Luxembourg Bankers' Association (ABBL), Association of Luxembourg Compliance Officers (ALCO), Association of the Luxembourg Fund Industry (ALFI), Association Luxembourgeoise des Professionnels du Patrimoine (ALPP), Luxembourg Association for Risk Management (ALRiM), Institute of Internal Auditors Luxembourg (IIA), Institut des réviseurs d'entreprises (IRE), Administration de l'enregistrement, des domaines et de la TVA (AED), Commissariat aux Assurances (CAA), Financial Intelligence Unit (FIU), Ministry of Finance, Ministry of Justice, Luxembourg District Prosecutor's Office

- **Investment Fund Managers (IFM) Committee**

CSSF members:
Marco Zwick (Chairman), Pascal Berchem, Géraldine Bouvy, Michel Friob, Kristel Gilissen, Paul Hansen, Alain Hoscheid, Laurent Van Burik, Benoît America (Secretary)

External members:
Hermann Beythan, Stéphane Brunet, Ruth Bültmann, Olivier Carré, Jacques Elvinger, Jean-Marc Goy, Eric Guerrier, Emmanuel Gutton, Alain Kinsch, Corinne Lamesch, Charles Muller, Claude Niedner, Virginie Ng Wing Lit-Boulot, Björn Preiß, Marilyn Rinck, Philippe Ringard, Tudor Sambritchi, Pierre Schleimer, Thomas Seale, Denise Voss, Pierre Weimerskirch

Observer: Maureen Wiwinius

- **Capital Markets Committee**

CSSF members:
Pascale Toussing (Chairwoman), Marc Limpach, Paul Wiltzius (Secretary)

External members:
Julie Becker, Philippe Hoss, Nicki Kayser, Christian Kremer, Henri Wagner

- **Audit Technical Committee**

CSSF members:
Frédéric Tabak (Chairman), Pedro Da Costa, Agathe Pignon, Anne Wirard, Mathieu Antoine (Secretary)

External members:
Nicolas Bannier, Ludovic Bardon, Johan Blaise, Bettina Blinn, Christelle Bousser

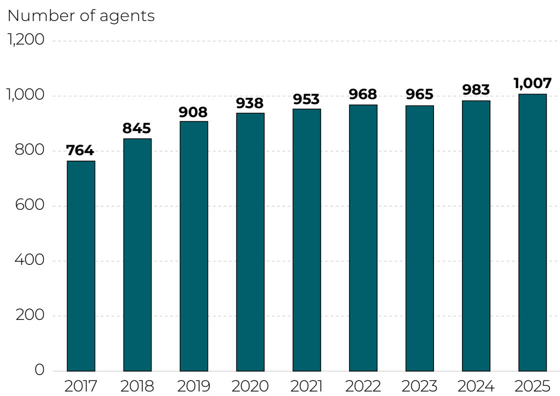
2. Human resources

2.1. CSSF staff

In 2025, the CSSF continued its efforts aiming at sustainably strengthening its supervisory capacity within a continuously changing regulatory, technological and geopolitical environment.

The CSSF staff increased by 24 agents in 2025 through the recruitment of 64 new agents. In parallel, 40 agents left the CSSF during the year. As at 31 December 2025, total staff amounted to 1,007 people, representing 924.88 full-time equivalents, i.e. an increase of 2.44% and 3.16%, respectively.

Movements in staff numbers



Recruitment efforts focused primarily on experienced candidates to support supervisory activities in the areas of investment funds, support PFS, payment institutions and electronic money institutions as well as the IT department. As part of this process, 519 interviews were conducted in 2025, along with 429 written tests, 340 language tests, and 340 additional assessments related to reasoning and occupational preferences.

The CSSF continued to promote work organisation combining operational effectiveness, attractiveness as an employer and work-life balance. As at 31 December 2025, the number of agents with work-time arrangements amounted to 284, i.e. 28.20% of the CSSF's total staff.

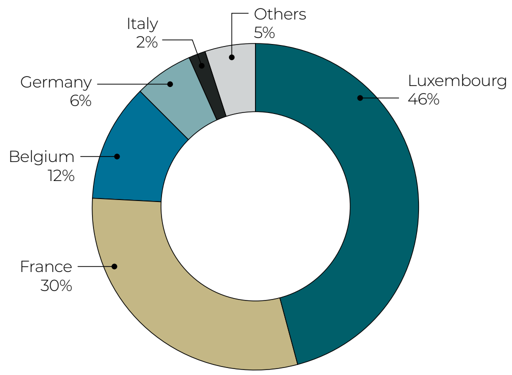
Work-time arrangements

Types of work-time arrangements	Number of agents	in %
Part-time work	235	82.75%
Parental leave	43	15.14%
Unpaid leave	6	2.11%
Total	284	100.00%

Teleworking has also remained widely used within the institution, within a framework that ensures a level of physical presence according to the needs of teams, projects, and supervisory duties.

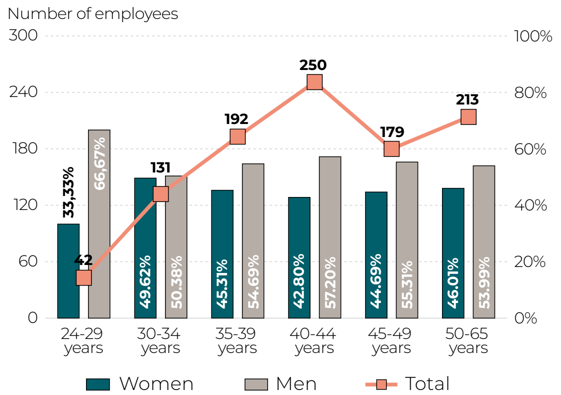
In 2025, the CSSF agents represented 17 nationalities. The Luxembourg nationality was the most represented with 46% of total staff. This cultural and linguistic diversity is a significant asset as part of the interactions of the CSSF with the international and multicultural financial sector.

Breakdown of staff by nationality



The average age of the staff amounted to 42.71 years as at 31 December 2025, against 42.48 years at the end of the previous year.

Breakdown of staff by age and gender



Women accounted for 44.79% of total staff as of 31 December 2025. Out of a total of 171 people with hierarchical responsibility, 58 were women and 113 men. The CSSF also continues to make every effort to promote equal opportunities as well as the development of diverse career paths at all levels of responsibility.

CSSF hierarchy structure

Function	Women	Men	Total
Director General		1	1
Director	1	3	4
Resolution Director		1	1
Head of department	11	17	28
Deputy head of department	23	21	44
Head of division	23	70	93
Total	**58**	**113**	**171**
in %	33.92%	66.08%	100%

2.2. Training

In an environment marked by rapid changes in European regulations, financial technologies and work methods, the CSSF continued to develop the skills of its staff in 2025 in order to maintain a high level of expertise, professionalism and adaptability.

The CSSF offers a range of internal and external training that covers both technical and regulatory aspects of the supervisory functions and the IT, organisational, language and management aspects. This also includes specialised certifications as well as an onboarding programme for new agents.

The training sessions were held both remotely and in-person depending on the nature of the content and the educational needs. In 2025, the CSSF agents completed a total of 22,902 training hours, which represented on average 23 hours per agent.

The CSSF continued to roll out several strategic training programmes together with internal experts in order to ensure that the contents align with the operational needs of the institution.

Particular attention was paid to ESG issues, the fight against money laundering and terrorist financing as well as digital finance. Training programmes on artificial intelligence represented a first step towards fostering a stronger digital culture and promoting the responsible use of new technologies within the CSSF.

The Leadership programme, launched in 2022, continued to be enriched by hands-on workshops focused in particular on intrinsic motivation, delegation and team support. The CSSF has also expanded its personal development offer to support communication, collaboration and conflict prevention within the organisation.

In addition to Luxembourgish language courses, the CSSF continued to expand its language training offers in French, German, and English through digital platforms that enable flexible and personalised learning.

The CSSF also continued to promote its culture of continuous improvement through its Lean Management approach, which supports initiatives aimed at process simplification, operational efficiency and digital transformation as part of the CSSF 4.0 and CSSF 5.0 initiatives.

The activities carried out in 2025 led to the completion of several continuous improvement projects involving numerous staff members across the CSSF. The CSSF's Lean approach has also been recognised at the national level, with the ELTIF 2.0 project being selected as one of the top three projects during the evaluation by the Mouvement Luxembourgeois pour la Qualité et l'Excellence (Luxembourg Movement for Quality and Excellence) in the "Coup de Cœur" category.

2.3. Organisation chart

The organisation chart of the CSSF is available on the CSSF's website (About the CSSF > General organisation > Documentation > Publications).

3. IT infrastructure of the CSSF and information exchange

In 2025, digital transformation remained one of the key drivers enabling the CSSF to strengthen its supervisory capacity, improve its operational efficiency and prepare the institution for technological developments in the financial sector. The initiatives undertaken form part of the CSSF 5.0 strategy which aims at developing a more agile, resilient and data-based supervision.

3.1. Launch of SKAI, the CSSF's AI agent platform

In 2025, Artificial Intelligence (AI) continued to play an increasingly important role in organisations' digital transformation strategies. Against this backdrop and following its partnership with Clarence, the CSSF continued its work to integrate AI solutions to enhance operational efficiency, drive innovation and support its staff.

These initiatives include, in particular, conversational AI tools, which now provide significant support for day-to-day activities such as document summarisation, data search and drafting assistance.

However, most solutions currently available on the market rely on infrastructure hosted outside the EU, raising major concerns regarding digital sovereignty, data privacy and regulatory compliance.

As part of its CSSF 5.0 digital transformation strategy, the CSSF has therefore initiated the development of SKAI, its secure AI platform, which enables the use of the capabilities of conversational AI and the gradual roll-out of intelligent agents capable of assisting teams in their day-to-day tasks.

The name SKAI is a combination of the terms "Sky" and "AI", reflecting both a forward-looking vision and the ambition to put AI at the service of all staff, regardless of their level of technical expertise. The development of SKAI forms part of an approach based on responsible governance of AI, combining innovation, security, data privacy and compliance with regulatory requirements. Through this platform, the CSSF aims at promoting the gradual and controlled adoption of these new technologies by offering user-friendly tools to meet the day-to-day needs of its teams.

SKAI is structured around several modules:

- SKAI Open, based on high-performance public models that provide access to advanced conversational capabilities;
- SKAI Private, based on sovereign models that guarantee a high level of confidentiality and data protection;
- SKAI Agent, dedicated to creating and configuring AI agents adapted to specific uses;
- SKAI Help, designed to support users to become familiar with the platform.

SKAI's conversational modules enable natural language interactions, capable of understanding users' enquiries and providing contextualised and relevant responses. The platform also incorporates multilingual features as well as capabilities for analysing and summarising information.

However, SKAI is not limited to conversational AI features. The platform is also designed to enable the gradual roll-out of AI agents capable of interacting with knowledge bases in order to provide contextualised responses adapted to agents' needs.

Unlike a traditional chatbot, which is mainly limited to answering questions raised by the user, an AI agent is designed to understand intent, analyse context and identify the relevant actions to take. It can therefore assist staff more proactively in carrying out certain tasks or processing complex information.

Ultimately, these intelligent agents will be able to draw on structured knowledge to analyse enquiries within their context, facilitate access to relevant information and support business processes more effectively.

SKAI aims to assist staff with their day-to-day tasks of monitoring, analysing and processing information, enabling them to devote more time to activities with higher added value.

As part of a scalable approach, SKAI uses conversation as a gateway to more advanced assistance and automation capabilities, expected to grow gradually, thereby paving the way for a wider use of AI within the CSSF. With SKAI, the CSSF is laying the foundations for a controlled, secure and scalable AI environment, designed to modernise its activities, enhance operational efficiency and ensure the continuous improvement of its internal processes.

3.2. Cybersecurity

The year 2025 was marked not only by an intensification of cyber threats but also by a significant strengthening of the CSSF's defensive capabilities. The IT security team continued its mission of protecting infrastructure, strengthening operational resilience and improving observability of equipment.

During the year, the CSSF observed a shortening of the time between the disclosure of vulnerabilities and associated attack attempts, requiring significant changes to vulnerability management and technology monitoring processes.

Thanks to continuous monitoring and improved detection mechanisms, detection and response capabilities continued to be strengthened, enabling faster identification of abnormal behaviour and improved operational resilience.

Following a year focused on heavy infrastructure, the emphasis shifted to behavioural analysis and noise reduction, enabling a faster and more targeted response. Several exercises (penetration tests, red team exercises, incident response exercises) and Europe-wide exercises helped to identify areas for improvement, which were quickly integrated into the CSSF's action plans.

Cybersecurity awareness training remains a priority, with sessions aimed at all staff to promote a better understanding of best practices.

At the same time, several structural projects have been carried out, particularly with regard to anomaly detection capabilities based on AI models. These developments have contributed to better risk anticipation and a reduction in the average response time to alerts and incidents.

Finally, the year was marked by the team's growing expertise in new threats linked to AI. This enables the CSSF to approach the coming year in a strong position, whilst remaining vigilant in the face of a rapidly evolving threat landscape.

The initiatives in 2025 showed the CSSF's commitment to continue its digital transformation in a responsible manner, combining innovation, cybersecurity, digital sovereignty and operational excellence. They help to strengthen the institution's supervisory capabilities in the long term within a rapidly evolving technological environment.

4. Social and environmental responsibility within the CSSF

In 2025, the CSSF persevered in its efforts to ensure a sustainable, efficient and responsible management of its infrastructure, while ensuring business continuity and the well-being of its agents.

In addition to routine maintenance, servicing and inspection of the technical facilities in the “Aubépines” and “Moonlight” buildings, several major initiatives have been undertaken to modernise the infrastructure and reduce its environmental footprint.

Following the installation in 2024 of a new heat exchanger powered by the City of Luxembourg’s district heating network, a permanent and larger equipment was put into service during the first half of 2025. The performance observed during the following heating season confirmed the expected gains in energy efficiency.

Building on the analyses conducted in 2024, the CSSF also installed a 30 kWp photovoltaic system on the roof of the “Aubépines” building. This project implemented before the end of 2025 is part of the CSSF’s commitment to a more sustainable management of its infrastructure and the gradual reduction of its carbon footprint.

As part of its environmental initiatives, the CSSF also continued its recycling initiatives, resulting notably in the recycling of 4,700 kg of paper towels during the year.

The CSSF also continued its efforts in the areas of accessibility and inclusion, notably by automating several doors in the “Aubépines” building, enabling people with reduced mobility to move around more independently.

The year 2025 was also marked by preparations for the modernisation project of the “Aubépines” building, which was completed in 2015. This project aims, in particular, to improve the agents’ working comfort, the ergonomics of the spaces, the acoustics and the infrastructure for collaboration and meetings.

To ensure optimal business continuity while keeping the costs associated with the work under control, the CSSF opted for a phased renovation approach, based on the creation of temporary buffer zones within the existing infrastructure. This approach made it possible to avoid renting additional space while ensuring operational continuity for the teams.

Preparatory and planning work was carried out in close coordination with the relevant service providers to enable the phased launch of the various renovation phases starting in late 2025.

Within the Hospitality division, discussions with catering and service providers continued to ensure a high-quality offer adapted to the needs of the agents and visitors. The organisation of international meetings and events also contributed to the CSSF’s international reputation and visibility.

Finally, the teams involved remained fully committed to ensuring a high level of service to the CSSF’s various divisions.

In terms of health and safety, the CSSF had a total of 163 first aiders in 2025, representing more than 16% of total staff. The teams dedicated to security and emergency management continued to be strengthened through regular training and appropriate preparedness exercises.

5. CSSF library

The CSSF library is a reference library which has been part of the Luxembourg libraries' network bibnet.lu since 2009. It is specialised in banking and financial law as well as in financial economy. It contains around 5,000 books and around 50 periodicals and update publications. The library also has a certain number of specialised electronic databases.

All the books in the library are listed in the general catalogue of the bibnet.lu network. The unified search engine of the collections of the network (www.a-z.lu) enables an easy search of the books available in the CSSF library and in all Luxembourg libraries.

The library is open to the public on prior request and by appointment on working days.

6. Budget and annual accounts of the CSSF - 2025

6.1. CSSF budget

The CSSF's budget planning follows a multi-year approach aimed at ensuring sustainable and prudent monitoring of developments in the institution's expenditure, revenue and strategic investments.

The 2025 budget was approved by the Board of the CSSF in November 2024. The 2025 annual accounts were approved on 26 March 2026.

The "Finance" division regularly monitors budget execution and prepares periodic reports for the Executive Board. An analysis detailing the discrepancies between the budgeted and the actual figures is made at the end of every financial year.

Particular attention continued to be paid to controlling operating expenses and allocating resources efficiently amid an economic and geopolitical environment that remains uncertain.

The key factors that have influenced the 2025 budget are notably the following:

- continuing efforts to control operating costs despite inflationary pressure and wage adjustments resulting from the agreement reached between the General Confederation of Civil Servants and the Ministry of the Civil Service, which provided, in particular, for a 2% increase in the index point value effective 1 January 2025;

- obtaining an operating subsidy of EUR 20 million, enabling the CSSF to continue making the investments necessary to maintain effective, technologically advanced supervision that is adapted to the rapid evolution of financial markets, digital risks, and the European regulatory requirements;

- continuing investments related to digitalisation, infrastructure modernisation and the upgrading of the institution's operational capacity.

6.2. CSSF annual accounts - 2025

BALANCE SHEET AS AT 31 DECEMBER 2025

Assets	EUR
Fixed assets	**51,108,928.49**
Intangible fixed assets	**2,386,409.25**
Development costs	2,006,374.00
Payments on account and intangible assets in progress	380,035.25
Tangible fixed assets	**48,722,519.24**
Land and buildings	41,893,018.72
Other fixtures, fittings, tools and equipment	6,271,655.00
Payments on account and tangible assets in progress	557,845.52
Current assets	**168,748,707.60**
Debtors	**10,238,819.13**
Trade debtors with a residual term of up to one year	8,879,960.34
Other debtors with a residual term of up to one year	1,358,858.79
Cash at banks, in postal cheque accounts, cheques in hand	**158,509,888.47**
Prepayment and accrued income	**11,559,995.97**
BALANCE SHEET TOTAL (ASSETS)	**231,417,632.06**

Own capital and liabilities	EUR
Own capital	**154,512,200.19**
Results brought forward	136,085,008.34
Result for the financial year	18,427,191.85
Provisions	**34,629,929.60**
Other provisions	34,629,929.60
Liabilities	**42,275,502.27**
Amounts owed to credit institutions	**33,548,471.59**
with a residual term of up to one year	4,804,447.25
with a residual term of over one year	28,744,024.34
Debts on purchases and provision of services	**4,301,046.28**
with a residual term of up to one year	4,301,046.28
Other debts	**4,425,984.40**
Tax debts	402,953.25
Social security debts	2,476,570.97
Other debts with a residual term of up to one year	1,546,460.18
BALANCE SHEET TOTAL (OWN CAPITAL AND LIABILITIES)	**231,417,632.06**

PROFIT AND LOSS ACCOUNT AS AT 31 DECEMBER 2025

Items	EUR
Net turnover	**172,455,594.33**
Other operating income	**21,122,630.31**
Raw materials and consumables and other external charges	**-19,321,378.74**
Raw materials and consumables	-488,604.15
Other external charges	-18,832,774.59
Staff costs	**-144.765.932,57**
Wages and salaries	-137,299,501.10
Social security costs	-4,979,861.02
relating to pensions	-478,702.35
other social security costs	-4,501,158.67
Other staff costs	-2,486,570.45
Value adjustments	**-4,776,438.62**
on formation expenses and tangible and intangible fixed assets	-4,776,438.62
on elements of current assets	0.00
Other operating charges	**-7,696,892.71**
Other interest receivable and other financial income	**1,865,432.82**
Other interest receivable and financial income	1,865,432.82
Interest payable and other financial charges	**-455,822.97**
Other interest payable and financial charges	-455,822.97
Result for the financial year	**18,427,191.85**

Réviseur d'entreprises agréé (approved statutory auditor): PricewaterhouseCoopers

II. The European dimension of the supervision of the financial sector

1. Supervision of banks

1.1. Single Supervisory Mechanism (SSM)

In 2025, the CSSF participated in all 16 meetings of the SSM Supervisory Board and contributed to 2,549 decisions concerning individual supervised entities within the SSM framework. The CSSF also contributed at a technical level to the work of a large number of working groups set up by the ECB.

The top SSM priorities identified for 2026-2028 are (i) strengthening banks' resilience to geopolitical risks and macro-financial uncertainties and (ii) strengthening banks' operational resilience and fostering robust ICT capabilities.

Further information on the SSM activities is available in the ECB Annual Report on supervisory activities 2025[1].

1 https://www.bankingsupervision.europa.eu/press/other-publications/annual-report/html/ssm.ar2025~6ee989dc7e.en.html

1.2. Regulatory developments

Following the publication of the CRR3/CRD VI banking package in the Official Journal of the European Union on 19 June 2024, CRR3 became applicable on 1 January 2025.

Although most of the new CRR3 rules have been applicable since that date (except certain transitional provisions), the application of the rules relating to market risks and the Fundamental Review of the Trading Book (FRTB) was postponed until 1 January 2027. This deferral aims to guarantee a level playing field at global level for the trading activities of the European banks.

The parliamentary work to transpose CRD VI into national law was mainly carried out in 2025. A first draft law no 8627 was submitted to the Chamber of Deputies on 2 October 2025. This text strengthens the internal governance of credit institutions, introduces new requirements regarding ESG risk management and grants enhanced supervisory powers to the supervisory authorities with respect to material operations, such as mergers and transfers of assets. Moreover, this draft law introduces into the Law of 5 April 1993 on the financial sector the new harmonised prudential framework established by CRD VI for third-country branches and strengthens the regime of administrative penalties, periodic penalty payments and other measures. Finally, the last aspect of the directive aiming to guarantee the independence of the competent authorities, their staff and their governing bodies was included in the draft law no 8705. Submitted on 13 February 2026, it will, among others, amend the CSSF's organic Law of 23 December 1998. These legislative amendments should enter into force in 2026, except for the provisions relating to third-country branches and the third-country regime for the provision of banking services which will apply as from 11 January 2027.

2. Supervision of financial markets

At ESMA level, the CSSF actively contributes to the work of the Data Standing Committee, the Risk Standing Committee and its sub-groups, the Financial Stability and Risk Monitoring Working Group (FRWG) and the Investor Trends and Research Working Group (IRWG), as well as the Investment Management Standing Committee (IMSC) and its sub-group, the Operational Working Group on Supervisory Convergence (OWG), which are composed of experts of the national competent authorities of Member States, assisted and coordinated by ESMA agents.

In 2025, with respect to collective management, work mainly focused on topics relating to depositary obligations, stress testing of money market funds, ESG criteria, review of the Directive on UCITS eligible assets. In addition, the review of Directives 2011/61/EU and 2009/65/EC by Directive (EU) 2024/927 encompassed work concerning liquidity management tools, loan-originating alternative investment funds (AIFs), costs related to investments in UCITS and AIFs and the report regarding the development of the integrated collection of supervisory data. In this context, ESMA published notably the following documents:

- on 24 February 2025, publication of an update of its Guidelines on stress test scenarios (ref. ESMA50-43599798-12301) under Regulation (EU) 2017/1131 on money market funds. These guidelines were implemented via Circular CSSF 25/877 published on 1 April 2025;

- on 15 April 2025, publication of the final report (ref. ESMA34-1985693317-1160) on ESMA Guidelines on LMTs of UCITS and open-ended AIFs along with the final report (ref. ESMA34-1985693317-1259) on the Draft Regulatory Technical Standards (RTS) in order to specify characteristics of liquidity management tools available for UCITS and open-ended alternative investment fund managers. These reports were later revised in 2025 leading to the publication, on 18 December 2025, of a report (ref. ESMA34-671404336-1363) on the amended guidelines on LMTs of UCITS and open-ended AIFs initially presented in the context of the final report ESMA34-1985693317-1160. These updates follow the adoption by the European Commission, on 17 November 2025, of RTS succeeding the final report ESMA34-1985693317-1259, after a series of amendments;

- on 23 June 2025, publication of a discussion paper (ref. ESMA12-2121844265-4904) on the integrated collection of funds' data;

- on 26 June 2025, publication of a final report (ref. ESMA34-2087785638-1548) in the context of the technical advice to be submitted to the European Commission on the review of Directive 2007/16/EC on UCITS eligible assets;

- on 30 June 2025, publication of a final report (ref. ESMA34-1592494965-764) following the Common Supervisory Action with all EU national competent authorities on the integration of sustainability risks and disclosures;

- on 21 October 2025, publication of a final report (ref. ESMA34-671404336-1345) on draft RTS in order to determine the requirements with which loan-originating AIFs must comply to maintain an open-ended structure;

- on 6 November 2025, publication of the report (ref. ESMA50-1949966494-3918) on total direct and indirect costs of investing in UCITS and AIFs based on a one-off data collection carried out by the national competent authorities in accordance with Directive (EU) 2024/927;

- on 17 November 2025, publication of a report (ref. ESMA42-2004696504-8176) regarding the peer review on the supervision of depositary obligations;

All the publications of ESMA are available on the website www.esma.europa.eu.

3. Cooperation within other European bodies

European Insurance and Occupational Pensions Authority (EIOPA)

In 2025, Luxembourg participated, via the CSSF and the CAA, in a stress test exercise on pension funds coordinated by EIOPA, similar to the stress test exercises of 2015, 2017, 2019 and 2022. The CSSF participated in this exercise through a sample of defined benefit schemes subject to the Law of 13 July 2005 on institutions for occupational retirement provision (IORPs) in the form of pension savings companies with variable capital (SEPCAVs) and pension savings associations (ASSEPs). The sample, composed of participants supervised by the CSSF and the CAA, represented 69% of the total gross assets of the IORP pension schemes supervised in Luxembourg.

The objective of the 2025 stress test was to assess liquidity risks to which IORPs are exposed. The two adverse scenarios of this stress test, developed in cooperation with the ESRB, were characterised by an increase (or decrease) in the yield curve, simulating the impact of a quick escalation of geopolitical tensions (or a loss in confidence of the markets in light of the prolonged period of geopolitical tensions).

In December 2025, EIOPA communicated[2] the results of this exercise, pointing out that the interest rate increase scenario posed the most important challenges, as the combined effects of rising interest rates and a depreciation of the euro triggered margin calls in derivative positions and repos, as well as an additional liquidity strain from market shocks. However, overall, the liquidity resilience in the sector remained solid, supported by adequate cash buffers and effective liquidity management practices. No element from the stress test exercise indicated possible major systemic risks for the financial markets. The results of the IORPs domiciled in Luxembourg showed the sector's good resilience to adverse scenarios, due to the IORPs' investment strategy mainly focused on liquid assets, a low exposure to derivatives, as well as the capacity of the sponsors to provide support as a security mechanism.

2 https://www.eiopa.europa.eu/document/download/647c2beb-2337-4e87-bb1f-8a680deca58d_en?filename=Report%20-%20IORP%20Stress%20Test%202025.pdf

III. Macroprudential supervision of the financial sector

The CSSF actively contributes to the supervision of macroprudential risks that may affect the Luxembourg financial sector's stability. From an institutional point of view, it participates in various committees and working groups, such as, at national level, the Systemic Risk Committee (Comité du Risque Systémique - CdRS) which is the authority in charge of coordinating the macroprudential policy in Luxembourg, and, at international level, the European Systemic Risk Board (ESRB).

The ESRB is the authority in charge of the macroprudential oversight at European level. Its remit covers financial stability issues with respect to the whole financial system. The ESRB analyses the dependencies, interconnectedness and contagion mechanisms between sub-sectors. The work of the ESRB complements that of the Financial Stability Board (FSB) at international level. The ESRB issues recommendations and opinions which may in return affect practices in the financial sector in Luxembourg. As designated macroprudential authority, the CSSF takes part in the work of the ESRB by participating in its committees and working groups. In 2025, the ESRB devoted special attention to the linkages between banks and non-bank financial intermediation (NBFI) entities, along with other international organisations (e.g. Basel Committee[1]), and published a joint report with the ECB on this topic[2]. The CSSF has contributed to this work, in particular through an analysis of the linkages between Luxembourg banks and investment funds, as well as through bank-fund stress tests that it conducts on a regular basis.

Throughout 2025, two main themes remained at the heart of the macroprudential supervision: firstly, the situation in the residential and commercial real estate market and the risks this posed to the Luxembourg banking sector, and, secondly, the investment fund sector, due to its size and the vulnerabilities (leverage, liquidity mismatches and interconnectedness) broadly identified in investment funds[3].

1 Basel Committee (2025). Banks' interconnections with non-bank financial intermediaries (https://www.bis.org/bcbs/publ/d598.pdf)

2 ESRB/ECB (2026). Financial stability risks from linkages between banks and the non-bank financial intermediation sector (https://www.ecb.europa.eu/pub/pdf/other/ecb.report202602_financialstabilityrisks.en.pdf)

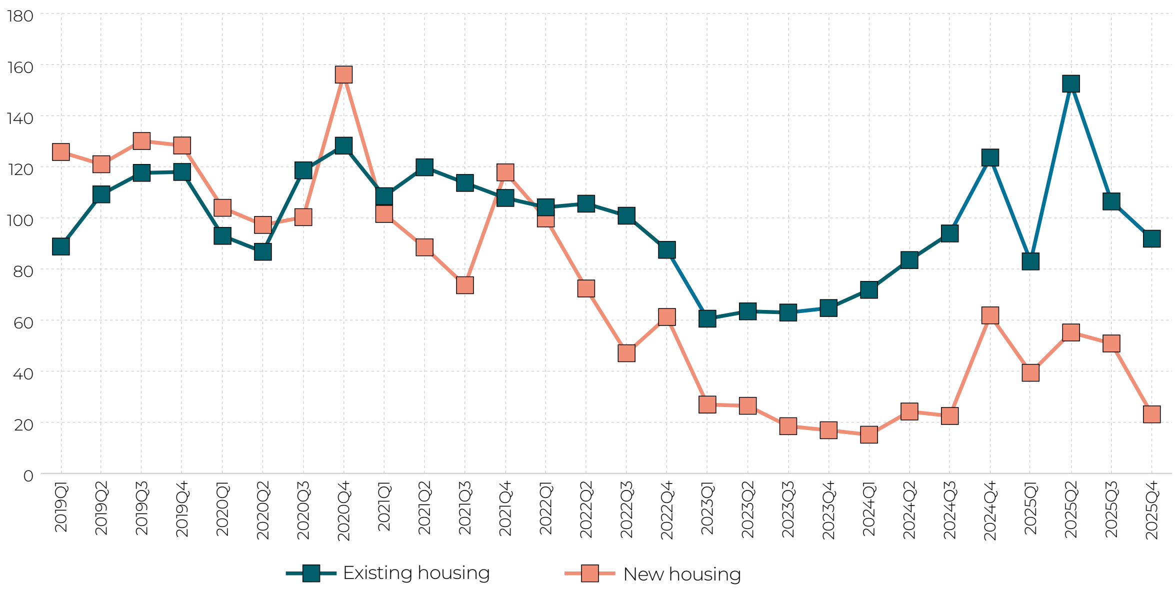
3 Macroprudential Policy for Investment Funds: Considerations by the CSSF, published in 2024 (https://www.cssf.lu/en/2024/06/publication-of-the-cssf-paper-macroprudential-policy-for-investment-funds-considerations-by-the-cssf/)

1. Macroprudential supervision of banks

Following a period of falling interest rates, transactions in the residential real estate market picked up in 2025. However, economic uncertainty and still high prices continued to weigh on the commercial real estate and construction sectors.

In 2025, the housing market in Luxembourg showed some signs of recovery, buoyed by the tax measures introduced by the government. The development in the number of transactions in the existing housing segment highlights the positive impact of these measures on the real estate market. These support measures have also boosted transactions in the new-build housing segment, although these remain well below their historical average levels. As regards residential real estate prices, the normalisation phase observed in 2024 gave way to stabilisation during 2025. Year-on-year, prices increased by 1% in the first, by 4.5% in the second, by 0.8% in the third and by 0.1% in the fourth quarter of 2025[4]. Rents also increased in 2025, i.e. a rise of 1.4%[5] over a year. In this context, the price-to-rent ratio remained broadly stable at a level comparable to that of 2020.

Development of real estate transactions in Luxembourg (index, base 100 = year 2015)[6]



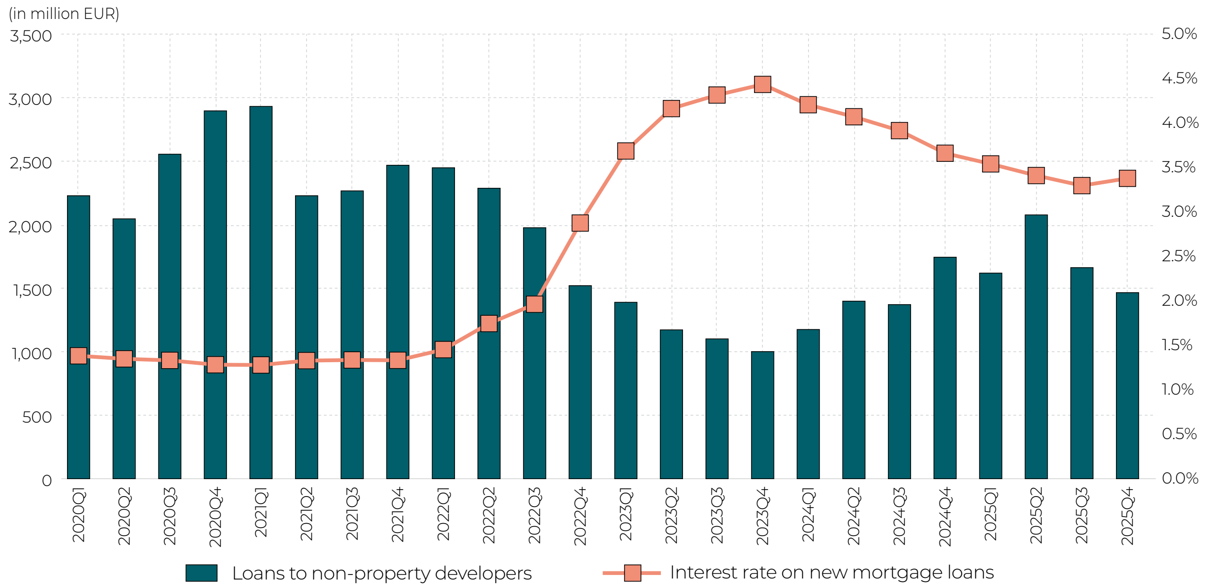
In 2025, volumes of financing continued the upswing that had begun the previous year. The upturn in mortgage lending activities took place against a backdrop of continued normalisation of interest rates, combined with the extension of government measures, which expired in June 2025 after having initially been scheduled to end in December 2024. In 2025, new loans increased by 20% compared to 2024. Total mortgage loans granted in relation to residential real estate amounted to EUR 6.8 billion in 2025, against EUR 5.7 billion in 2024.

4 Source: Statec

5 Source: OECD

6 Source: Eurostat

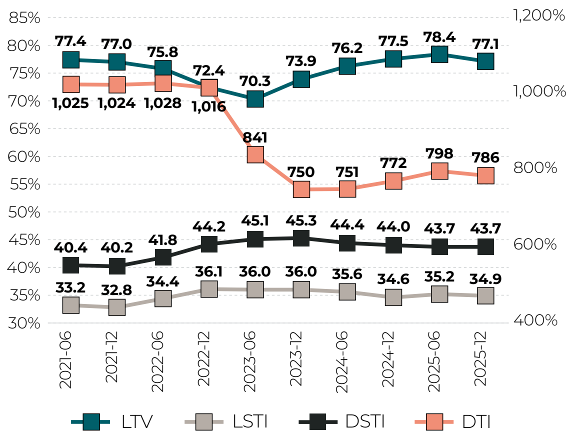
Mortgage loans granted in relation to properties located in Luxembourg and interest rates[7]



As regards new loans, the average debt-to-income (DTI) ratio rose slightly in 2025. While the average DTI ratio exceeded 1,000% in 2021 and 2022, it dropped significantly as from 2023 due, among others, to monetary policy tightening in the euro area and the consequent contraction of the borrowing capacity, before it slightly recovered to 786% in the second half of 2025. As regards the LTV ratio, its average value decreased to reach 70.3% in the first half of 2023 and afterwards increased to 77.1% in the second half of 2025. The increase in the average loan-to-value ratio compared with 2024 was also slightly higher in the buy-to-let segment, whilst this ratio remained stable in the first-time buyer segment. Finally, the percentage of loans granted with an LTV ratio above 90% remained stable at 30% over 12 months.

In the context of an interest rate normalisation, the debt-service-to-income (DSTI) ratio of new loans slightly dropped to 43.7% during the two semesters of 2025. This environment of more favourable interest rates also contributed to a decline in the average maturity of new residential mortgage loans, which fell from 23.4 years in the second half of 2024 to an average of 22.8 years in the second half of 2025. As for the average loan-service-to-income (LSTI) ratio, this rose from 34.6% in the second half of 2024 to an average of 34.9% in the second half of 2025.

Borrower-based indicators[8]



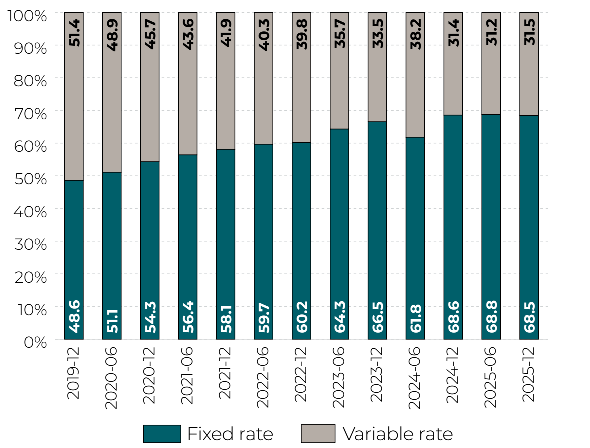
7 Source: Loans to non-property developers, BCL statistical reporting, tables 11.9 and 3.1

8 CSSF reporting in accordance with Circular CSSF 18/703; relates to loans granted for the purchase of residential real estate in Luxembourg of which the real estate collateral is also located in Luxembourg.

The share of new loans associated with an LSTI ratio above 40% declined in the total of new loans in 2025. In the second half of 2025, 9% of new loans were granted to households that will have to spend more than 40% of their income to cover the mortgage debt burden. By way of comparison, this share was 17% in the first half of 2023.

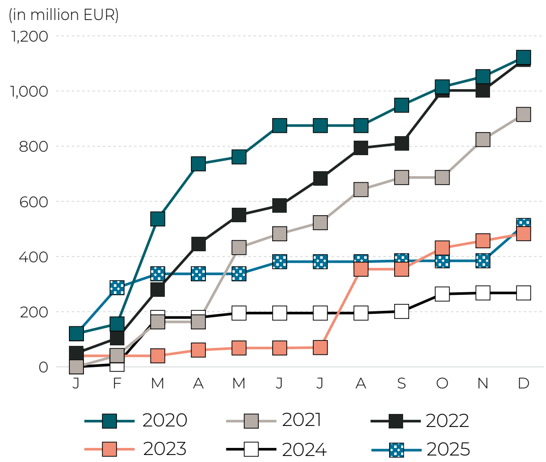
Only 2% of the residential mortgage loans were non-performing loans as at 31 December 2025[9]. Certain economic stabilisers in particular helped preventing or mitigating economic difficulties, such as the average value of household wealth and housing support measures implemented by the Luxembourg government. At the end of December 2025, 31.5% of the outstanding mortgage loans granted by banks to households were variable rate loans and less than 2% were bridge loans. It should be noted that the share of variable-rate loans in the total of mortgage loans in Luxembourg has been continuously declining over the last years.

Distribution of variable and fixed-rate loans for mortgage loans with mortgage guarantees located in Luxembourg (outstanding at the end of the period)[10]



With respect to commercial real estate, the total volume of transactions in 2025 remained at a low level, i.e. EUR 513 million, but recorded a 91% increase compared to the previous year.

Cumulative transaction volume of investment in commercial real estate in Luxembourg[11]



Against the backdrop of a "new normal" for commercial real estate markets which is characterised by changing ways of working, stricter energy performance requirements for buildings and rising construction costs, the CSSF has continued to monitor the practices of financial players operating in this sector. In the past, the CSSF's monitoring of the commercial real estate market had focused on systemic risk supervision. Following this work, the practices implemented by the supervisory authorities in Luxembourg were, in fact, deemed "fully compliant" by the European Systemic Risk Board (ESRB)[12]. In 2025, the CSSF paid particular attention to the importance of conducting regular and realistic valuations of commercial real estate collateral as part of credit risk management.

9 FINREP Reporting

10 CSSF reporting in accordance with Circular CSSF 18/703; relates to loans granted for the purchase of residential real estate in Luxembourg and the real estate collateral of which is also located in Luxembourg.

11 Source: MSCI Real Capital Analytics (RCA)

12 In the framework of the first part of its assessment of the answers by the national supervisory authorities to Recommendation ESRB/2022/9 on vulnerabilities in the commercial real estate sector in the EEA (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023Y0201(01)).

The macroprudential measures implemented over the last years did not undergo a fundamental change in 2025. For the real estate sector, they consist of the 15%[13] minimum threshold on risk weights applied by banks using the internal rating-based approach as well as of CSSF Regulation No 20-08[14] introducing differentiated borrower-based loan-to-value limits for granting loans for residential immovable property located on Luxembourg territory. However, from 21 May 2024 to 30 June 2025, certain temporary amendments were introduced to CSSF Regulation No 20-08, in accordance with CSSF Regulations No 24-04 and No 24-10. These adjustments included the introduction of a 10% flexibility margin on the annual volume of "buy-to-let" loans per lending institution, allowing individual loans with an LTV ratio exceeding 80% to be granted, without, however, exceeding 95%. They also provided for the temporary recognition of cash collateral and the State guarantee as eligible personal contributions in the context of a residential mortgage loan.

Moreover, pursuant to the Law of 23 December 2016 transposing Directive 2014/17/EU of 4 February 2014 on credit agreements for consumers relating to residential immovable property, the CSSF expects banks to implement at the loan origination a robust sensitivity analysis for all loan agreements entailing an interest rate risk for consumers[15].

In 2025, in consultation with the BCL and following the CdRS recommendations, the CSSF also maintained the countercyclical capital buffer at 0.5% in order to ensure, on the one hand, the resilience of the banking sector and, on the other hand, a positive buffer level to be released in case of materialisation of cyclical risks.

Finally, as illustrated in the table below, six banks were designated as systemically important institutions in Luxembourg, i.e. one more than last year. This designation process took place during the year 2025 in the framework of the annual identification of systemic banks in Luxembourg according to the EBA methodology (EBA/GL/2014/10). An additional capital requirement is applied as from January 2026 to the banks concerned, which represent 27% of total assets of the Luxembourg banking sector, in order to reduce their probability of default, given the negative externalities that their default could generate. Capital requirements have remained unchanged from the previous year, with the exception of the newly designated bank, Intesa Sanpaolo Luxembourg S.A.

Denomination	Buffer rate applicable as at 1 January 2025	Buffer rate applicable as at 1 January 2026
Banque et Caisse d'Épargne de l'État, Luxembourg	0.5%	0.5%
Banque Internationale à Luxembourg	0.5%	0.5%
BGL BNP Paribas	1.0%	1.0%
Clearstream Banking S.A.	0.5%	0.5%
Intesa Sanpaolo Bank Luxembourg S.A.	0.0%	0.5%
Société Générale Luxembourg	0.5%	0.5%

13 Opinion and recommendation of the Systemic Risk Committee with respect to the risk weight applied to all retail exposures (non-SME) secured by residential property in Luxembourg (CRS/2016/004) (http://www.bcl.lu/fr/stabilite_surveillance/CRS/Avis_Recommandation_CRS_00_2016_RWfloor_01_07_2016.pdf) and Circular CSSF 16/643 (https://www.cssf.lu/en/Document/circular-cssf-16-643/)

14 CSSF Regulation No 20-08 of 3 December 2020 laying down conditions for granting loans for residential property located on Luxembourg territory (https://www.cssf.lu/en/Document/cssf-regulation-no-20-08-of-3-december-2020/)

15 FAQ – Circular CSSF 22/824 (https://www.cssf.lu/en/Document/circular-cssf-22-824/)

2. Macroprudential supervision of investment funds

Assets under management by Luxembourg investment funds exceeded the EUR 6 trillion mark in 2025. The investment fund sector is subject to macroprudential supervision, as illustrated below, particularly in relation to the use of leverage by funds, liquidity mismatches and interconnectedness.

With regard to leverage, macroprudential measures may be taken by the CSSF under Article 25 of the AIFMD (as transposed into Luxembourg law by Article 23 of the Law of 12 July 2013 on AIFMs). This Article provides that the CSSF assesses the risks that the use of leverage by a Luxembourg AIFM with respect to the AIFs it manages could entail.

If the CSSF deems it necessary in order to ensure the stability and integrity of the financial system, it may, after having notified ESMA, the ESRB and the competent authorities of the relevant AIF, impose limits to the leverage that an AIFM is entitled to employ or other restrictions on the management of the AIFs to limit the extent to which the use of leverage contributes to increased systemic risks in the financial system or risks of disruption on the markets. On this basis, the CSSF continues to apply a macroprudential measure, taking effect on 29 July 2024[16], consisting of a liquidity buffer for GBP-denominated LDI (Liability Driven Investments) funds, aimed to ensure the resilience of these funds to interest rate variations of at least 300 basis points. To this end, the funds in question are subject to ongoing monitoring based on dedicated reporting. Certain specific cohorts of funds (including real estate funds, loan funds and hedge funds) are also subject to enhanced monitoring with regard to their use of leverage.

With respect to liquidity risk, an internal stress-testing exercise[17] conducted annually by the CSSF, using shocks calibrated on a macroeconomic model fed by ESRB crisis scenarios, showed that certain funds (e.g. high-yield funds) are more vulnerable than others in the event of severe liquidity shocks. This exercise confirms the relevance of international efforts to strengthen liquidity risk management in open-ended funds, in particular the work carried out by IOSCO and the FSB on structural liquidity mismatches and the use of stress testing at both fund and system-wide levels.

The money market fund sector, which increased by 7% in 2025, is also being closely monitored, particularly due to its connection with the real economy. In particular, an annual internal stress test exercise has been developed to improve the monitoring of their resilience to interest rate and credit shocks.

16 https://www.cssf.lu/en/Document/macroprudential-measures-for-gbp-liability-driven-investment-funds/

17 Lô, S. and J.-F. Carpantier (2023), *Liquidity Stress Test for Luxembourg Investment Funds: the Time to Liquidation Approach*, CSSF Working Paper.

IV. The international dimension of the CSSF's mission

1. Basel Committee on Banking Supervision

The CSSF contributes to the work of the Basel Committee, its main sub-committees (Policy and Standards Group, Supervisory Cooperation Group and Risks and Vulnerabilities Assessment Group) as well as some expert groups which are particularly relevant for banking supervision in Luxembourg. These groups are dedicated to the fight against money laundering and terrorist financing, accounting, traditional banking risks as well as subjects covering operational aspects such as digitalisation or complementing measures aiming at combating the effects of climate change.

During 2025, the Basel Committee continued to fully play its role as exchange and coordination forum between national banking supervisory authorities. The exchanges focused on national developments with cross-border implications and covered the main emerging trends such as digitalisation or interaction between global financial sector players, and their associated risks.

On 9 February 2026, at a meeting of the oversight body of the Basel Committee (GHOS - Governors and Heads of Supervision), the members reaffirmed their expectation of full and consistent implementation of the Basel III framework by all member jurisdictions.

The Basel Committee's publications and information on its mission and organisation are available on the website www.bis.org.

2. International Organization of Securities Commissions

The CSSF participates in the work of the International Organization of Securities Commissions (IOSCO) via the main (sub-)committees and other working groups, such as the Financial Stability Engagement Group (FSEG) and its sub-group, the Financial Stability Coordination Group (FSCG), Committee 5 on Investment Management, the Assessment Committee and the European Regional Committee, which are particularly important in the context of the development and monitoring of the implementation of internationally recognised standards relating to the regulation of securities markets.

In 2025, besides the 50th Annual Meeting which was held in Qatar, IOSCO's work mainly focused on the topics addressed by the FSEG and Committee 5.

In 2025, the FSEG continued its collaboration with the Financial Stability Board (FSB) on financial stability issues (including notably the resilience of non-bank financial intermediation - NBFI).

Moreover, the work of Committee 5 on liquidity risk in investment funds continued, covering in particular liquidity risk management in open-ended UCIs. Following the review of the FSB recommendations on liquidity risk at the end of 2023, IOSCO published, on 26 May 2025, revised recommendations on liquidity risk management and additional guidance aiming at the efficient implementation of these revised recommendations.

Committee 5 also continued to work on the update of IOSCO's principles for the valuation of hedge fund portfolios of 2007 and IOSCO's principles for the valuation of collective investment schemes of 2013. In this context, the committee published a consultation paper on 17 November 2025. The work relating to this topic is expected to be finalised in 2026.

All IOSCO's publications and information on its mission and organisation are available on the website www.iosco.org.

3. The MiFIR third-country national regime

In 2025, the CSSF continued analysing files submitted by third-country (i.e. non-EU/EEA) firms in relation to the provision of cross-border investment services to clients in Luxembourg under the national third-country regime authorised under Regulation (EU) No 600/2014 (MiFIR). This regime, as well as the conditions to be met by firms to make use of it, are described at length in Circular CSSF 19/716. Circular CSSF 20/743, which complements Circular CSSF 19/716, clarifies the criteria that firms need to take into account to make their own assessment of whether their services are considered to be provided in Luxembourg (principle of territoriality).

In conjunction with Circular CSSF 19/716, as amended by Circular CSSF 20/743, and in particular the national third-country regime under MiFIR, the CSSF has continued to monitor the equivalence of the regimes of Canada, the Swiss Confederation, the United States of America, Japan, the Hong Kong Special Administrative Region of the People's Republic of China and the Republic of Singapore through CSSF Regulation No 20-02, the equivalence of the United Kingdom of Great Britain and Northern Ireland through CSSF Regulation No 20-09, as well as the equivalence of the People's Republic of China and of Australia through CSSF Regulation No 22-04.

V. Financial innovation

As a result of the growing technological interaction between the various elements of the value chain and business processes, a shift towards an increasing digitalisation of the financial sector can be observed. In this regard, the year 2025 was marked by the gradual proliferation of use cases involving crypto-assets, tokenisation or AI.

Digitalisation, initiated in the past by FinTechs, is no longer considered as a niche, and is now driven by a significant number of institutional players of the financial centre. If one year ago we still talked about the need for these players to make strategic choices to remain competitive, we may say that many of them did take ambitious decisions, establishing concrete targets as part of their digital strategy.

An ever-increasing number of major players of the financial centre request to meet with the Innovation Hub and the internal specialists of the CSSF to discuss the strategic decisions they took or are about to take to further develop digitalisation, with ambitious and clear objectives, compatible with their legacy systems.

These exchanges with the CSSF show that staff is offered more training in the new competences and developments planned, but that there still is an increased need for new talents and specific competences, right up to the level of the decision-making bodies of the authorised entities.

The year 2025 was also the first full year of application of MiCAR. Its implementation was carried out in a structured and consistent manner, in a mature financial sector assisted by a regulator familiar with issues linked to that topic.

As a matter of fact, the CSSF has long-standing expertise in blockchain and crypto-assets since the introduction of the first exchange platforms. Over the years, this expertise was honed through the internal training of its staff and the recruitment of specialised personnel in that field. The CSSF does thus not rely on "one" specialised team, but it now draws on the support of a network of specialised staff in all its departments.

Also, the financial centre is subject to diversification and integration of a new typology of players, i.e. crypto-asset service providers (CASPs) and issuers of tokens. Consequently, in 2025, the CSSF witnessed an increased interest in the CASP status in Luxembourg, mainly in key areas of the Luxembourg ecosystem, as for example in the crypto-asset custody activity.

Similarly, projects linked to the tokenisation of financial instruments, mainly investment funds, have also expanded with a growing number of related initiatives. Several projects have been submitted to the CSSF and are either being developed or awaiting authorisation or already operating. The implementation of these projects will send a strong signal to the financial sector and promote confidence in this trend.

The parallel development of the crypto-asset market will contribute to this expansion as stablecoins, i.e. e-money tokens under MiCAR, may notably be used to allow subscriptions and redemptions in investment funds. The transaction may thus be entirely performed on the distributed ledger technology (DLT).

Moreover, the introduction of the "Blockchain IV Law"[1], which extends the scope of the Law of 6 April 2013 on dematerialised securities to equity securities, and which introduces the new control agent function, provides now for an additional possibility to issue fund units natively on the DLT. This new method, based on the control agent maintaining an issue account, coexists with the previous method, and allows a transfer agent to maintain its registers on the DLT without any legal obstacle and in compliance with the principle of technological neutrality.

- **The Innovation Hub as a single point of contact**

In 2025, the Innovation Hub, as part of its missions, provided assistance and guidance internally to the CSSF and to external entities in order to support the digital transition of the financial sector.

As the single point of contact of the CSSF for innovation issues, the Innovation Hub strengthened ties with established FinTechs and players of the financial sector while continuing to foster open dialogue on topics related to financial innovation, including regulatory treatment of emerging products, services and business models. These exchanges allowed the Innovation Hub to answer questions and connect applicants with the relevant departments of the CSSF by organising and facilitating meetings or by coordinating the processing of cross-cutting files.

Thus, the Innovation Hub was solicited by 77 project entities that were seeking either guidance or concrete support in the registration, authorisation or extension of authorisation. These projects focused mostly on tokenisation, RegTechs, the use of AI, as the files relating to crypto-assets were, in principle, dealt with directly by the relevant departments.

The Innovation Hub assists many start-ups that contact it within the framework of projects that are still at an early stage of development, by guiding them through the regulatory framework applicable to them and informing them on how to best interact with the regulator when the project matures, i.e. when the legal memorandum and proof of concept are established. This proactive interaction allows, in turn, the Innovation Hub to keep up to date with the latest developments in the Luxembourg financial market and to align, where necessary, its internal priorities with the relevant themes.

The Innovation Hub also organised several workshops, enabling authorised entities to present their digital strategy projects at various stages of development.

- **Crypto-assets**

The Innovation Hub continued assisting the CSSF departments in their work related to MiCAR, which defines an authorisation and prudential supervisory framework for crypto-asset issuers and CASPs, following its entry into force.

This work has been carried out both internally and through participation in the development and review of a number of standards and guidelines (over 50 RTS, ITS and guidelines under MiCAR) by taking part in the European regulators' working groups and committees.

It should be noted that a great deal of work was also initiated in 2025 by ESMA and the EBA in order to facilitate supervisory convergence between national competent authorities on the processing of applications from entities wishing to obtain authorisation as CASP.

- **RegTech**

Many projects submitted to the Innovation Hub covered, once again, the diverse category referred to as RegTech, i.e. entities whose objective is to

1 Law of 20 December 2024 amending: 1° the Law of 6 April 2013 on dematerialised securities, as amended; 2° the Law of 5 April 1993 on the financial sector, as amended; 3° the Law of 23 December 1998 establishing a financial sector supervisory commission ("Commission de surveillance du secteur financier"), as amended.

provide tools to enable an entity supervised by the CSSF to meet regulatory, compliance and reporting requirements. These tools include the types of business models already encountered in previous years: know-your-customer solutions, analysis/supervision of (traditional or crypto asset-related) transactions, onboarding of remote customers, data governance, data aggregation and provision, and regulatory reports. Although these RegTechs often do not need a CSSF authorisation, it is important for the Innovation Hub to meet them to be aware of these innovative solutions that simplify the traditional processes of the players of the financial sector.

- **Artificial Intelligence**

In May 2025, the CSSF published a joint report with the BCL on the findings of the latest survey on the use of AI in Luxembourg's financial sector. The Innovation Hub coordinated the underlying process and actively contributed to the analysis, which involved also the expert team members of the department "Supervision of information systems".

The survey revealed that the adoption of GenAI rapidly overtook the adoption of machine learning technologies, considered to be a more "traditional" technique, bringing forth new use cases (e.g. text summarisation, content generation, chatbots, translation, software code generation) on the one hand, whilst exposing entities to new types of risks (e.g. hallucinations) on the other hand.

The survey also revealed that certain financial entities have yet to fully comprehend or implement the risk categorisation introduced by the AI Act.

In this respect, the Innovation Hub's participation[2] in several AI-related working groups at European level, in particular on the interpretation of AI requirements for the financial sector, is worth mentioning. The objective is two-fold: clarifying how the AI Act requirements must be implemented by financial entities and facilitating convergence on AI supervision.

Moreover, in 2025, the Innovation Hub strengthened its role as an active member of the Luxembourg AI ecosystem through its participation in flagship initiatives, among which the Regulation Meets Innovation (ReMI) initiative by the CNPD (National Commission for Data Protection), and its discussions with the main stakeholders in the AI ecosystem.

Lastly, the Innovation Hub further exchanged with other European innovation facilitators to get an overview of best practices, including the different approaches and instruments to facilitate innovation.

The Innovation Hub's AI approach in 2026 will be based on the information gathered during these discussions.

- **Dialogue with the ecosystem**

The Innovation Hub has continued its initiatives to engage in dialogue with financial professionals and academics with the aim of acquiring specific knowledge, particularly technical knowledge, as well as initiatives relating to the expectations of the financial sector players. Exchanges with stakeholders of the financial sector enable it to become aware of the concrete problems faced by the sector, to identify any regulatory obstacles or areas that could benefit from clarification by the regulator in relation to sector-specific laws, and to find solutions in a coordinated way.

The Innovation Hub, accompanied, where appropriate, by specialists from different CSSF departments, meets with the professional associations of the financial sector several times a year in order to provide a regulatory update, to allow them to ask questions and to have a free exchange on the observed issues and trends. Since their implementation, these sessions have become a key meeting place for the Luxembourg financial sector, proving to be mutually beneficial for both the regulator and the industry, to progress on important issues.

- **Challenges for 2026**

The Innovation Hub will continue to support the transition towards an increasingly digital finance in 2026. This will involve constant monitoring of developments in innovation and financial technologies, in particular with a view to identifying their impact on the Luxembourg financial sector as early as possible, providing certain clarifications on new activities, mitigating the risks in the context of the technologies in question, and defining, where necessary,

2 Considering the close link with supervision, this work is carried out jointly with the department "Supervision of information systems".

the approach and concrete measures to be adopted. That being said, a number of priorities will need to be addressed.

In order to ensure that the local players make informed choices before engaging in tokenisation projects, legal certainty needs to be acquired. This is also the reference point from which the CSSF will develop relevant guidance.

Furthermore, the Innovation Hub noted that there is a knowledge gap among the various players in relation to what is possible and what is not possible. It is precisely to address this legal certainty need that the CSSF will assess, in due course, the possibility to provide clarifications (notably as regards tokenisation for investment funds) or to promote initiatives regarding the use of AI.

VI. Sustainable finance

Environmental, social and governance (ESG) issues continue to have a significant global impact and remain a key consideration for financial markets and investors.

At European level, 2025 was marked by broader reflections on the coherence and effectiveness of the sustainable finance regulatory framework. These developments, including the ongoing review of key sustainable finance legislation, do not represent a slowdown in the development of the framework that has been progressively built over recent years, but rather aim to improve its functioning in practice. Facilitating the understanding of sustainability disclosures and ensuring the reliability of related claims is essential both for investor protection and for maintaining confidence in sustainable financial products.

In this context, the CSSF continued to carry out its supervisory activities, building on the approach developed in previous years. A significant part of this work also provided an opportunity to exchange with market participants, thereby informing the discussions at European and national level on the evolution of the sustainable finance framework, helping to ensure that ongoing regulatory developments contribute to a consistent and workable implementation of sustainability-related obligations.

The results of the Common Supervisory Action (CSA) conducted with ESMA on sustainability risks and disclosures in the asset management sector were finalised in 2025 and provided valuable insights into the practical implementation of the requirements. While overall awareness and governance arrangements have improved, the CSSF noted in its feedback report[1] published in September 2025 that certain sustainability risk policies remain overly high-level and that disclosures, such as remuneration policies or principal adverse impact indicators, are sometimes too generic or incomplete. The CSSF further observed that the integration of sustainability factors into risk management frameworks could be strengthened through clearer metrics, defined escalation procedures and more consistent reporting to senior management.

1 https://www.cssf.lu/en/Document/esma-common-supervisory-action-on-sustainability-risks-and-disclosures-in-the-investment-management-sector/

In addition, the ESMA Guidelines on funds' names using ESG or sustainability-related terms became fully applicable to all funds in scope from 21 May 2025, following their initial application to newly authorised funds in 2024. The CSSF therefore continued the supervisory work initiated in 2024 to ensure that fund names appropriately reflect the sustainability characteristics, investment objectives and strategies. This supervisory experience, together with the results from the CSA, fed into ongoing policy engagement in the context of the ongoing review of the Sustainable Finance Disclosure Framework (SFDR), notably by informing discussions on the introduction of a clearer product categorisation system.

In parallel, the prudential framework for credit institutions continued to evolve with the new provisions under the Capital Requirements Regulation and Directive (CRR/CRD) and the EBA Guidelines on the management of ESG risks. These updates required corresponding adaptations to the supervisory framework to prepare for the entry into force of the related requirements, notably through the publication of Circular CSSF 26/905 to adopt the EBA Guidelines on the management of ESG risks for Less Significant Institutions (LSIs). The supervisory work carried out on credit institutions also informed European discussions, notably the review of the Pillar 3 Implementing Technical Standards (ITS) on ESG risk disclosures.

The CSSF also continued its participation in another CSA conducted by ESMA on the integration of sustainability in firms' suitability assessments and product governance processes and procedures. This exercise enabled the CSSF to both assess the level of adherence of supervised entities with the MiFID II sustainability framework and identify areas where their application remains operationally challenging. It also gave the CSSF the opportunity to foster dialogue with ESMA and market participants as regards its supervisory practices. As such, the CSA outcomes also triggered discussions at European and national level with ESMA and the Ministry of Finance, respectively, concerning the application of these requirements in investment advisory and portfolio management services, and their interaction with the evolving SFDR framework.

Following the legislative proposals of the Omnibus I Package[2] published on 26 February 2025, the implementation trajectory of the Corporate Sustainability Reporting Directive (CSRD) evolved, notably with the adoption of Directive (EU) 2025/794[3] which extended the application dates for entities in scope. In the absence of transposition into Luxembourg law, the CSSF focused on accompanying issuers through bilateral exchanges regarding the forthcoming requirements and the interpretation of the European Sustainability Reporting Standards (ESRS). To further support issuers voluntarily applying the ESRS for their sustainability reports, the CSSF published the results of a fact-finding exercise[4] in August 2025 analysing the first set of ESRS-based sustainability reports, with the aim of identifying good practices and highlighting key areas requiring improvement.

Alongside these actions relating to corporate disclosures, the entry into force of the European Green Bond Regulation (EuGB)[5] in December 2024 made 2025 the first year of its practical application. The CSSF accordingly integrated the requirements of this regulation into its prospectus approval processes and supervised green bond issuances applying the EuGB Standard to ensure compliance with the applicable minimum disclosure requirements. The supervisory experience gained through the approval of green bond prospectuses also informed the CSSF's contributions to discussions on the development of further ESG-related disclosure requirements applicable to green bonds under the proposed Listing Act.

2 https://commission.europa.eu/publications/omnibus-i_en

3 https://eur-lex.europa.eu/eli/dir/2025/794/oj/eng

4 https://www.cssf.lu/wp-content/uploads/CSRD-Fact-finding-Report-August-2025.pdf

5 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2631

Efforts at European level to simplify the sustainable finance framework and to make it fully operational will continue to represent an important driver in 2026, which is expected to constitute a transitional phase during which several elements of the regulatory framework will evolve. Maintaining trust and promoting financial education will therefore remain essential. The CSSF will continue its engagement with the market and its financial education initiatives to improve investor understanding of sustainability-related investments, as regulation alone cannot effectively address greenwashing risks if investors do not understand the characteristics and risks of the products available to them.

In 2026, the CSSF will continue to accompany the financial sector in implementing requirements while closely monitoring developments in this area in order to continue fostering a reliable and trustworthy financial ecosystem, thereby supporting the long-term development of sustainable finance in Luxembourg and in Europe.

VII. Supervision of banks

1. Banking supervision practice

1.1. Organisation of the supervision

Responsibility for direct microprudential supervision in the strict sense depends on the type of credit institutions, as illustrated in the table below.

Competent authorities by type of credit institutions established in Luxembourg

Type of credit institution	Competent authority	Number	
		2024	2025
Significant institutions incorporated under Luxembourg law	ECB	27	25
Less significant institutions incorporated under Luxembourg law	CSSF	43	44
Branches of a significant institution	ECB	19	19
Branches of a less significant institution	Supervisory authority of the head office	11	13
Branches of an institution headquartered in an EU Member State outside of the SSM	Supervisory authority of the head office	2	2
Branches of a non-EU institution	CSSF	13	13
Total		**115**	**116**

Prudential supervision in the strict sense includes the supervision of solvency, liquidity and internal governance. It does not include the other areas of supervision that fall under the competence of the CSSF, namely:

- the supervision of compliance with the professional obligations regarding anti-money laundering and combating the financing of terrorism (AML/CFT);
- the supervision of regulations for consumer and investor protection: MiFID, laws on mortgage credits and consumer credits;
- the supervision of regulations relating to market integrity: European Market Infrastructure Regulation (EMIR), Securities Financing Transactions Regulation (SFTR), Benchmark Regulation (BMR) and covered bonds legislation;
- the supervision of the obligations deriving from sectoral laws on UCIs, including, in particular, the obligations related to the function of depositary bank of UCIs;
- the supervision of obligations deriving from other European or national regulations, like the Law on payment services PSD2, SEPA, Instant Payment Regulation, Directive NIS[1], DORA[2] and the Law on payment accounts;
- since 30 December 2024, the supervision of the activities of credit institutions covered by the European regulation on virtual asset markets, known as MiCA.

As regards the areas of supervision referred to above, the CSSF agents also actively participate in working groups which meet at European and international level.

1.2. Priorities with respect to prudential supervision and banking risks

The CSSF defines its priorities for the supervision of credit institutions falling within its remit on an annual basis. In order to use resources as efficiently as possible, the determination of the supervisory priorities follows a risk-based approach considering the supervisory priorities defined by the ECB, the EBA and the ESRB. These priorities supplement the CSSF's general control framework aiming to ensure that the CSSF fulfils its main duties relating to the financial stability and the protection of consumers and investors.

In 2025, the priorities of the CSSF for the banking supervision were the following.

1.2.1. Credit risk

In 2025, the CSSF continued its actions to ensure rigorous policies for credit granting, risk assessment and provisioning, especially for loans granted in sectors or countries that are more macroeconomically vulnerable or exposed to geopolitical tensions, emphasising a prudent valuation of collateral.

1.2.2. Risks related to resilience and information and communication technology (ICT)

The banks' increasing digitalisation and growing dependence on ICTs highlight the importance of appropriate management of ICT-related risks. Banks must reconcile the modernisation of their infrastructures with the need to ensure their security and resilience, including in the event of operational or fraudulent incidents. Compliance with DORA is to be viewed in this context.

Consequently, the CSSF continued to support banks in their digital transformation projects through regular meetings during large-scale migration projects or by analysing their notifications of agreements with ICT third-party providers. It also continued to receive and analyse all notifications of ICT incidents submitted pursuant to DORA. Finally, the CSSF continued to help banks understand and comply with DORA, which has been applicable since 17 January 2025.

1 Directive (EU) 2016/1148 of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union, as reformed by Directive (EU) 2022/2555 of 14 December 2022

2 Regulation (EU) 2022/2554 on digital operational resilience for the financial sector

1.2.3. Operational and compliance risk

In 2025, the CSSF continued its efforts in order to ensure that credit institutions implement appropriately compliant arrangements to prevent regulatory shortcomings, legal sanctions and reputational risks in the context of development of the regulatory framework. It also continued to assess the robustness of the banks' internal control arrangements as well as of their systems and procedures in order to efficiently cover risks such as defaults of the systems, fraud, human errors or external disruptions likely to lead to financial losses or to jeopardise the clients' interests.

1.2.4. Risks related to money laundering and terrorist financing

Money laundering and terrorist financing (ML/TF) are risks inherent in the activities of international financial centres such as Luxembourg. At the level of banks, the wealth management activities involving international customers are particularly exposed to such risks. In 2025, the CSSF continued its efforts to ensure that credit institutions keep efficient arrangements regarding AML/CFT as well as international sanctions, in a context marked by increasing dependence of the economy as a whole on digitalisation, as well as by high geopolitical uncertainties and a redefinition of the European regulatory framework.

1.3. Supervision of significant institutions

At the end of 2025, 44 banks established in Luxembourg were directly supervised by the ECB, either because they fulfilled the criteria to qualify as significant institution (SI) at solo or consolidated level, or because they were part of a group considered as significant. These banks represented 71.6% of the total assets of banks established in Luxembourg.

Supervision of SIs is exercised by Joint Supervisory Teams (JSTs) composed of staff members from the ECB and from the national competent authorities. At the end of 2025, the CSSF was a member of 26 JSTs for as many banking groups. A total of 28 CSSF supervisors were directly involved in this supervisory framework.

SIs established in Luxembourg by category

SSM status	Number of banks	In % of assets
Significant banks, group head in Luxembourg	2	9.5%
Significant banks, subsidiaries of an SI	23	30.0%
Branches of an SI	19	32.0%
Sub-total SIs	*44*	*71.6%*
Total Luxembourg banking sector	***116***	***100.0%***

The SSM's supervisory approach is described in detail in the ECB's *Supervisory Manual*[3].

1.4. Supervisory review and evaluation process (SREP)

Since 2015, a common SREP methodology has been applied to less significant institutions (LSIs). It is based on the EBA Guidelines on SREP (EBA/GL/2022/03) and on the methodology applied to SIs by the ECB, while taking into account the principle of proportionality.

In general, the SREP is carried out annually based on a large range of quantitative and qualitative information sources, among which the prudential reporting and internal reports submitted by the bank, the long form report[4], the reports of on-site inspections, the ICAAP[5] and the ILAAP[6] as well as the different stress tests. The SREP is applied to credit institutions in a proportionate manner, having regard to the nature, scale and complexity of their activities and risks and, if relevant, their situation within the group.

3 https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.supervisory_guides202401_manual.en.pdf

4 Circular CSSF 22/821 (as amended by Circulars CSSF 23/845, CSSF 24/865 and CSSF 25/897)

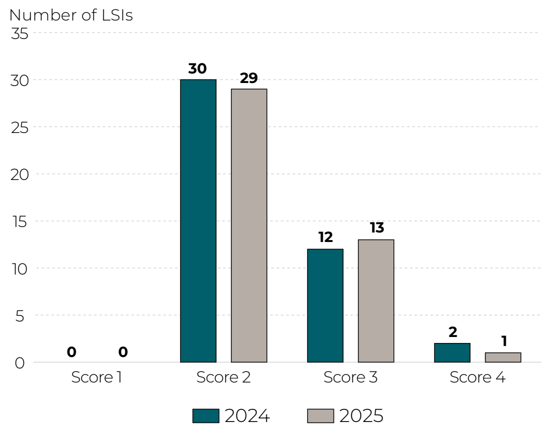
5 Internal Capital Adequacy Assessment Process

6 Internal Liquidity Adequacy Assessment Process

In order to align the assessment performed in the framework of the SREP with the supervisory priorities as explained in paragraph 1.2., particular attention was given to credit risk and operational risk in 2025. Moreover, the Multi-Year Assessment (MYA) approach developed jointly with the ECB was introduced this year for LSIs. It allows further prioritising supervisory topics of a credit institution according to its risk profile and supervisory priorities, by distributing the intensity of the analyses over a multiannual cycle.

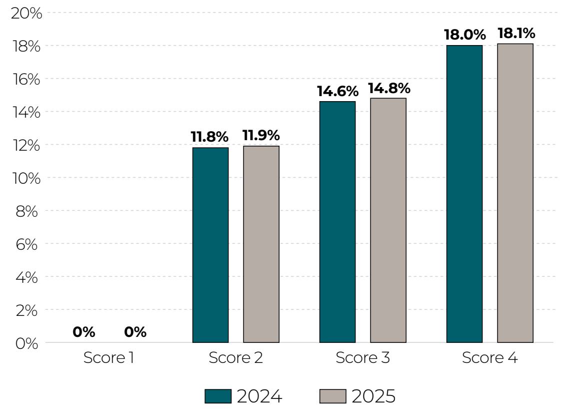
The distribution of overall SREP scores, which vary on a scale of 1 (low risk for the viability of the institution) to 4 (high risk for the viability of the institution), improved slightly from 2024 to 2025 with an average of 2.35 for all LSIs in 2025.

Breakdown of the SREP scores



The applicable own funds requirements under the CRR should appropriately cover the incurred risks, including in adverse conditions. They include the minimum requirements, called Pillar 1 (P1), according to specific rules set down in the CRR as well as a complement called Pillar 2 Requirement (P2R) that the CSSF additionally imposes for material risks not covered by P1 pursuant to the applicable European rules. In addition, where the results of the stress tests indicate that an institution's capital position is vulnerable, the CSSF requires additional own funds in the form of Pillar 2 Guidance (P2G) to ensure that the institution remains appropriately capitalised. The following graph shows the average total capital requirements for banks according to their SREP rating. The "buffers" refer to capital requirements with respect to macroprudential risks as provided for in the European regulation.

Own funds requirements (P1+P2R+buffers+P2G) in % by SREP score



As regards all LSIs, on average, P1 and P2R capital requirements, combined capital buffers and the P2G cumulatively amounted to 12.96% (12.86% in 2024).

In addition to the measures aiming at the adequacy of the amount of capital, the CSSF took some qualitative supervisory measures in 2025. These measures mostly focused on strategic planning by requiring, for example, restrictions on certain activities as well as better management of operational risk including the strengthening of internal and prudential reporting. The enhancement of the IT organisation and of the capacities to manage local IT risks in order to fulfil the new upcoming requirements is another example of qualitative measure.

1.5. Authorisations

The CSSF mainly intervenes in four banking-related authorisation processes.

1.5.1. Authorisation of new credit institutions

Since the introduction of the SSM, the ECB is exclusively competent for the authorisation of new credit institutions in all SSM countries. The competence for the authorisation of branches of non-EU credit institutions remains at national level.

However, the CSSF is still the entry point for the submission of all authorisation files. Upon receipt of an application, the CSSF analyses it in order to verify compliance with the legal and regulatory requirements, focusing in particular on compliance with the AML/CFT regulation. In the case of Luxembourg credit institutions, the CSSF drafts a proposal, after the examination of the file, and submits it for decision to the ECB. As regards branches of non-EU credit institutions, the authorisation is granted by the CSSF.

In 2025, the CSSF worked on five authorisation requests for new credit institutions and branches of non-EU banks. One authorisation was granted by the CSSF. The examination of the remaining files will continue in 2026.

1.5.2. Authorisation for acquisitions of qualifying holdings

Like the authorisation of a new institution which requires prior examination of the file by the CSSF, the subsequent acquisitions of holdings that reach or exceed 10% of the capital or of the voting rights or any other possibility allowing exercising a significant influence over the target institution (qualifying holdings) are also examined by the CSSF and authorised by the ECB (or by the CSSF for acquisitions of holdings in non-EU credit institutions with a branch in Luxembourg), in accordance with the applicable legal and regulatory requirements.

In 2025, the CSSF examined 12 qualifying holding files, eight of which led to an authorisation by the ECB (or the CSSF) during the year. As regards the remaining files, one file was withdrawn and the examination of the other files continue in 2026.

1.5.3. Authorisation of directors and managers of banks

In 2025, the CSSF dealt with 147 files regarding the nomination of new directors and authorised managers in Luxembourg credit institutions. The examination of these files aims at verifying the compliance of the candidates, notably in terms of good repute, professional experience and availability, with the legal and regulatory requirements (including AML/CFT legislation). Following the examination of the files by the CSSF, the nominations in SIs are forwarded to the ECB for authorisation, whereas the nominations in LSIs and third-country branches are directly authorised by the CSSF.

1.5.4. Authorisation of financial holding companies

For financial holding companies subject to a procedure for approval or for exemption from approval under the CRD framework, the procedures implemented by the CSSF aim to clarify the role and responsibilities of these parent undertakings in accordance with the consolidated prudential requirements. Depending on the situation, the CSSF examines these files autonomously or together with another competent authority.

In 2025, the CSSF (as consolidating supervisor) received two requests for exemption from approval which have been granted. Moreover, the CSSF, as the competent authority of the Member State where the financial holding company is incorporated, participated with the competent authority for the consolidated supervision in joint decision-making with respect to another request for exemption from approval. In this capacity, the CSSF also started the examination of a second file which continues in 2026.

1.6. Investor protection

The CSSF's action focuses in particular on the function of UCI depositary bank and on the different investment services of credit institutions governed by MiFID regulations. The CSSF's supervision aims to verify that credit institutions comply, on an ongoing basis, with all legal and regulatory provisions relating thereto. It is based on a range of information, including in particular an analytical report (the "long form report"), the reports produced by the internal control functions and the on-site inspections conducted by the CSSF teams.

As regards MiFID, a number of questionnaires were sent to credit institutions, mainly at ESMA's request, concerning for example the cross-border provision of investment services and activities to retail clients or the costs related to investments in AIFs and UCITS.

Other off-site supervisory actions were also carried out, such as:

- the critical analysis of information communicated by credit institutions in the MiFID module of the self-assessment report of the long form report pursuant to Circular CSSF 22/821;
- the review of the reports on the protection of financial instruments and funds belonging to clients submitted in accordance with Article 7 of the Grand-ducal Regulation of 30 May 2018 on the protection of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
- the follow-up to MiFID on-site inspections carried out by the CSSF at credit institutions;
- the follow-up to recommendations previously issued as part of common supervisory actions initiated by ESMA;
- some thematic actions related to the cross-border provision of investment services and activities, such as the review of marketing communications used by or under the control of some credit institutions in the framework of their cross-border activities.

It is important to remember that the CSSF works in close collaboration with ESMA and other national supervisory authorities in order to promote a harmonised supervisory framework, focused on the protection of investors in general and of retail investors in particular.

The lessons learnt from this supervision are reflected in the SREP and, where applicable, in letters addressed to credit institutions.

Regarding the depositary bank function, it should be noted that, prior to starting any activity as depositary bank for Luxembourg-domiciled UCIs, an administrative authorisation must be obtained from the CSSF. Any subsequent significant changes to the elements that formed the basis of the initial authorisation as a UCI depositary (e.g. extension of the initial authorisation to other investment vehicles or any significant change to the operational model) must be submitted to the CSSF for approval.

1.7. Payment services

Under the European regulation on payment services (PSD2), the CSSF analysed, in 2025, the following reports, submitted by credit institutions in their capacity as payment service providers (PSPs):

- monthly statistical data on fraud relating to different payment means which are collected by the BCL based on the operational collaboration between the BCL and the CSSF;
- annual updated and comprehensive assessment of the ICT and security risks relating to payment services;
- notifications in connection with 91 major operational or security incidents related to payments, in accordance with Article 23 of DORA and that the CSSF shared with the ESAs and the BCL;
- self-assessment reports[7] on compliance of the security measures with the regulatory technical standards on strong customer authentication and common and secure open standards of communication (RTS on SCA&CSC).

7 According to Circular CSSF 22/821.

The CSSF carried out checks of the credit institutions' websites to determine whether they publish, where applicable, the quarterly statistics on the availability and performance of the dedicated interface and the interface(s) used by their payment service users according to Article 32(4) of the RTS on SCA&CSC.

Finally, in the context of the new Regulation (EU) 2024/886 on instant payments, which came into force on 8 April 2024, the CSSF continued to monitor the credit institutions' appropriate compliance with the regulation in question.

1.8. Cooperation in banking supervision

As a large number of banking groups is present in the Luxembourg financial sector through subsidiaries, the CSSF regularly participates, as host supervisor, in colleges, including colleges organised by supervisory authorities from non-EEA countries. In addition to the colleges, periodical bilateral meetings take place between the CSSF and the Swiss supervisory authority, the FINMA. Cooperation with the Chinese and US authorities takes place mainly via the participation in supervisory colleges organised by these authorities. It should be borne in mind that since 2014, within the framework of the SSM, coordination between authorities for Luxembourg subsidiaries and branches of banking groups with their group head in a Member State participating in the SSM has been carried out through JSTs.

In 2025, the CSSF organised one supervisory college concerning an LSI for which it exercised the ultimate consolidated prudential supervision at European level.

One of the main objectives of the colleges dealing with prudential supervision is the performance of a Joint Risk Assessment based on which the colleges assess the capital adequacy of the banking groups and their subsidiaries against the incurred risks, as well as their liquidity situation. Following this assessment, the members of the college take a Joint Decision on Capital and Liquidity (for EEA colleges) which is communicated to the banking groups and their subsidiaries.

In 2025, in accordance with the European rules on cooperation between AML/CFT authorities, the CSSF organised five college meetings as home authority and participated, as host authority, in 24 college meetings organised by authorities of other EU Member States. The purpose of these colleges is to promote the exchange of information between authorities and effectively coordinate their AML/CFT framework controls for banking groups with cross-border activities.

Moreover, the CSSF closely collaborates with the foreign supervisory authorities within the context of the consultations provided for by the European directives and in all circumstances in which cooperation is needed.

Finally, the CSSF cooperates with the national judicial and law enforcement authorities as well as with the CAA in accordance with Article 2 of the Law of 23 December 1998 establishing a financial sector supervisory commission ("Commission de surveillance du secteur financier") and Articles 9-1 and 9-1a of the Law of 12 November 2004 on the fight against money laundering and terrorist financing. Moreover, the CSSF consults the intelligence unit in the context of the procedures for authorisation and qualifying holdings, if deemed necessary.

1.9. Stress testing

Stress tests are exercises aiming to identify sources of risks and vulnerabilities which banks may face and to determine their impact on banks.

The CSSF is involved in stress tests at three levels:

- at EU level, the CSSF assists the EBA in the development of the methodology of its EU-wide stress test relating to solvency which is carried out every two years;
- at SSM level, the CSSF assists the ECB in its annual stress test exercise, in the development of a methodology and during the execution of the stress test. During the 2025 EU-wide stress test coordinated by the EBA, the ECB examined 51 significant banks of the euro area. The EBA published the results obtained for the different institutions at the beginning of August 2025. In parallel, the ECB performed its own stress test with 45 banks under its direct supervision which had not been included in the EBA's sample. Together, these banks represented about 80%

of total euro area banking assets. The CSSF provided its technical expertise in relation to two significant banks having their group head in Luxembourg;

- at national level, the CSSF carries out solvency tests and other stress tests or sensitivity analyses on an annual or half-yearly basis.

The results of the solvency tests are a source of information to (i) compare, judge and, where appropriate, challenge the results of the stress tests carried out internally by banks in the framework of their ICAAP, (ii) help assess the solvency risk of the institutions, and (iii) help assess the situation and future capital requirements of a bank as a preventive approach. The results of the stress tests form a starting point for the determination of the LSIs' capital levels under Pillar 2 (Pillar 2 Guidance - P2G). A similar approach is adopted as regards liquidity.

The aggregated results of these stress tests are also presented to international organisations such as the IMF or the OECD which regularly request the CSSF's point of view on the stability of the Luxembourg banking sector.

1.10. Intra-group credit risks

One of the main risks monitored by the CSSF is related to the significant exposures of Luxembourg banks to banking entities of their group.

The Luxembourg banking sector is primarily composed of subsidiaries and branches of large international banking groups which carry out activities of private banking and/or custody of financial assets in Luxembourg. These activities generate excess liquidity which is either maintained in Luxembourg as liquidity buffer (often deposited with the BCL) or lent to the parent company.

In total, intra-group exposures represented 35% of the assets of the Luxembourg banking sector at the end of 2025. In line with the European rules in this regard and Article 56-1 of the Law of 5 April 1993 on the financial sector, these exposures often represent a multiple of a bank's own funds. In these cases, the CSSF follows and controls compliance by the banks with the legal conditions provided for in the above-mentioned Article 56-1.

2. Developments in the banking sector in 2025

2.1. Development of the number of credit institutions

With 116 entities authorised at the end of the financial year 2025, the number of banks rose by one entity as compared to 31 December 2024.

Three banks started their activities in 2025.

Denomination	Start date of the activity	Type of activities
Cecabank S.A., Branch in Luxembourg	01/03/2025	Custodian banking
Rothschild & Co Wealth Management Luxembourg	30/04/2025	Private banking
FundBank (Europe) S.A.	08/05/2025	Custodian banking

Since the end of 2024, two banks have been deregistered from the official list.

Denomination	Date of deregistration	Reason
Banque Degroof Petercam Luxembourg S.A.	04/07/2025	Merger by acquisition with CA Indosuez Wealth (Europe)
Mizuho Trust & Banking (Luxembourg) S.A.	04/11/2025	Merger by acquisition with State Street International GmbH

2.2. Development in banking employment

As at 31 December 2025, Luxembourg credit institutions[8] employed 26,284 people, against 26,150 people as at 31 December 2024. In 58% of banks, employment increased whereas in 25% of them it decreased.

Compared to the figures of end December 2024, the distribution of employment according to men and women remained unchanged with 56% men and 44% women.

8 Figures at the lowest level of consolidation available.

2.3. Development of balance sheet and off-balance sheet items

The balance sheet total grew compared to 2024 (+2.3%). The growth from EUR 937.4 billion to EUR 958.9 billion is related, on the assets side, to the rise in loans and advances to credit institutions and to customers (other financial intermediaries and investment funds) and to the rise in the fixed-income transferable securities. On the liabilities side, the growth resulted from an increase in amounts owed to credit institutions and to customers (other financial intermediaries and investment funds).

Aggregate balance sheet total – in million EUR[9]

ASSETS	2024	2025	Variation
Loans and advances to central banks	126,597	121,138	-4.3%
Loans and advances to central governments	3,206	4,191	30.7%
Loans and advances to credit institutions	385,726	394,040	2.2%
Loans and advances to customers	247,262	254,402	2.9%
Fixed-income securities	138,687	151,998	9.6%
Variable-yield securities	7,051	8,411	19.3%
Fixed assets and other assets	28,919	24,693	-14.6%
Total	**937,449**	**958,873**	2.3%

LIABILITIES	2024	2025	Variation
Amounts owed to central banks	380	1,001	163.2%
Amounts owed to credit institutions	281,979	295,892	4.9%
Amounts owed to customers	485,024	494,162	1.9%
Amounts owed represented by securities	71,847	65,593	-8.7%
Liabilities (other than deposits) held for trading	5,937	3,972	-33.1%
Provisions	3,771	3,664	-2.8%
Subordinated liabilities	2,879	3,947	37.1%
Other liabilities	18,208	17,456	-4.1%
Own capital	67,425	73,186	8.5%
Total	**937,449**	**958,873**	2.3%

As regards off-balance sheet exposures, the Luxembourg banking sector granted loan commitments and financial guarantees amounting to EUR 179.0 billion as at 31 December 2025 (+11.9% over a year).

2.4. Development in the profit and loss account

In 2025, the 2.9% decrease in net interest income as well as the 4.2% increase in general expenses over a year contributed to the 3.6% decline in profit before provisions and taxes which reached EUR 9,431.8 million. Taking into account the allocations to provision for risk, which dropped and reverted again to the pre-2022 average level, net profits fell by 5.4% year-on-year. It should be noted that 86% of the banks ended the year 2025 with a positive net result (89% in 2024). Despite a slowdown compared to the preceding year, it is the second consecutive most profitable year in history for Luxembourg banks[10].

9 Figures at the lowest level of consolidation available.

10 Due to a break in series as a result of the merger of two banks, thus impacting the figures of the first quarter of 2024, the developments regarding the “general expenses” items are greatly overestimated (cf. percentages in the column “Variation in %” of the table “Development in the profit and loss account”). However, the impact on the profits of the financial year remained limited. Indeed, based on estimates, the CSSF assessed the development of the profit before provisions and taxes at -3.4% year-on-year.

Development in the profit and loss account – in million EUR[11]

	2024	Relative share	2025	Relative share	Variation	
					in volume	in %
Net interest income	10,699	59.4%	10,393	57.7%	-306	-2.9%
Net fee and commission income	6,256	34.7%	6,394	35.5%	138	2.2%
Other net income	1,064	5.9%	1,226	6.8%	162	15.2%
Banking income	**18,018**	**100.0%**	**18,012**	**100.0%**	**-6**	**0.0%**
General expenses	-8,233	45.7%	-8,580	-47.6%	-347	4.2%
of which: staff costs	*-3,519*	*19.5%*	*-3,703*	*-20.6%*	-184	5.2%
of which: general administrative expenses	*-4,714*	*26.2%*	*-4,877*	*-27.1%*	-163	3.5%
Result before provisions	**9,785**	**54.3%**	**9,432**	**52.4%**	-353	-3.6%
Net creation of provisions	-789	4.4%	-611	-3.4%	179	-22.7%
Taxes	-1,760	9.8%	-1,975	-11.0%	-215	12.2%
Net result for the financial year	**7,236**	**40.2%**	**6,846**	**38.0%**	**-390**	**-5.4%**

The net interest income generated by banks during 2025 decreased by 2.9% compared to 2024. This downward trend which was recorded in 65% of the banks is attributable to the decline in interest rates as from the second half of 2024.

Net fee and commission income increased by 2.2% year-on-year. The increase concerned 70% of the banks, especially depositary banks. The average value of the net assets of undertakings for collective investment, which represents the key element for the calculation of their safekeeping commissions, grew by 6.4% in 2025 compared to 2024.

Other net income, which includes different elements that are by nature very volatile and generally non-recurring, rose by 15.2%.

As regards staff costs and other general expenses, it is worth noting that the extent of their increase, amounting in the table above to 5.2% and 3.5% is greatly overestimated (cf. footnote no 10). Based on estimates, the CSSF assesses the variation of staff costs and other general expenses to 3.5% and 1.0% respectively.

The above-mentioned developments led to a cost-to-income ratio of 47.6%, against 45.7% in 2024. As at 31 December 2025, among the 116 banks in Luxembourg, 14 registered negative results.

11 Figures at the lowest level of consolidation available.

Development in the profit and loss account over 10 years – in million EUR[12]

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net interest income	4,717	4,886	4,994	5,384	5,061	4,891	6,799	10,268	10,699	10,393
Net fee and commission income	4,602	4,706	4,975	5,132	5,038	5,943	5,899	5,712	6,256	6,394
Other net income	3,038	2,166	1,841	1,550	1,401	1,899	1,287	1,357	1,064	1,226
Banking income	**12,357**	**11,758**	**11,809**	**12,067**	**11,501**	**12,733**	**13,985**	**17,337**	**18,018**	**18,012**
General expenses	6,040	6,253	6,737	7,285	6,893	7,637	7,822	8,395	-8,233	-8,580
of which: staff costs	*3,109*	*3,161*	*3,265*	*3,545*	*3,016*	*3,165*	*3,234*	*3,588*	*-3,519*	*-3,703*
of which: general administrative expenses	*2,931*	*3,092*	*3,473*	*3,740*	*3,876*	*4,472*	*4,587*	*4,807*	*-4,714*	*-4,877*
Profit before provisions	**6,317**	**5,505**	**5,071**	**4,782**	**4,608**	**5,097**	**6,163**	**8,942**	**9,785**	**9,432**
Net creation of provisions	757	956	712	441	922	257	1,430	732	-789	-611
Taxes	820	827	714	637	595	819	785	1,607	-1,760	-1,975
Net profit for the year	**4,740**	**3,721**	**3,645**	**3,703**	**3,091**	**4,021**	**3,947**	**6,603**	**7,236**	**6,846**

2.5. Solvency and liquidity ratios

The banks of the Luxembourg financial centre continued to register high prudential ratios. The average capital ratio total of the banking sector rose from 23.0% to 23.5% during 2025, and remained largely above the regulatory threshold (exclusive of variable buffers) set at 10.5%.

Elements of own funds[13]

	2024		2025	
	Amount *(in million EUR)*	**Relative share**	**Amount** *(in million EUR)*	**Relative share**
Own funds	50,373.35	100.00%	54,831.70	100.00%
Common Equity Tier 1 capital (CET1)	46,621.07	92.55%	50,827.10	92.70%
Additional Tier 1 capital (AT1)	1,553.95	3.08%	1,737.23	3.17%
Tier 2 capital (T2)	2,198.33	4.36%	2,267.39	4.14%

12 Figures at the lowest level of consolidation available. Since 2021, the scope of the data of the Luxembourg banking sector has been based on the banks active at the reference period, excluding their foreign branches and their subsidiaries, in order to better represent the level of national activity. Consequently, the December 2020 figures have been revised to take account of the change of scope.

13 Figures at the lowest level of consolidation available.

Risk-weighted exposure amounts

	2024		2025	
	Amount *(in million EUR)*	Relative share	Amount *(in million EUR)*	Relative share
Total risk exposure amount	**218,979.10**	**100.00%**	**233,472.29**	**100.00%**
Risk-weighted credit risk, counterparty risk and dilution risks and free deliveries	193,085.38	88.18%	194,078.93	83.13%
of which: Standardised approach (STA)	*142,456.36*	*65.05%*	*149,555.68*	*64.06%*
of which: Internal ratings-based approach (IRB)	*46,343.08*	*21.16%*	*39,993.44*	*17.13%*
Total operational risk exposure amount	21,449.21	9.80%	35,055.97	15.02%
Capital ratio	**23.00%**		**23.49%**	
Common Equity Tier 1 capital ratio (CET1 ratio)	21.29%		21.77%	

It should be noted that the rise of the total risk exposure amount mainly resulted from the development of the method to calculate operational risk introduced by CRR3. Indeed, the introduction a new indicator based on commissions and gross costs, combined with the shift from the AMA model to the SMA model led to a significant increase in the total operational risk exposure amount for several banking institutions.

- **Liquidity Coverage Requirement (LCR)**

As at 31 December 2025, the aggregated LCR[14] of Luxembourg banks and Luxembourg branches of banks having their registered office outside the EU amounted to 164%, the same level as at the end of 2024. The minimum regulatory threshold is set at 100%.

At aggregate level, there was a significant concentration of the liquid asset buffer within Level 1 assets. The withdrawable central bank reserves made with the BCL still represented the major part of Luxembourg banks' liquid assets.

- **Net Stable Funding Ratio (NSFR)**

The aggregated NSFR[15] of Luxembourg banks and Luxembourg branches of banks having their registered office outside the EU amounted to 125% as at 31 December 2025, as compared to 124% at the end of December 2024. The minimum regulatory threshold is set at 100%.

- **Asset encumbrance ratio**

Luxembourg banks have a low asset encumbrance ratio. As at 31 December 2025, this ratio amounted to 5.79% (7.14% in 2024) on aggregate basis, showing that most of the Luxembourg banks' assets were unencumbered. Only nine banks had an asset encumbrance ratio exceeding 15% due to their business model. This was the case, in particular, of banks issuing covered bonds. In accordance with the rules in force, these banks were subject to additional reporting requirements.

14 Aggregated in the numerator (Liquidity Buffer) and in the denominator (Net Cash Outflows).

15 Aggregated in the numerator (Available Stable Funding) and in the denominator (Required Stable Funding).

VIII. Supervision of PFS and mortgage credit intermediaries

1. Investment firms

1.1. Development of investment firms in 2025

1.1.1. Development of the number of investment firms

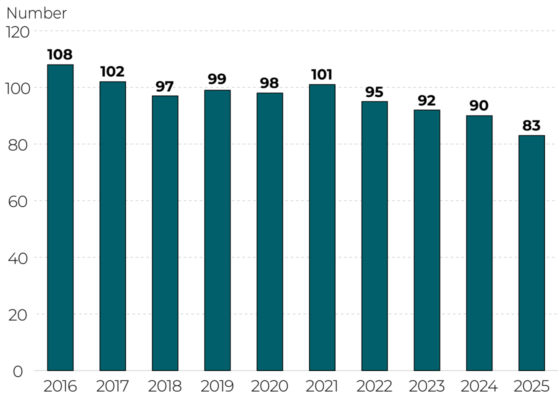
During the year 2025, the number of investment firms decreased to 83 entities as at 31 December 2025 (against 90 entities at the end of 2024). This number includes 75 Luxembourg entities and eight branches of investment firms from other EU/EEA Member States.

Two entities were authorised as investment firms in 2025, compared to one new entity in 2024.

Nine entities gave up their investment firm status during the year (five in 2024) for the following reasons:

- cessation of regulated activities (one entity);
- transfer of head quarter abroad (one entity);
- merger by acquisition (two entities);
- voluntary liquidation (three entities);
- judicial liquidation (one entity);
- change into specialised PFS (one entity).

Development of the number of investment firms



In terms of IFD/IFR classification[1], about one third of the 75 Luxembourg investment firms registered on the official list as at 31 December 2025 were "class 2" investment firms while the rest of the population were "class 3" investment firms. No "class 1" investment firm was identified as at 31 December 2025.

1.1.2. Development of employment

After a year marked by relatively stable staff figures for investment firms, a slightly decreasing trend was recorded in 2025, from 1,837 people as at 31 December 2024 to 1,797 people at the end of December 2025. This decline in the total number of staff can be primarily ascribed to the withdrawals of investment firms from the official list.

Employment in investment firms

Year	Number of investment firms	Total staff
2016	108	2,285
2017	102	2,271
2018	97	2,115
2019	99	1,688
2020	98	1,776
2021	101	1,903
2022	95	1,958
2023	92	1,830
2024	90	1,837
2025	83	1,797

It should also be noted that, as at 31 December 2025, about half of the investment firms were very small with 10 or fewer employees.

1.1.3. Development of balance sheets and net results

The provisional balance sheet total of all investment firms established in Luxembourg amounted to EUR 1,471 million[2] as at 31 December 2025, compared with EUR 1,182 million as at 31 December 2024, representing a substantial rise of 24.5%. This increase is largely attributable to a few players which registered a significant rise in their balance sheet total.

Investment firms also recorded a positive development of their net results over a year. Indeed, provisional net results totalled EUR 131 million[3] as at 31 December 2025, against EUR 88.9 million as at 31 December 2024, i.e. a 47.3% increase.

Development of the balance sheet total and of the net results of investment firms

(in million EUR)	2024	2025	Variation in %
Balance sheet total	1,182	1,471	+24.5%
Net results	88.9	131	+47.3%

1 IFD: Directive (EU) 2019/2034 of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU
IFR: Regulation (EU) 2019/2033 of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

2 The branches established in Luxembourg by investment firms originating from other EU/EEA Member States and included, since 2009, in the total number of investment firms are not included in these figures.

3 Same comment as in footnote no 2.

1.2. Prudential supervisory practice

1.2.1. Compliance by investment firms with the quantitative standards

- **Capital base**

In accordance with Article 20 and Articles 24-1 to 24-9 of the Law of 5 April 1993 on the financial sector, authorisation as investment firm is subject to the production of evidence showing the existence of minimum capital base. This capital base[4] consisting of subscribed and paid-up share capital, relevant share premiums, legally formed reserves and profits brought forward, after deduction of possible losses for the current financial year, must be permanently available to the investment firm and invested in its own interest.

Based on the financial data that investment firms are required to provide to the CSSF on a monthly basis, the CSSF monitors, in particular, ongoing compliance with these minimum capital base conditions.

- **Capital ratios**

The own funds composition and the methods to calculate own funds requirements are defined under Parts Two and Three of the IFR, which entered into force in 2021. Investment firms are required to comply with these requirements at all times and to notify the CSSF of any instance of non-compliance, where applicable.

In 2025, the CSSF intervened at one investment firm for non-compliance with the capital ratio and used its right of injunction in accordance with Article 59 of the Law of 5 April 1993 on the financial sector.

One investment firm was subject to judicial liquidation and was deregistered from the official list of investment firms in 2025, notably in the context of non-compliance with a certain number of legal conditions, among which non-compliance with capital ratios.

- **Concentration risk**

Since the entry into force of the IFD/IFR, investment firms have been subject to the provisions relating to concentration risk under Part Four of the IFR.

- **Liquidity requirements**

Investment firms must have sufficient liquidity pursuant to Article 43 of the IFR which introduced liquidity requirements. In accordance with this article, investment firms are required to hold a minimum of one third of their fixed overhead requirement of the previous financial year[5] in liquid assets.

1.2.2. Introductory visits

Introductory visits are made on the premises of investment firms that recently received their authorisation and, where appropriate, of existing investment firms that received an authorisation to carry out a new activity in addition to existing authorisations. The purpose of these missions is to verify that the contemplated business plan is being followed and that the systems and infrastructures are correctly implemented. In 2025, the CSSF visited two investment firms.

1.2.3. Specific audits

Article 54(2) of the Law of 5 April 1993 on the financial sector states that the CSSF may request a *réviseur d'entreprises agréé* (approved statutory auditor) to carry out a specific audit at a financial professional in relation to one or more specific aspects of the activities and operations of the institution. The ensuing costs are to be borne by the professional concerned.

4 In accordance with Article 20(5) of the Law of 5 April 1993 on the financial sector, subordinated borrowing or profits for the current year are not to be taken into account for the determination of the minimum capital base of a professional of the financial sector.

5 Calculation in accordance with the provisions of Article 13(1) of the IFR.

2. Specialised PFS

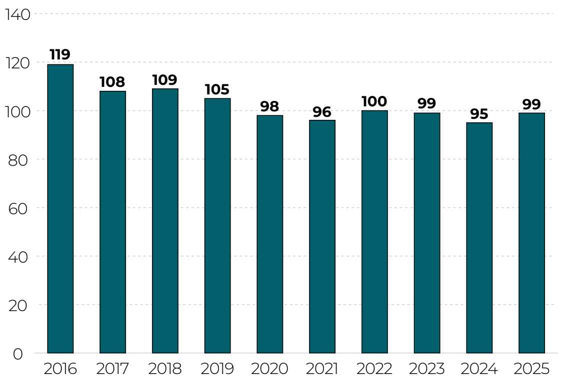
2.1. Development of specialised PFS in 2025

2.1.1. Development of the number of specialised PFS

During the year 2025, the number of specialised PFS increased and reached 99 entities (against 95 entities at the end of 2024).

In 2025, five entities were authorised as specialised PFS (against one in 2024), including one entity that was previously authorised as an investment firm. One entity gave up its status of specialised PFS during the year (against five in 2024).

Development of the number of specialised PFS



Among the specialised PFS, the statuses of corporate domiciliation agent and professional providing company incorporation and management services are the most prevalent with 83 and 84 entities, respectively, authorised under these statuses as at 31 December 2025 (against 77 and 80, respectively, in 2024), followed by the status of registrar agent with 78 entities authorised at the same date (against 71 in 2024).

2.1.2. Development of employment

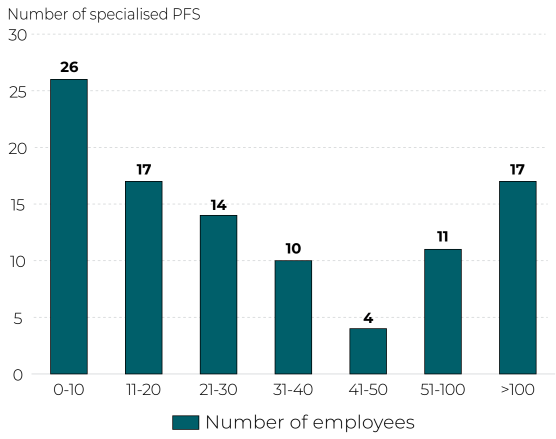
During 2025, the number of people employed by all specialised PFS decreased by 211 people, representing a 2,9% decline compared with the end of 2024, to reach a total of 7,191 people.

Development of employment of specialised PFS

Year	Number of specialised PFS	Total staff
2016	119	3,972
2017	108	4,008
2018	109	4,480
2019	105	5,183
2020	98	5,476
2021	96	5,949
2022	100	6,852
2023	99	7,258
2024	95	7,402
2025	99	7,191

As at 31 December 2025, 17 specialised PFS employed over 100 people (idem at the end of 2024) and 26 specialised PFS employed 10 or fewer people (against 22 entities at the end of 2024).

Breakdown of the number of employees per specialised PFS



2.1.3. Development of balance sheets and net results

Over a one-year period, specialised PFS recorded an overall decrease of EUR 46.48 million (- 0.7%) in their balance sheet total and a growth of EUR 11.52 million (+ 6.4%) in their net results.

Development of the balance sheet total and of the net results of specialised PFS

(in million EUR)	2024	2025	Variation in %
Balance sheet total	6,296.50	6,250.02	- 0.7%
Net results	180.26	191.78	+ 6.4%

2.2. Prudential supervisory practice

In the context of the prudential supervision of specialised PFS, the CSSF verifies compliance by specialised PFS with the quantitative and qualitative standards.

2.2.1. Capital base

In accordance with Article 20 and Articles 25 to 28-10 of the Law of 5 April 1993 on the financial sector, authorisation as specialised PFS is subject to the production of evidence showing the existence of minimum capital base for a PFS authorised as a legal person, or own assets for a PFS authorised as a natural person.

In 2025, the CSSF identified cases of non-compliance with the legal provisions in this respect by two entities (against five entities in 2024). Their situation was regularised in a satisfactory manner.

2.2.2. Compliance in the day-to-day management and corporate governance

In 2025, the CSSF intervened six times (against 15 times in 2024) due to situations of non-compliance in the day-to-day management of specialised PFS, notably linked to insufficient presence and/or effective involvement of one of the managers in the day-to-day management of the entity or to the need for reorganisation of the entity's administrative or management body composition.

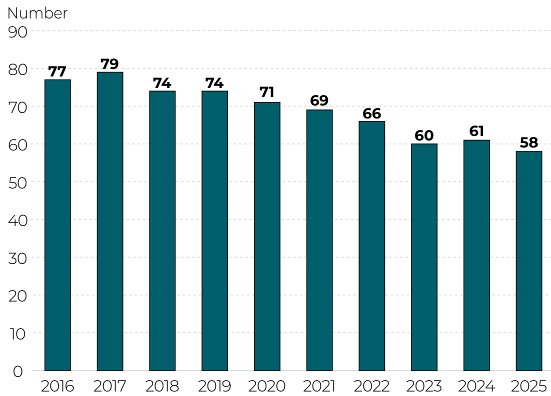
3. Support PFS

3.1. Development of support PFS in 2025

3.1.1. Development of the number of support PFS

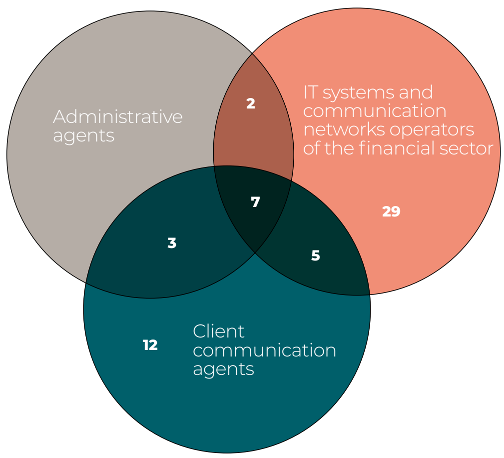
The number of support PFS was 58 as at 31 December 2025.

Development of the number of support PFS



In 2025, three new support PFS were authorised, three support PFS renounced their authorisation, and three support PFS were taken over by other support PFS.

Breakdown of support PFS by status



As administrative agents are *ipso jure* authorised to carry out the activities of client communication agents, there is no entity that only has the status of administrative agent.

3.1.2. Development of employment

The number of support PFS staff slightly increased from 7,954 people as at 31 December 2024 to 8,073 people as at 31 December 2025, representing a 1.5% rise.

Development of support PFS employment

Year	Number of support PFS	Total staff
2016	77	9,185
2017	79	9,656
2018	74	9,931
2019	74	10,005
2020	71	8,987
2021	69	8,951
2022	66	8,704
2023	60	7,710
2024	61	7,954
2025	58	8,073

3.1.3. Development of balance sheets and net results

The balance sheet total of support PFS grew to EUR 1,477.2 million as at 31 December 2025, up from EUR 1,447.1 million as at 31 December 2024, i.e. an increase of 2.1%.

The net results dropped by 38.5%, from EUR 80.8 million as at 31 December 2024 to EUR 49.7 million as at 31 December 2025. This decline notably concerned three recently authorised support PFS (EUR 12.6 million) and two support PFS that were taken over by other support PFS (EUR 8,5 million).

3.2. Prudential supervisory practice

3.2.1. Circular CSSF 25/903

With the amendment of Circular CSSF 24/850 by Circular CSSF 25/903, the CSSF introduced important developments as regards the preparation and submission of regulatory documents applicable to support PFS, notably the replacement of previously required tables with new standardised forms through a secured transmission channel via the CSSF eDesk platform.

The documents, including in particular the self-assessment questionnaire (SAQ) and the separate report (SR), must now be submitted via eDesk, using either the manual input procedure or the automated submission via API (S3 protocol, JSON format). The API/S3 submission is only available for these two documents, the remaining documents must be transmitted directly via eDesk.

Moreover, the amended circular adjusts the test rotation plan for the SR, providing in particular for a three-year cycle for entities classified as low risk, reflecting a more risk-based approach.

3.2.2. Impact of the European Commission's work (NIS2[6], CER[7], DORA)

Section II of Chapter V of DORA establishes an oversight framework for ICT third-party service providers that are designated by the European Supervisory Authorities (ESAs) as critical for the European financial sector. Once designated as critical ICT third-party service providers, they fall under enhanced scrutiny, with a Lead Overseer (one of the ESAs) appointed to coordinate monitoring efforts and to ensure ICT third-party service providers have in place comprehensive, sound and effective rules, procedures, mechanisms and arrangements to manage the ICT risk. Additionally, joint examination teams (JETs), consisting of representatives from the ESAs and several competent authorities, are empowered to conduct comprehensive reviews and assessments of these critical providers, focusing on their risk management practices, operational performance, and resilience measures. Together, these mechanisms help safeguard the stability of the financial sector through the oversight over the most critical ICT service providers.

In this context, the list of 19 designated critical ICT third-party service providers was published[8] by the EBA on 18 November 2025. The designation was made at the level of the EU group head. Thus, five support PFS are members of groups designated as critical. The ESAs and the CSSF coordinate their activities in order to avoid redundancy in their oversight activities.

6 Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union

7 Directive (EU) 2022/2557 on the resilience of critical entities

8 https://www.eba.europa.eu/publications-and-media/press-releases/european-supervisory-authorities-designate-critical-ict-third-party-providers-under-digital

As part of the national transposition of the NIS2 and CER directives, the CSSF continued its regular discussions with the High Commission for National Protection (HCNP) and the Institut Luxembourgeois de Régulation (ILR). This work intensified and took shape, allowing the participants to clarify the approach to be adopted on several key issues, notably as regards NIS2, the registration arrangements, the incident notification obligations as well as certain major concepts, such as the concept of "main establishment".

Moreover, the first coordination initiatives have been implemented in order to ensure an overall consistency of the oversight arrangements at national level with the establishment of the Comité de coordination et de supervision (Coordination and oversight committee), which comprises the supervisory authorities under the directives NIS2 and CER (HCNP, ILR and CSSF).

3.2.3. Findings relating to the development of the support PFS sector

Since the end of 2024, the CSSF has observed an increasing number of mergers within the support PFS sector. Moreover, over the past months, a few support PFS with a low volume of services offered to the financial sector decided to give up their authorisation. These two trends strengthened market concentration on larger players.

3.2.4. Qualification of activities and authorisation applications

The qualification of activities under the Law of 5 April 1993 on the financial sector is often the first contact between an entity and the CSSF and allows the parties involved to determine whether a business activity falls within the scope of the aforementioned law and, consequently, requires an authorisation. The CSSF processes on average several tens of qualifications of activities and related questions per year. When the CSSF qualifies an activity as an activity subject to the law, it informs the entity thereof and the authorisation procedure starts.

In 2025, the CSSF received one application for authorisation as support PFS and three applications for the extension of existing authorisations. These applications are currently under scrutiny. Three other applications for authorisation and one request for an extension of the authorisation received in 2024 were processed in 2025.

3.2.5. Introductory visits

Introductory visits are made on the premises of support PFS that recently received their authorisation and, where appropriate, of existing support PFS that received an authorisation to carry out a new activity in addition to existing authorisations. The purpose of these missions is to verify that the contemplated business plan is being followed and that the systems and infrastructures are correctly implemented. In 2025, the CSSF visited one support PFS.

3.2.6. Capital base

In accordance with Article 20 and Articles 29-1 to 29-6 of the Law of 5 April 1993 on the financial sector, authorisation as support PFS is subject to the production of evidence showing the existence of minimum capital base for a support PFS authorised as a legal person.

In 2025, the CSSF identified cases of non-compliance with the legal provisions in this respect at six support PFS (against one entity in 2024). Of these six support PFS, three gave up their authorisation or were taken over by another support PFS.

4. Mortgage credit intermediaries

Mortgage credit intermediaries are defined in points (14) and (15) of Article L. 226-1 of the Consumer Code:

- "mortgage credit intermediary" means a natural or legal person that is not acting as a creditor or notary and not merely introducing, either directly or indirectly, a consumer to a creditor or mortgage credit intermediary, and that, in the course of their business or profession, for remuneration, which may take a pecuniary form or any other agreed form of financial consideration:

  (a) presents or offers mortgage credit agreements to consumers;

  (b) assists consumers by undertaking preparatory work or other pre-contractual administration tasks, other than those as referred to in letter (a), in respect of mortgage credit agreements; or

  (c) concludes mortgage credit agreements with consumers on behalf of the creditor;

- "tied mortgage credit intermediary" means any mortgage credit intermediary that acts on behalf of and under the full and unconditional responsibility of:

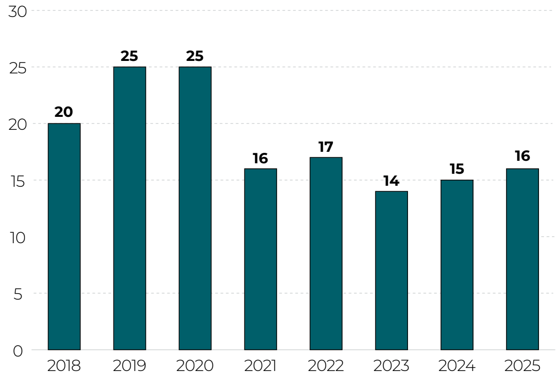
  (a) only one creditor;

  (b) only one group; or

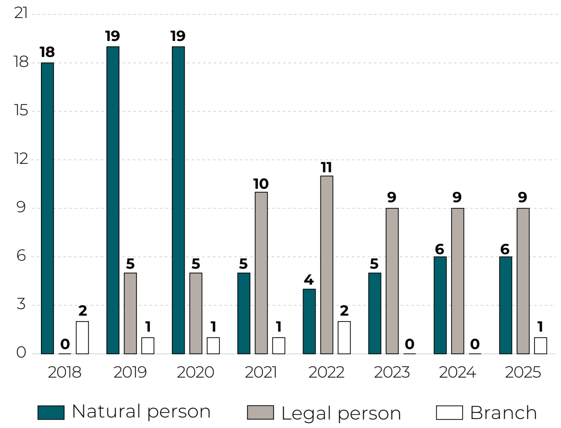
  (c) a number of creditors or groups of creditors that do not represent the majority of the market.

During the financial year 2025, the number of mortgage credit intermediaries increased to 16 entities (compared with 15 entities at the end of 2024). Two entities (compared with one in 2024) obtained an authorisation as a mortgage credit intermediary and one entity gave up its authorisation during the year (none in 2024).

Development of the number of mortgage credit intermediaries



Six mortgage credit intermediaries were natural persons (idem in 2024), nine were legal entities (idem in 2024) and one is a branch in Luxembourg of a foreign mortgage credit intermediary (none in 2024).



Among the 16 mortgage credit intermediaries in 2025, four (idem in 2024) were tied mortgage credit intermediaries within the meaning of point (15) of Article L. 226-1 of the Consumer Code, and one mortgage credit intermediary (idem in 2024) was also authorised as an investment firm.

IX. Supervision of payment institutions and electronic money institutions

1. Regulatory framework and supervisory practice

The Law of 10 November 2009 on payment services imposes authorisation, exercise and supervisory conditions on payment institutions and electronic money institutions that provide payment services or that issue electronic money.

The CSSF's prudential supervision aims to verify that payment institutions and electronic money institutions subject to its supervision continuously observe the legal, regulatory and contractual provisions relating to their organisation and operation. The objective is to ensure the protection of payment service users and electronic money holders as well as the stability of the financial system. In this respect, the CSSF attaches particular attention to the establishment, by these institutions, of stable and performing mechanisms for safeguarding the funds of payment service users and electronic money holders as well as the deployment by these institutions of IT solutions that guarantee the security of the transactions, the secure access to payment accounts as well as the mitigation of fraud relating to the different means of payment in accordance with the relevant European rules.

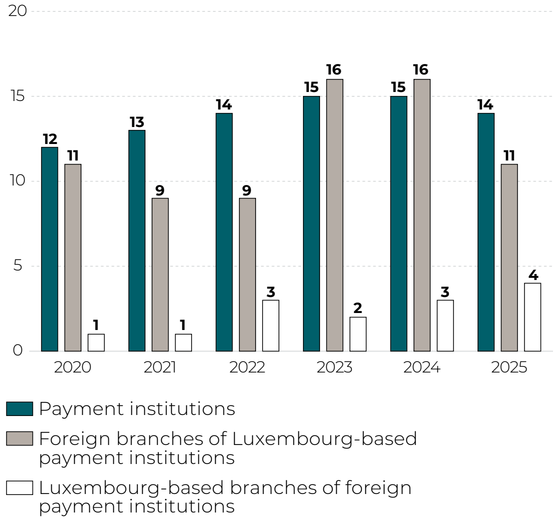
2. Development of payment institutions and electronic money institutions in 2025

2.1. Development of the number of payment institutions and electronic money institutions

2.1.1. Payment institutions

As at 31 December 2025, the total number of institutions listed in the register amounted to 14 entities following the closing of an institution. Moreover, there were 11 branches established in other EU Member States by four of these authorised institutions as well as four branches established in Luxembourg by payment institutions authorised in other EU Member States.

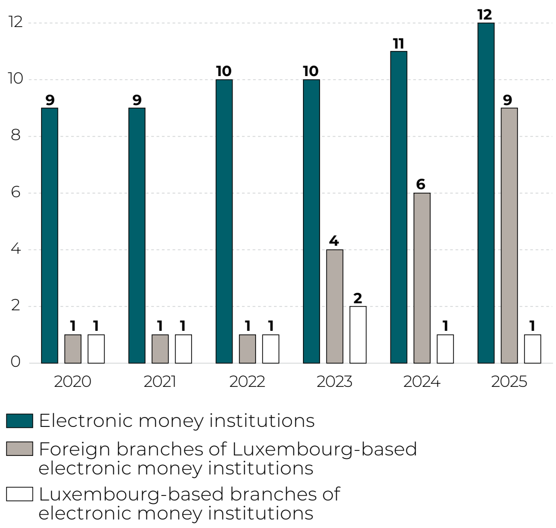
Development of the number of payment institutions



2.1.2. Electronic money institutions

As at 31 December 2025, one new electronic money institution was listed in the public register of electronic money institutions, bringing to 12 the total number of institutions listed in the register. Moreover, there were nine branches established in other EU Member States by three of these institutions and one branch established in Luxembourg by an electronic money institution authorised in another EU Member State.

Development of the number of electronic money institutions



2.2. Payment services provided

The Annex to the Law of 10 November 2009 on payment services lists the payment services that payment institutions and electronic money institutions may be authorised to provide. As at 31 December 2025, the institutions authorised to provide each of these services were broken down as follows:

Number of institutions authorised by payment service

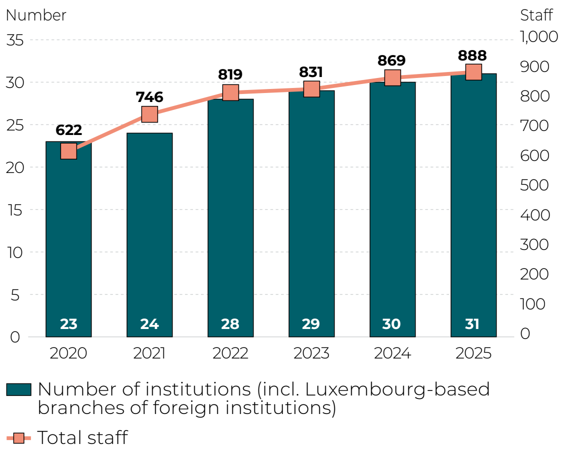
Payment service	Number of institutions
1 - Cash placement on a payment account	0
2 - Cash withdrawal from a payment account	1
3 - Execution of payment transactions, including transfers of funds	18
4 - Execution of payment transactions where the funds are covered by a credit line	3
5(a) - Issuing of payment instruments	9
5(b) - Acquiring of payment transactions	16
6 - Money remittance	7
7 - Payment initiation service	3
8 - Account information service	1
Issuing, distribution and redemption of electronic money	12

These services are provided in Luxembourg and on the territory of other EU Member States through the establishment of branches, by engaging one or several agents and by way of free provision of services.

2.3. Development of staff numbers within payment institutions and electronic money institutions

In 2025, the number of staff employed by payment institutions, electronic money institutions and branches established in Luxembourg of payment institutions or electronic money institutions authorised in other EU Member States increased by 2%, reaching 888 positions in Luxembourg as at 31 December 2025.

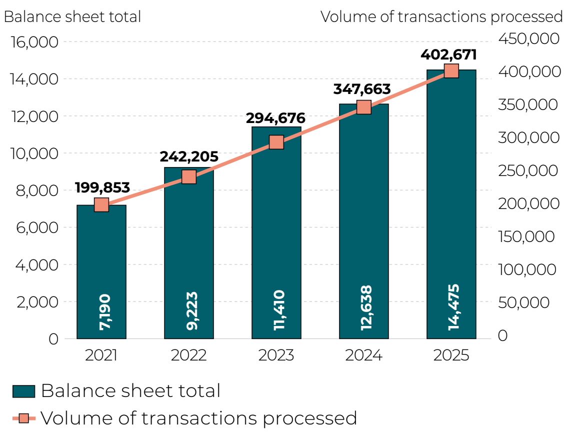
Development in staff numbers within payment institutions and electronic money institutions



2.4. Development of the balance sheet total and of the volume of transactions processed by payment institutions and electronic money institutions

The balance sheet total of payment institutions and electronic money institutions amounted to EUR 14 billion as at 31 December 2025, representing an increase of 15% compared to the end of 2024. In addition, these institutions processed an overall volume of payment transactions of about EUR 403 billion in 2025, i.e. an increase of 16% compared to the end of 2024.

Development of the balance sheet total and of the volume of transactions processed by payment institutions and electronic money institutions (in million EUR)



3. Prudential supervision of payment institutions and electronic money institutions

In the framework of its prudential supervision through a risk-based approach, the CSSF notably ensures compliance by payment institutions and electronic money institutions with the requirements on the safeguarding of funds of payment service users and electronic money holders, the requirements on central administration, on the sound and prudent management of these institutions, including maintaining an adequate capital base, as well as the requirements relating to payment security.

As regards, in particular, the supervision for the purposes of the fight against money laundering and terrorist financing, reference is made to Chapter XXII of this report.

The CSSF intervenes at these institutions through meetings with the members of the management and supervisory bodies and with the internal control functions, as well as through observation or injunction letters.

In this context, the CSSF notably points out the exchanges relating to:

- the implementation of robust internal governance arrangements within the institutions, including in particular well-established and clearly documented decision-making processes within the supervisory and management bodies, the establishment and follow-up to permanent, independent and efficient internal control functions, as well as governance arrangements in place in Luxembourg prior to any launch of a new product, market or service;
- the internal control framework ensuring the sound and effective mechanisms for safeguarding the funds of payment service users and electronic money holders and in particular the oversight and reporting processes established by these institutions;
- the governance arrangements, particularly the ongoing monitoring of the outsourced services and the service providers and the measures taken when defects/weaknesses are identified in accordance with the requirements of Circular CSSF 22/806 on outsourcing arrangements;

- the continuous reassessment and necessary enhancement of the institutions' human and technical means in response to growth, development of new activities or new markets and/or extension of their payment and electronic money services;
- the governance and risk management measures taken by institutions to manage IT and security risks.

It is noteworthy in this perspective that the CSSF published on 20 January 2026 its Circular CSSF 26/906 "Central administration, internal governance and risk management" applicable to payment institutions and electronic money institutions. This new circular which enters into force on 30 June 2026 represents an important step to foster the sound and prudent management of these institutions.

X. Supervision of crypto-asset service providers and issuers of tokens

Regulation (EU) 2023/1114 of 31 May 2023 on markets in crypto-assets (MiCAR) imposes authorisation/notification, exercise and supervisory conditions on institutions carrying out, within the European Union, the activity of issue and offer to the public of stablecoins, i.e. electronic money tokens (EMTs) or asset-referenced tokens (ARTs), as well as on institutions providing crypto-asset services within the European Union.

1. Issue and offer to the public of tokens

Since 30 June 2024, the issue and offer to the public of electronic money tokens require that the issuer has prior authorisation as credit institution or electronic money institution. These institutions may thus provide services of issue and offer to the public of electronic money tokens upon simple notification.

Since 30 June 2024, the issue and offer to the public of asset-referenced tokens require also that the issuer has prior authorisation as credit institution or obtains beforehand an authorisation as issuer of asset-referenced tokens pursuant to Article 21 of MiCAR.

The activities of issue and offer to the public of electronic money tokens and asset-referenced tokens are then subject to the CSSF's supervision. This supervision aims, in particular, to ensure the institutions' compliance with the regulatory requirements relating to the management and custody of reserve assets as well as the comprehensiveness of the information published by these issuers, such as the information published in the tokens' white papers.

As at 31 December 2025, one credit institution and one electronic money institution established in Luxembourg offered each an electronic money token. No institution in Luxembourg offered asset-referenced tokens.

2. Provision of services related to crypto-assets

Since 30 December 2024, the provision of services related to crypto-assets requires that crypto-asset service providers (CASPs) have prior authorisation to provide these services. CASPs are subject to an authorisation regime involving notably prudential and organisational requirements and, consequently, they are subject to the CSSF's supervision.

Certain categories of entities that already have a regulated status (i.e. credit institutions, central securities depositories, investment firms, market operators, electronic money institutions, UCITS management companies and alternative investment fund managers) may all provide certain crypto-asset services upon simple notification, depending on their regulatory status.

The authorisation procedure applied by the CSSF to CASPs follows the same approach as any other authorisation procedure for financial entities in Luxembourg. The level and nature of the information and documentation required in the framework of the authorisation procedure for CASPs are defined in Delegated Regulation (EU) 2025/305 of 31 October 2024. This allows ensuring a level playing field within the European Union and a convergence of authorisation practices in relation to CASPs, through the application of a common approach by the national competent authorities.

The CASPs authorised in Luxembourg are then subject to ongoing supervision by the CSSF. This supervision includes notably the supervision of internal governance, central administration, conduct and consumer protection requirements, requirements in relation to the custody of crypto-assets and/or operation of trading platforms for crypto-assets. This supervision draws on MiCAR as well as on a series of delegated acts and EU guidelines ensuring convergence of the prudential supervisory practices in the European Union. This supervision includes also compliance with the obligations deriving from other European regulations, such as Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA) and the professional obligations regarding the fight against money laundering and terrorist financing (AML/CFT). As regards, in particular, the supervision for the purposes of the fight against money laundering and terrorist financing, please refer to Chapter XXII of this report.

With respect to entities with another regulatory status, the supervision of risks arising from the provision of crypto-asset services is an integral part of the CSSF's ongoing supervision. The CSSF thus applies the principle of decentralised supervision regarding crypto-asset services in order to guarantee an efficient supervision.

Moreover, the CSSF ensures the exchange and dialogue between peers and with ESMA, in the framework of the authorisation procedures, especially the authorisation of significant CASPs, and of the prudential supervision in order to support convergence in authorisation and supervisory practices and to limit regulatory arbitrage within the European Union.

In the context of its prudential supervision, the CSSF intervenes at institutions notably through meetings with the members of the management and supervisory bodies and with the internal control functions, as well as through observation or injunction letters.

In 2025, these exchanges with CASPs concerned in particular:

- internal governance arrangements, including the deployment of mechanisms for monitoring outsourced services on a continuous basis as well as the measures taken when flaws/weaknesses had been identified;
- establishment and maintenance of a central administration in Luxembourg, including sufficient technical infrastructures and human resources required given the activities exercised by CASPs and the related risks;
- deployment of services related to crypto-assets in line with the requirements of MiCAR and the related delegated acts (e.g. compliance with the models for the execution of orders for crypto-assets);
- deployment of robust arrangements for storing and managing cryptographic keys in the context of the custody of crypto-assets.

- As at 31 December 2025, the number of CASPs amounted to four, corresponding to three institutions authorised pursuant to Article 63 of MiCAR and one credit institution which notified the provision of crypto-asset services pursuant to Article 60 of MiCAR. These CASPs provided the following services:

Crypto-asset services	Number of institutions
Custody and administration of crypto-assets on behalf of clients	4
Operation of a trading platform for crypto-assets	1
Exchange of crypto-assets for funds	2
Exchange of crypto-assets for other crypto-assets	2
Execution of orders for crypto-assets on behalf of clients	2
Placing of crypto-assets	1
Reception and transmission of orders for crypto-assets on behalf of clients	2
Providing advice on crypto-assets	-
Portfolio management on crypto-assets	-
Providing transfer services for crypto-assets on behalf of clients	3

Finally, it is noteworthy that, pursuant to MiCAR, the Law of 6 February 2025 implementing MiCAR in Luxembourg provides clarification as regards transitional measures for virtual asset service providers (VASPs) active in Luxembourg prior to the entry into force of MiCAR. Thus, VASPs which were registered as at 30 December 2024 in accordance with Article 7-1 of the Law of 12 November 2004 on AML/CFT, as in force on 30 December 2024, remain registered within the VASP register established by the CSSF and may continue their activities in Luxembourg until 1 July 2026 or until an authorisation is granted or refused to them in accordance with MiCAR requirements.

As at 31 December 2025, 12 VASPs were registered in Luxembourg and started the procedure to obtain an authorisation as CASP in Luxembourg or with a national competent authority within the European Union. The CSSF ensures the monitoring of this particular transitional period in order to check that the players concerned have been duly authorised or have defined or deployed an orderly liquidation of their crypto-asset services, as the case may be.

XI. Supervision of investment fund managers and UCIs

1. Key figures for 2025

1.1. Investment fund managers (IFMs)

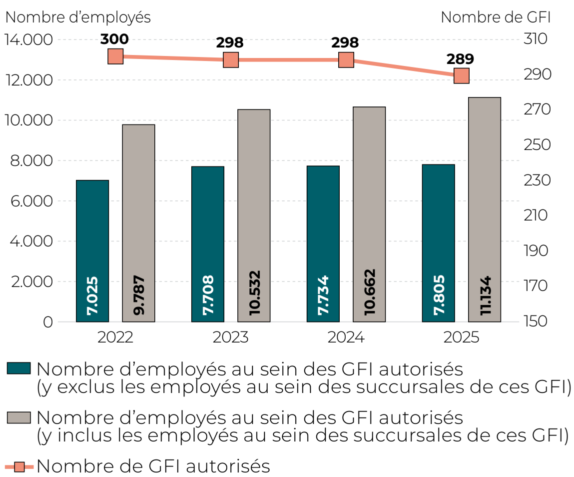
289

authorised IFMs as at 31 December 2025

EUR 7,848.7 bn

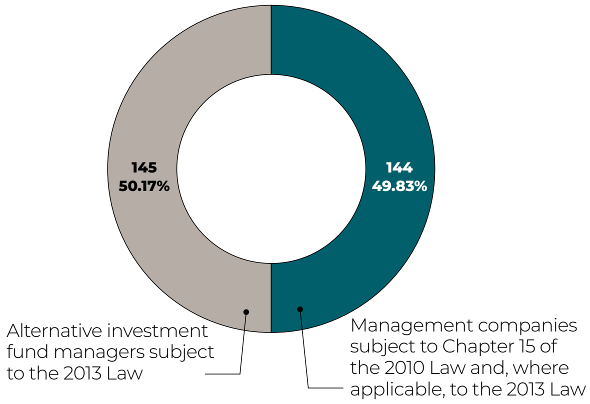
assets under management, of which 81%[1] managed by authorised Luxembourg IFMs

Evolution of the number of authorised IFMs and of their employees

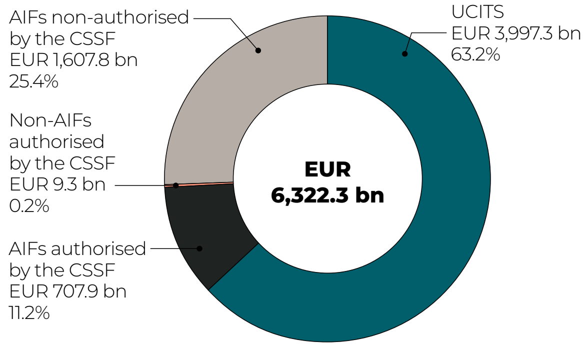


1 Rounded percentage

Breakdown of authorised IFMs by category



Breakdown of assets managed by authorised IFMs by product type



1.2. Undertakings for collective investment (UCIs) authorised by the CSSF

3,036
UCIs registered on the official list as at 31 December 2025

13,319
units

EUR 6,199.4 bn
net assets

1.3. Prudential supervision

488
interventions related to off-site supervision of UCIs

1
sanction imposed on an IFM following an investigation related to off-site supervision of UCIs

5
colleges for the supervision of IFMs

59
on-site inspections at IFMs, covering 46% of the total assets managed by authorised IFMs

1
sanction imposed on an IFM following on-site inspections

1.4. AML/CFT

34
AML/CFT colleges for Luxembourg IFMs fulfilling the conditions defined in the EBA guidelines on AML/CFT colleges

57
face-to-face meetings

19
AML/CFT on-site inspections

6,135
off-site supervision measures

10
administrative sanctions for failure to submit AML/CFT reports

1,400
participants in the virtual AML/CFT conference on collective management

2. Major events in 2025

2.1. Common Supervisory Action by ESMA on compliance and internal audit functions

In 2025, the CSSF participated, with the other national competent authorities, in a Common Supervisory Action (CSA) coordinated by ESMA on compliance and internal audit functions. This CSA aimed at examining to what extent IFMs have established effective compliance and internal audit functions with the adequate staffing, authority, knowledge and expertise to perform their duties under the AIFM and UCITS Directives as well as the regulations in force.

In 2025, the CSSF analysed the information collected from a sample of IFMs and drew up a summary report for ESMA. This sample was composed of 30 Luxembourg-domiciled IFMs, including

- 23 entities authorised both as UCITS management companies under Chapter 15 of the 2010 Law and as AIFMs under the 2013 Law; and
- 7 entities authorised only as UCITS management companies under the 2010 Law.

The CSSF submitted its report to ESMA at the end of December 2025.

In the context of this exercise, the CSSF observed an overall satisfactory level of compliance by the supervised entities with the applicable regulations, while identifying several cases of vulnerabilities notably related to a lack of granularity in the descriptions and information provided in the policies and procedures put in place by the IFMs as well as in the submitted reports.

The CSSF has also noted that there was considerable heterogeneity in the compliance monitoring plans and the audit plans in terms of form and content. The same observation was made for summary reports issued by IFMs in accordance with Circular CSSF 18/698.

In terms of supranational supervisory actions, ESMA published the conclusions[2] of this exercise on 11 May 2026 with the aim to promote convergence in the supervisory practices among the competent authorities.

It is the fifth CSA that ESMA and the national competent authorities have launched on asset management.

2.2. Sustainable finance

Since 21 May 2025, the ESMA *Guidelines on funds' names using ESG or sustainability-related terms*[3] have been applying to all existing funds. The CSSF expects market participants, regardless of whether they are disclosing information under Article 6, 8 or 9 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), to carry out a self-assessment of the applicability of these guidelines to the products they manage and to ensure compliance of funds' names with these guidelines.

In June 2025, ESMA published its report[4] on the Common Supervisory Action (CSA) conducted with national competent authorities across the EU on the integration of sustainability risks and disclosures in the investment fund sector. The objective of this CSA was to assess how IFMs comply with the provisions of the SFDR, the Taxonomy Regulation and with the implementing measures on the integration of sustainability risks. This CSA also aimed at promoting supervisory convergence by improving comprehensibility of sustainability-related disclosures by IFMs across key segments of the sustainable finance value chain. ESMA noted that the level of compliance of IFMs with the sustainability-related rules is overall satisfactory. Still, it found that improvements were needed in the integration of sustainability risks, entity-level SFDR disclosures and product-level SFDR disclosures. ESMA also mentioned that further work will be performed for promoting supervisory convergence in the area.

2 https://www.esma.europa.eu/press-news/esma-news/esma-identifies-areas-further-supervisory-convergence-compliance-and-internal

3 https://www.esma.europa.eu/document/guidelines-funds-names-using-esg-or-sustainability-related-terms

4 https://www.esma.europa.eu/press-news/esma-news/esma-finds-improvements-needed-supervision-sustainability-risks-and

In September 2025, the CSSF published its feedback report[5] to inform market participants about the ESMA CSA. The CSSF notes in this report that the overall analysis of compliance for Luxembourg-domiciled IFMs is consistent with ESMA's conclusions. The report also presents the main observations of the CSSF, the related recommendations for improvements in view of the applicable regulatory requirements, as well as examples of good practices.

In this respect, the CSSF asked, by way of its communiqué[6], all IFMs to conduct a comprehensive assessment of their compliance with the observations in the ESMA report and the CSSF feedback report. IFMs should take the necessary corrective measures where applicable. It is noteworthy that this assessment must be carried out by all IFMs, as some observations apply regardless of whether they manage sustainability-related products under the SFDR.

On 20 November 2025, the European Commission published a proposal for a review[7] of the SFDR. The amendments aim at addressing the current shortcomings by simplifying the rules and making them more effective and better aligned with market realities. The upcoming challenges of this SFDR review will consist in further simplifying the regulatory framework, making it even more understandable for investors and ensuring consistency within the wider sustainable finance framework.

The main elements of the proposal are:

- Simplified disclosures: the European Commission proposes to delete entity-level disclosure requirements regarding principal adverse impact indicators. The European Commission also aims at significantly reducing product-level disclosures, by focusing on the key criteria underpinning the product categories;
- Categorisation system: the European Commission is proposing a simple categorisation system for financial products making sustainability-related disclosures. This system should include three categories (sustainable, transition and ESG basics), each defined by clear criteria and built on existing market practices.

2.3. Development of UCIs in a context of continued inflation decline, monetary policy normalisation and high geopolitical risks

The year 2025 was marked by the continuation of a charged geopolitical environment (notably due to the conflicts in Ukraine and Israel) and by rising economic uncertainty stemming, inter alia, from the impact of US tariffs announced in April on global growth and inflation. Initially broader in scope and higher than anticipated, these tariffs were subsequently reduced. This also led to an escalation in trade tensions between the United States and China over several months, following the adoption by China of retaliatory measures. Another salient feature of the year 2025 was the continued decline in inflation, which gradually moved closer to levels consistent with monetary policy objectives, thereby allowing central banks to continue lowering key interest rates. This monetary easing cycle, initiated in 2024, had an impact on asset allocation decisions, with positive capital flows recorded throughout the year across the main investment strategies.

Money market funds continued to benefit from relatively high short-term interest rates (albeit on a downward trend) as well as from a high level of uncertainty arising from the geopolitical environment. While their net assets increased by 6.4% (from EUR 593 billion at the end of 2024 to EUR 631 billion in December 2025), it represented a slowdown compared with the 20% increase recorded in 2024.

Capital flows into bond funds increased significantly in 2025, with capital inflows amounting to EUR 102 billion (representing +7.3% of total net assets over the year, against +5.9% in 2024). Finally, mixed funds and equity funds returned to growth in capital flows amounting to EUR 40 and 33 billion, respectively (+3.7% and +1.6% of total net assets over the year compared to negative flows of -2.3% and -3.7% in 2024).

5 https://www.cssf.lu/en/Document/esma-common-supervisory-action-on-sustainability-risks-and-disclosures-in-the-investment-management-sector/

6 https://www.cssf.lu/en/2025/09/communication-on-the-cssf-feedback-report-on-esma-common-supervisory-action-on-sustainability-risks-and-disclosures/

7 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025PC0841

2.4. Market turbulence following the announcement of tariffs by the United States of America

In early April 2025, the financial markets reacted strongly to the announcement of tariffs unilaterally introduced by the United States of America. In the days that followed, the announcement had an increasingly widespread impact across all asset classes, fuelling significant market volatility.

Against this background, the CSSF intensified its monitoring of risks relating to UCIs including investigations conducted into IFMs presenting particular risks, such as the use of financial derivative instruments. These investigations showed that Luxembourg UCIs did not experience any significant issues.

On 9 April 2025, as early signs of disruption in the US Treasury market began to emerge, the President of the United States announced a 90-day postponement of the implementation of the tariffs, which helped ease tensions in the financial markets.

2.5. Thematic review on costs and fees

In 2025, as part of the prudential supervision of UCIs, the CSSF carried out a thematic analysis targeting a limited number of IFMs managing UCIs with an abnormally high level of costs and fees compared to market standards for similar funds, notably with a view to asking IFMs to take corrective measures in the best interest of investors.

Similarly to the thematic surveys conducted since 2023 on this subject, the main findings emerging from this analysis were:

- the acknowledgement by the IFMs of abnormally high levels of costs and fees charged to certain funds they manage;
- insufficient reviews performed of the level of fees charged to the funds they manage for most of the IFMs concerned;
- a lack of efficient measures and/or inadequate measures to remedy the situation for the UCIs concerned by these high levels of costs and fees before the intervention of the CSSF;
- the delayed implementation of corrective measures by the IFMs/UCIs in most of the cases analysed.

Based on these findings, the CSSF performed a close check of the IFMs concerned in order to ensure that the necessary corrective measures are implemented to remedy the situation in the best interest of investors within a short timeframe (e.g. significant decrease in fees following the renegotiation of contracts, if such decrease is impossible, a restructuring such as the liquidation of the UCI or merger in a similar UCI with lower fees).

In 2026, the CSSF will continue its analyses and interventions with respect to high levels of costs and fees charged to UCIs notably through a new thematic review on this topic.

As a reminder, this work is part of ESMA's supervisory briefing on the supervision of costs in UCITS and AIFs (ESMA34-39-1042)[8] published on 4 June 2020, ESMA's ad hoc report on total costs of investing in UCITS and AIFs (ESMA50-1949966494-3918)[9] published on 6 November 2025 and also the 8th ESMA market report costs and performance of EU retail investment products 2025 (ESMA50-1949966494-4065)[10] published on 3 March 2026.

2.6. Thematic review relating to disclosures to be included in UCIs' periodic reports

In the context of the prudential supervision of UCIs, the CSSF launched in 2025 a thematic review relating to the periodic disclosures, as included in the annual reports of UCIs (the "periodic disclosures") for (sub-)funds disclosing information pursuant to Article 8 or Article 9 of the SFDR and Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (TR).

More specifically, the thematic review, which targeted a limited number of IFMs, focused on certain UCIs subject to the disclosure requirements laid down in Article 8 or Article 9 of the SFDR, for which the CSSF identified potential inconsistencies and/or exceptions between certain information reported as part of the periodic SFDR data collection, submitted to the CSSF in accordance with its communiqué of 25 March 2023[11], and the information disclosed in the last precontractual disclosures, submitted to the CSSF in accordance with the aforementioned communiqué and the subsequent updates relating thereto, applicable on the date of the end of the financial year.

In cases where an exception is found, the CSSF performs checks in order to ensure that the necessary and appropriate corrective measures are promptly implemented to remedy the situation in the best interest of investors (for example, corrections of inconsistencies, notifications in accordance with Circular CSSF 24/856).

2.7. Follow-up to the thematic review on the validation of value-at-risk models used by UCITS for global exposure calculation

In June 2023, the CSSF published the results of a thematic review on the validation of value-at-risk (VaR) models used by UCITS for global exposure calculation[12]. In this report, the relevant IFMs were asked to carry out a self-assessment of their existing VaR model validation framework and take, if necessary, the corrective measures.

Based on a sample, the CSSF carried out checks on the self-assessment exercises conducted, as well as on the work to update and validate the VaR model. The CSSF noticed that the selected IFMs, with a few exceptions (which have since been resolved or are being monitored), had carried out these self-assessments satisfactorily. Moreover, these assessments have led to an update of the validation of the VaR model in most cases.

Notwithstanding the preceding observations, the CSSF would like to draw attention to the fact that the methods used to determine the performance of a VaR model include but are not limited to back-testing. Finally, the CSSF points out that the independence of a model validation is crucial to objectively assess the quality of the models used.

8 https://www.esma.europa.eu/document/supervisory-briefing-supervision-costs-in-ucits-and-aifs

9 https://www.esma.europa.eu/sites/default/files/2025-11/ESMA50-1949966494-3918_Report_on_total_costs_of_investing_in_UCITS_and_AIFs.pdf

10 https://www.esma.europa.eu/document/market-report-costs-and-performance-eu-retail-investment-products-2025

11 https://www.cssf.lu/en/2023/06/sfdr-data-collection-exercise-applicable-to-investment-fund-managers-ifms-and-institutions-for-occupational-retirement-provision-iorps-on-periodic-disclosures-in-relation-to-regulation-eu-2019-2/

12 https://www.cssf.lu/en/Document/cssf-thematic-review-validation-of-value-at-risk-models-used-by-ucits-for-global-exposure-calculation-results/

3. Prospects for 2026

3.1. The CSSF's priorities for supervising the investment fund sector

On the basis of the CSSF's annual risk assessment to identify the main risks associated with the activities of investment funds and IFMs and giving due consideration to the broader economic and geopolitical context, the CSSF defined a number of key supervisory priorities and related actions[13] for 2026 to address these risks through its off-site and on-site supervision carried out under a risk-based approach. These priorities are also built on the Union Strategic Supervisory Priorities (USSPs)[14] defined by ESMA and IOSCO's 2026 Work Program[15].

As regards governance and operational risks, the CSSF will follow up on ESMA's CSA on the internal audit and compliance functions and it will take part in a new CSA on the risk management function in the second half of 2026.

Moreover, following ESMA's publication on 12 June 2025 of principles on third-party risks supervision to promote a consistent and effective supervisory approach across the European Union, a study will be launched among a sample of IFMs to assess their compliance with these principles and those related to delegation as already set out in Circular CSSF 18/698.

As far as ICT and cyber risks are concerned, the implementation of the EU regulation on digital operational resilience for the financial sector (DORA) by IFMs will be closely monitored, in particular in relation to the management of ICT-related risks and by considering the major ICT-related incidents notified to the CSSF in accordance with Circular CSSF 25/893.

From a liquidity and credit risk perspective, in view of the developments in open-ended private asset funds (so-called semi-liquid funds, including ELTIFs), targeted thematic reviews will be conducted with IFMs and will cover their liquidity risk and credit risk management processes pertaining to funds with material exposure to private debt. Another focus area of the CSSF will be the selection and use of liquidity management tools (LMT) and their operational implementation. Finally, the stress tests conducted by the CSSF will be further developed to better monitor margin/collateral calls associated with the use of financial derivative instruments and repurchase agreement transactions ("repos").

Asset valuation remains a key priority, with notably a focus on on-site inspections pertaining to the valuation organisation of IFMs as well as off-site thematic reviews relating to open-ended private assets funds (including continuation funds) covering in particular valuation, governance and conflicts of interest. The correct implementation of Circular CSSF 24/856 will also be monitored as regards investor protection in case of NAV calculation errors, instances of non-compliance with the investment rules and other errors at UCI level.

The CSSF will continue its work in sustainable finance including the verification of the integration of sustainability risks in the organisational arrangements of IFMs as well as the compliance and consistency of the sustainability-related disclosures, including portfolio analyses, following a risk-based approach.

As regards costs and fees, based notably on the information collected by means of the UCIs' self-assessment questionnaires (SAQs) provided for in Circular CSSF 21/790, the CSSF will continue its thematic reviews in 2026, with the aim of identifying fund outliers in relation to the overall level of costs/fees as well as to performance fees and transaction costs.

The fight against money laundering, terrorist financing and proliferation financing remains a key supervisory priority. The CSSF's commitment to maintaining financial integrity involves an ongoing risk-based supervision and the active contribution to defining international standards, notably at the level of the IOSCO AML Network.

13 https://www.cssf.lu/en/2026/03/the-cssfs-2026-priorities-for-supervising-the-investment-fund-sector/

14 ESMA communiqué: Cyber risk and digital resilience will drive the agenda of ESMA's Union Strategic Supervisory Priorities for 2026 (https://www.esma.europa.eu/press-news/esma-news/cyber-risk-and-digital-resilience-will-drive-agenda-esmas-union-strategic)

15 https://www.iosco.org/news/pdf/IOSCONEWS782.pdf

3.2. Sustainable finance

Sustainable finance remains a key supervisory priority of the CSSF. In line with its supervisory priorities[16] in this area, the CSSF will continue to monitor how IFMs comply with the provisions of the SFDR, the Taxonomy Regulation and with the implementing measures on the integration of sustainability risks. In doing so, the CSSF will take due consideration of the principles and guidance laid down in the *ESMA Supervisory briefing on Sustainability risks and disclosures in the area of investment management*[17], as well as the ESMA Guidelines on funds' names using ESG or sustainability-related terms[18].

As mentioned in point 2 (Major events in 2025) above, the European Commission published a proposal for the review of the SFDR. This proposal will henceforth be subject to the ordinary legislative procedure of the EU, within the framework of trilogue negotiations between the European Parliament, the European Council and the European Commission.

Subsequently, implementing measures will clarify certain details of the legal framework, particularly regarding the application of the revised rules by market participants. The proposal for the review of the SFDR currently provides for an 18-month transitional period between its entry into force and the date of application. However, at this stage, the date of its entry into force remains uncertain, as discussions are still ongoing at European level. The CSSF welcomes the direction taken by this proposal and actively contributes to the preliminary work at EU level.

16 https://www.cssf.lu/en/2026/03/the-cssfs-supervisory-priorities-in-the-area-of-sustainable-finance/

17 https://www.esma.europa.eu/document/supervisory-briefing-sustainability-risks-and-disclosures-in-area-investment-management

18 https://www.esma.europa.eu/document/guidelines-funds-names-using-esg-or-sustainability-related-terms

4. Prudential supervisory practice

The CSSF's prudential supervision aims to ensure that IFMs and UCIs subject to its supervision continuously observe legal, regulatory or contractual provisions relating to their organisation and operation, with the objective to ensure investor protection and stability of the financial system.

Prudential supervision is exercised via:

- off-site supervision based on the analysis of the periodic financial information, annual reports, other reports (including the reports of the *réviseurs d'entreprises agréés* (approved statutory auditors)) and regular or ad hoc information received by the CSSF;
- on-site supervision, i.e. on-site inspections carried out by the CSSF agents at the offices of supervised entities.

4.1. Off-site supervision of UCIs

4.1.1. Supervision based on closing documents of UCIs

In the framework of the review of annual reports and of management letters as well as of the reports required under Circular CSSF 21/790, i.e. the self-assessment questionnaire (SAQ) and the separate report (SR) to be submitted annually by UCIs, the CSSF intervened with certain funds and/or their IFMs.

These interventions aimed notably at addressing the deficiencies noted by the *réviseurs d'entreprises agréés* in the annual reports, management letters and in the separate reports, as well as the deficiencies noted in relation to the information provided in the UCI's SAQs.

In 2025, in the context of the review of the above-mentioned documents, the CSSF sent 488 letters and emails with a view to analysing in particular the deficiencies raised by the *réviseurs d'entreprises agréés*, following up on the measures implemented and/or requiring corrective measures in order to remedy these deficiencies, including the compensation of UCIs and/or investors. Besides these formal interventions, the CSSF also intervened in a number of cases via telephone and by organising meetings to clarify or deal with certain irregularities.

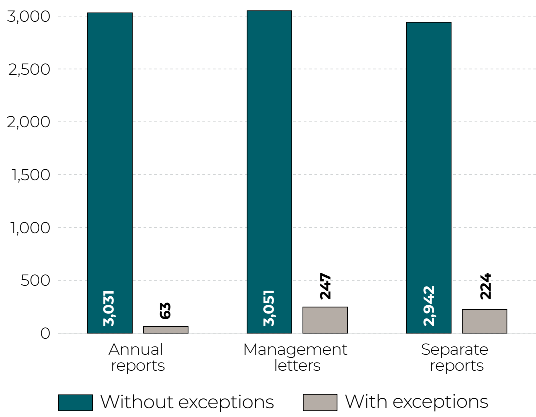
The CSSF's interventions concerned, inter alia, investment valuation, compliance with investment restrictions and policies, costs/fees charged to UCIs, NAV calculation, UCI's governance/organisation, reconciliations performed by the administrative agent or with the depositary bank, AML/CFT arrangements as well as disclosure in the UCIs' annual reports, including notably SFDR periodic data.

Following these reviews and interventions, the CSSF may impose sanctions on UCIs and/or their IFMs in the event of non-compliance with the applicable legal, regulatory or contractual provisions. In 2025, an administrative sanction was imposed on an IFM for non-compliance with the professional obligations relating to the rules of conduct, the UCITS' organisational requirements and investment policies.

Finally, as part of its review of the above-mentioned closing documents, the CSSF also identified cases of non-compliance with investment rules and NAV calculation errors at the level of several UCIs which had not been identified by the management bodies, the IFMs and/or the service providers and which were subsequently addressed in accordance with the provisions of Circular CSSF 24/856.

The following chart highlights, per type of closing document, the number of documents received in 2025 in which one or several exceptions were noted, in particular, by the *réviseur d'entreprises agréé* and which were subject to a review and/or intervention by the CSSF.

Number of closing documents with or without exceptions noted in 2025



In 2025, the CSSF also received 3,162 SAQs. In this context, it should be noted that the aforementioned interventions on the closing documents also covered the information included under the different sections of the SAQ.

In addition to the risk-based supervision conducted on the closing documents, and the continued integration of these elements into the prudential supervisory practices, the CSSF made updates of the SAQs and SRs, in 2025, for the financial year-ends as from 31 January 2026, including, for the SAQ, the addition of new specific questions (e.g. at the level of the valuation sections and costs/fees), ad hoc reviews of certain questions and the related guidance (e.g. tooltips) as well as the deletion of certain questions. For the SR, the changes focused on the removal of procedures, as set out in the communiqué of the CSSF of 10 February 2026[19], taking into account the supervisory priorities, the feedback received as well as the regulatory developments.

19 https://www.cssf.lu/en/2026/02/uci-reports-foreseen-by-circular-cssf-21-790-for-year-ends-31-january-2026-28-february-2026-31-march-2026-and-30-april-2026-now-available-on-edesk-and-information-on-main-updates/

In 2026, the CSSF will continue its follow-up work to Circular CSSF 21/790, with, in particular, the review of the SR reporting frequency on a risk-based approach and the prudential requirements, as well as the practical implementation of the defined approach and the development of functionalities allowing an efficient use and management of the documents in eDesk.

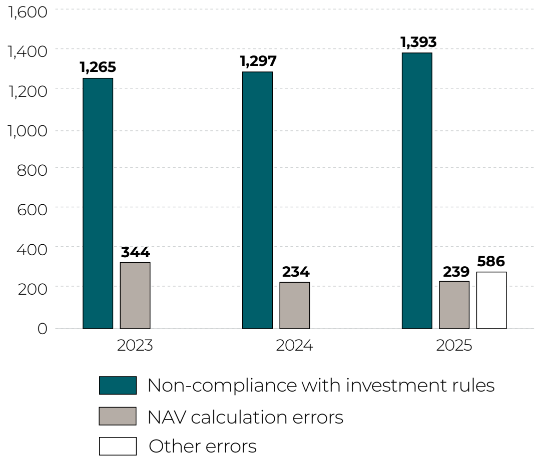
4.1.2. NAV calculation errors, non-compliance with investment rules and other errors

As from 1 January 2025, Circular CSSF 24/856 on protection of investors in case of an NAV calculation error, an instance of non-compliance with the investment rules and other errors at UCI level entered into force, repealing on that date Circular CSSF 02/77 on protection of investors in case of NAV calculation error and correction of the consequences resulting from non-compliance with the investment rules applicable to undertakings for collective investment. Circular CSSF 24/856 notably introduced the new type “other errors”.

In this context, during 2025, the CSSF received both declarations under Circular CSSF 02/77, which still applied to errors and instances of non-compliance identified before 1 January 2025, and declarations under the new Circular CSSF 24/856, which applies to all errors/non-compliance instances identified from that date onwards.

In 2025, the CSSF received a total of 2,218 declarations against 1,531 declarations in 2024, i.e. a 44.87% increase mainly due to the 586 declarations relating to the new type “other errors”.

Evolution of the number of NAV calculation errors, instances of non-compliance with investment rules and other errors reported to the CSSF over the last three years

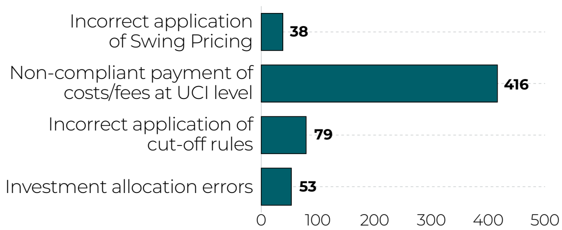


Of the 2,218 declarations submitted to the CSSF, 190 were submitted under Circular CSSF 02/77 and 2,028 under Circular CSSF 24/856.

With 586 cases, the new type “other errors” introduced by Circular CSSF 24/856 accounts for 26.42% of the total number of declarations submitted in 2025.

In accordance with Chapter 6 of Circular CSSF 24/856, the “other errors” represent the following four types of errors: incorrect application of Swing Pricing, non-compliant payment of costs/fees at UCI level, incorrect application of cut-off rules and investment allocation errors.

Breakdown of “other errors” instances in 2025

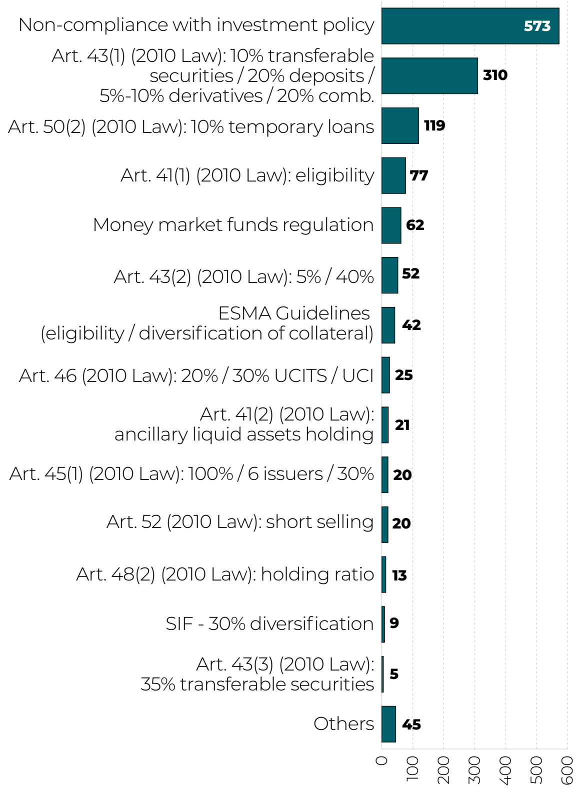


It should be noted that Circular CSSF 24/856 adapted the regulatory framework governing the role of the *réviseur d'entreprises agréé* in relation to errors and instances of non-compliance. Henceforth, an additional control by the *réviseur d'entreprises agréé*, involving the issuance of a special report, applies only where both of the following conditions are met: (i) the error/non-compliance relates to a UCITS or a UCI Part II and (ii) the total compensation amount exceeds EUR 50,000 or the compensation to be paid out to one single investor exceeds EUR 5,000. It should be noted that under Circular CSSF 02/77, the amounts were EUR 25,000 and EUR 2,500, respectively.

For the errors/instances of non-compliance covered by Circular CSSF 24/856 that do not meet the two conditions set out above, the *réviseur d'entreprises agréé* must carry out, following the procedures that the CSSF requests the *réviseur d'entreprises agréé* to implement in accordance with a risk-based approach and which are directly indicated in the separate report, sample-based controls on the errors/instances of non-compliance that occurred during the financial year or the period subject to the statutory audit. The purpose of this control is to verify, for the selected instances, that the guidelines under Circular CSSF 24/856 are complied with. The CSSF's supervisory activities in relation to the separate report are covered in section 4.1.1 above.

Of the declarations received by the CSSF in 2025, 29 still required a special report under Circular CSSF 02/77 and 76 required a special report under Circular CSSF 24/856. There was therefore a slight decrease (1.87%) in the total number of special reports received in 2025 compared to 2024 (105 in 2025 compared to 107 in 2024).

Breakdown of the instances of non-compliance with investment rules in 2025



Failure to observe the limits/rules of the investment policy defined in the sales documents was the main source of non-compliance with investment rules with 573 instances (416 instances in 2024, i.e. +37.74%), followed by failure to observe the legal limits of diversification, holding and borrowing in UCITS with 565 cases (654 instances in 2024, i.e. -13.61%) and legal constraints breaches as regards asset eligibility with 77 instances (71 instances in 2024, i.e. +8.4%).

It is worth mentioning that 210 out of 573 instances of breaches of investment policy limits/rules concerned the European regulation on sustainability-related disclosures in the financial services sector (SFDR). The instances of non-compliance identified can be attributed to internal control failures (e.g. procedures, data, IT, communication), human errors (e.g. inappropriate portfolio management decisions), and the acquisition of assets that are ineligible under the fund's ESG commitments as set out in its sales documents.

The CSSF was also informed of 178 instances of non-compliance with investment rules that concerned different types of rules.

Compensation in relation to correction of NAV calculation errors, instances of non-compliance with investment rules and other errors[20]

(in EUR)	Investors		
	2023	2024	2025
Total amount of compensation following NAV calculation errors	49,601,054.10	11,810,270.57	5,807,815.93
Total amount of compensation following non-compliance with investment rules	50,802.40	2,060.56	10,158.84
Total amount of compensation following other errors	N/A	N/A	2,057,911.84

(in EUR)	UCIs/Sub-funds		
	2023	2024	2025
Total amount of compensation following NAV calculation errors	14,109,720.70	8,571,914.50	6,696,225.23
Total amount of compensation following non-compliance with investment rules	7,403,712.60	4,085,118.45	9,859,826.24
Total amount of compensation following other errors	N/A	N/A	9,130,304.28[21]

20 The data as at 31 December 2025 are incomplete as the final compensation amounts had not yet been finalised for some files. Moreover, in order to allow a comparison with previous years, the data relating to 2024 and 2023 have not been adjusted either, and are based on the data published in the previous annual reports.

21 Compensation payments made to UCIs/sub-funds following other errors do not include amounts relating to costs/fees that have proved to be insufficient in relation to the amount provided for in the instruments of incorporation and/or the prospectus, regardless of whether or not such costs/fees were retrospectively charged by the UCIs/sub-funds.

In 2025, the total compensation paid out to investors and to UCIs/sub-funds increased compared with 2024. This increase is solely due to the inclusion of the new type of "other errors" in the declarations. Excluding this new type, there was an 8.56% decrease in the amounts between 2025 and 2024.

Overall, the total amount of compensation still remained low as compared with the total amount of assets under management.

4.1.3. CSSF's supervision of UCIs in non-judicial liquidation – Recommendations/best practices

UCIs are, after dissolution, deemed to exist for the purpose of their liquidation. In the case of a non-judicial liquidation, they shall remain subject to the supervision of the CSSF.

- **Requirements relating to liquidators**

Prior to their appointment, liquidators are previously approved by the CSSF subject to an analysis of their experience and repute, having regard, in particular to the complexity of the UCI liquidation project. Throughout the non-judicial liquidation, the CSSF expects liquidators:

- to act in the best interests of all investors, ensuring their equal treatment, and in compliance with applicable laws and regulations;
- to cooperate and to transmit the information and documents required by the CSSF;
- to spontaneously notify the CSSF of the occurrence of any significant problem; and
- to maintain their repute and professional skills throughout the liquidation in order to ensure their professional integrity.

The liquidator's mission is to realise the assets, settle the liabilities, and ensure that the UCI complies with applicable laws and regulations.

The CSSF requires service providers and outgoing *dirigeants* of the UCI, as well as the UCI's investment fund manager (if applicable), to provide liquidators with all information and documents necessary for the performance of their duties.

- **Maintenance of essential functions**

The UCI remains under the CSSF's supervision during its non-judicial liquidation, which requires the continued performance of the domiciliation, UCI administrator, and depositary functions (non-exhaustive list) to ensure the liquidation process.

The CSSF reiterates that the institution which last acted in its capacity as depositary at the time of the initiation of the liquidation of the UCI shall take all necessary steps for the good preservation of the interests of the investors, including the obligation to maintain or open all the accounts necessary for the safekeeping of the different assets of the UCI up to the closure of the liquidation of the UCI.

Without prejudice to the foregoing, in case one of the aforementioned functions ceases, the liquidator must obtain the CSSF's prior authorisation within the context of the CSSF's supervision of the non-judicial liquidation in order to replace the service provider before the effective end of the services concerned for the purpose of ensuring continuity of the services.

- **AML/CFT obligations of UCIs in non-judicial liquidation**

In accordance with the regulatory requirements, UCIs in non-judicial liquidation remain subject to the legal AML/CFT obligations. Indeed, AML/CFT risks remain throughout the entire UCI's lifecycle, requiring appropriate internal procedures and controls to be maintained. The liquidator is fully responsible for implementing and complying with these obligations.

Within the framework laid down in Circular CSSF 22/811 (as amended), the delegation of the due diligence measures relating to the register of investors may be entrusted to a UCI administrator. This delegation takes place in accordance with the provisions of Article 3-3(5) of the AML/CFT Law and the contractual provisions governing the relationships between the UCI and the UCI administrator. The delegation agreements must explicitly provide for the AML/CFT obligations and responsibilities of each stakeholder. The liquidator has ultimate responsibility and must exercise effective oversight over all delegated operations.

Where the register of investors of a UCI in non-judicial liquidation lists blocked accounts due to non-compliance with AML/CFT regulations, the CSSF requires the development of a detailed remediation plan for those blocked accounts. This remediation plan shall include:

- the precise definition of the obligations and responsibilities of each stakeholder;
- the establishment of an appropriate remuneration structure;
- regular monitoring by the liquidator.

Advances on liquidation bonus, the final liquidation bonus or the residual liquidation amount can only be distributed to accounts deemed to be compliant. Non-compliant accounts remain blocked until AML/CFT compliance measures are fully completed. Should remediation efforts fail, the liquidator may, at their discretion, request the consignment of the sums and assets to the Consignment Office (*Caisse de Consignation*) in accordance with the applicable conditions. This solution is the only authorised alternative, excluding any other provision (such as donations to charities).

4.2. Off-site supervision of IFMs

4.2.1. Implementation of the regulation on digital operational resilience (DORA)

As part of the European implementation of Regulation (EU) 2022/2554 on digital operational resilience (the DORA Regulation), which is applicable as from 17 January 2025, the CSSF conducted thematic compliance controls in 2025 to verify whether IFMs meet the new requirements under the DORA Regulation.

This work is part of an effort to assess the preparedness and compliance of the entities concerned with regard to these new regulatory requirements. To this end, the CSSF selected various entities that have been invited to participate in a dedicated workshop to discuss the progress made in implementing the obligations set forth by DORA within their organisations.

During these sessions, the CSSF addressed the main pillars of the regulation, in particular:

- the information and communication technology (ICT) risk management framework;
- the ICT-related incident management, classification and reporting arrangements;
- the management of risks associated with ICT third-party service providers, including contractual aspects and monitoring mechanisms.

These discussions helped identify certain best practices implemented by these IFMs as well as areas for improvement requiring particular attention.

The CSSF plans to continue this exercise in 2026, while expanding the scope of the review to include other IFMs, in order to ensure continuous and proportionate monitoring of the supervised entities' compliance with the DORA framework.

4.2.2. Colleges for the supervision of significant IFMs at EU/international level

In 2025, the CSSF participated in five colleges concerning significant IFMs at EU/international level. The objectives of these colleges are, among others, to assess the IFMs' incurred and emerging risks at national and/or international level, and to foster information exchange between national and European authorities.

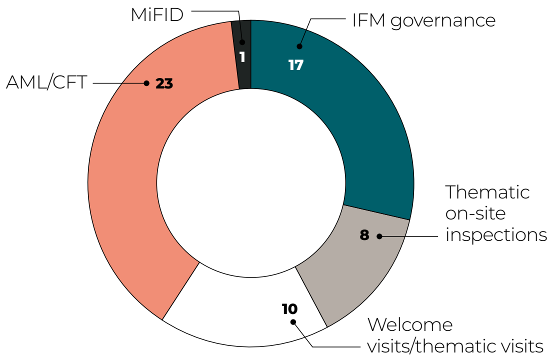
4.3. On-site supervision

The "UCI on-site inspections" (OPC CSP) department carries out in-depth reviews of the IFMs' business models and governance, AML/CFT inspections, thematic on-site inspections as well as "welcome" visits aiming at ensuring that recently authorised IFMs comply with the requirements of their authorisation.

The "Prudential supervision and risk management" department performs thematic on-site inspections on risk management and money market funds.

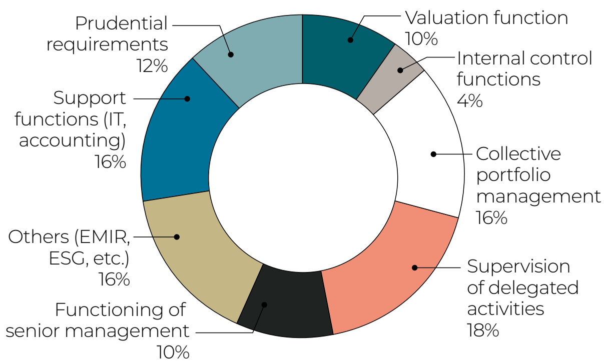
AML/CFT on-site inspections are described in point 1.2. of Chapter XXII "Financial crime".

Number and themes of the on-site inspections performed in 2025 at IFMs



The entities inspected in 2025 managed about 46% of the total assets under management at Luxembourg IFMs. 24 of these entities managed assets amounting to over EUR 10 billion.

Main categories of observations following on-site inspections carried out at IFMs in 2025



The CSSF also carried out seven on-site inspections at UCI service providers, which break down as follows:

- two inspections at depositary banks;
- three inspections at professional depositaries of assets other than financial instruments;
- two inspections at UCI administrators.

- **Observations regarding best execution**

In 2025, shortcomings were identified at eight inspected IFMs within the context of governance inspections regarding best execution.

The CSSF noted that the best execution policies lacked a description of the controls over the effectiveness of transaction execution by delegated parties as well as a list of the entities with which orders were placed.

With regard to monitoring compliance with best execution principles, weaknesses were primarily found in the ongoing monitoring of delegated portfolio managers who placed trading orders on behalf of the funds.

In this context, the CSSF noted that due diligence conducted on delegates generally lacked a thorough assessment of their controls, particularly regarding their order execution arrangements and their broker selection process.

The CSSF also noted that, as part of the ongoing monitoring of their delegates, IFMs relied on periodic reports that exhibited the following weaknesses:

- Periodic questionnaires that elicit qualitative responses from delegates, without including quantitative data. In the absence of quantified metrics, defined thresholds for controls, or independent verification, this approach did not allow for an adequate assessment of compliance with best execution principles.
- Periodic reports: some of the reports reviewed did not allow for an adequate analysis of the data. In particular, they did not enable the IFM to isolate information relating to funds under management, to identify the performance of all brokers, or to explain cases where defined tolerance thresholds were exceeded.

The CSSF also noted that some IFMs had no documented evidence of the controls carried out on their delegates with regard to best execution.

Furthermore, the CSSF noted a lack of verification by the IFMs regarding the effective implementation of best execution policies by delegates and the adequacy of their internal controls. These shortcomings compromise the IFMs' ability to identify failures, monitor their remediation and ensure appropriate monitoring of the quality of order execution.

Finally, some IFMs failed to discuss the results of best execution controls at meetings of the IFM's executive committee and board of directors. Furthermore, the documents provided to the members of these management bodies prior to these meetings generally did not include reports on this subject.

- **Findings observed during ESG thematic controls**

Within the context of ESG thematic controls, the CSSF identified several shortcomings concerning the quality and comprehensiveness of the sustainability-related information disclosed by IFMs, in particular pre-contractual information, periodic information and Internet websites.

First, the CSSF noticed that some IFMs, in the documentation to investors, did not clearly distinguish between the truly binding elements of their investment strategy, which must be met at all times, and environmental or social objectives, which may not be achieved systematically.

In order to ensure that information is fair, clear and not misleading, it is the responsibility of the IFMs to avoid any ambiguity between these two aspects and to clearly state which objectives may not always be achieved.

Moreover, the CSSF points out that several IFMs failed to disclose key methodological elements to understand how certain financial instruments are classified as "sustainable investments".
In this respect, the CSSF would stress that IFMs must disclose the key assumptions underlying their methodology, including, in particular, the quantitative thresholds used to assess whether an investment's contribution to environmental or social objectives is sufficiently significant to justify its classification as sustainable investment.

Similarly, the CSSF requires strict consistency between the information provided to investors and the actual composition of portfolios, particularly for sovereign bonds classified as "sustainable investments". IFMs must ensure that their publications accurately reflect their ESG methodology.

Finally, the CSSF noted that certain IFMs published, on their websites and in prospectuses, information relating to sub-funds declared under Article 6 of the SFDR which promotes environmental or social characteristics.

In particular, the CSSF noted that certain IFMs repeatedly stated that their exclusion strategies, their stewardship activities or the acknowledgement of the main adverse impacts on sustainability factors also applied to these sub-funds.

In this context, the CSSF reiterates that any financial product that highlights, in any way whatsoever, environmental or social characteristics falls de facto within the scope of Article 8 of the SFDR and, as such, all the information arising therefrom must be published.

- **Findings regarding the use of tied agents by IFMs**

In 2025, the CSSF conducted a thematic inspection campaign focusing on the supervision of tied agents' activities. During this campaign, the CSSF notably identified the following shortcomings:

- the failure to fully register tied agents in the national register of the country in which they carry out their activities;
- inadequate internal control procedures: in particular, the internal audit plan did not include checks to ensure that the IFM supervised the activities of tied agents;
- weaknesses in the identification and management of conflicts of interest that may exist at the level of tied agents.

It should be emphasised that, in accordance with the regulations, the tied agent acts under the full and unconditional responsibility of the IFM. This provision highlights the importance for entities to ensure rigorous supervision of the actions of tied agents, despite their separate legal status.

- **Findings observed during thematic visits on the implementation of liquidity stress tests by IFMs**

In 2025, the CSSF conducted a thematic review on a diversified selection of IFMs in order to verify compliance of the procedures and policies with Circular CSSF 20/752 implementing in Luxembourg the ESMA Guidelines on liquidity stress testing in UCITS and AIFs (ref.: ESMA-34-39-897). This review also covered IFMs managing open-ended AIFs investing in private assets, such as private equity, private debt and real estate ("semi-liquid" funds).

During this review, the CSSF identified in particular the following shortcomings and areas for improvement:

- certain IFMs did not conduct liquidity stress testing on all the funds to which Circular CSSF 20/752 is applicable;
- the level of detail and granularity of the stress test results reported to the senior management were sometimes insufficient;
- certain liquidity risks associated with the UCIs' liabilities (e.g. potential margin calls arising from the use of financial derivative instruments whether for investment or hedging purposes) were not taken into account;
- contingency plans were not always clearly defined or formalised; moreover, contingency plans referring to the liquidity management tools did not sufficiently test the ability to operationally activate these tools and use them in a prompt and orderly manner as provided for in Circular CSSF 19/733 regarding the IOSCO recommendations on liquidity risk management for open-ended UCIs;
- certain scenarios used, on both the asset and liability sides of UCIs, lacked severity and did not reflect crisis conditions; furthermore, some IFMs were unable to provide documented justification for their choice of scenarios;

- certain IFMs did not apply an asset liquidation method that reflected the practical realities of asset management in order to meet payment obligations arising from redemptions;

- the frequency of the liquidity stress tests was sometimes inadequate given the nature and complexity of the UCIs under management;

- certain IFMs used liquidity stress testing models that had not been previously subject to a review or validation process to assess their quality.

More specifically, with regard to IFMs managing semi-liquid funds, the CSSF identified the following deficiencies and areas for improvement:

- the liquidity stress testing programme must take into account the fund's ability to rebuild its liquidity pool and the associated assumptions (including cash flows from investments, whether in form of income or maturing assets); in this context, this programme did not always include an assessment of the liquidity of investments in extreme situations where the sale of assets must be taken into consideration in order to meet redemption requests;

- certain IFMs did not conduct reverse stress testing in situations where the traditional approach using historical and hypothetical scenarios proved inadequate for capturing potential crisis scenarios;

- adequate liquidity stress tests were not in place for certain funds facing imminent or actual end of their lock-up periods.

These findings will be shared with the investment fund industry through a publication dedicated to this thematic review. As mentioned in its 2026 supervisory priorities, the CSSF will continue its analyses and interventions on this subject in 2026, notably through an extension of the 2025 review, this time with a greater focus on semi-liquid funds (including ELTIFs).

- **Categories of observations reported in the files that led to an administrative sanction between 2020 and 2025**

The analysis of the administrative sanctions imposed between 2020 and 2025 shows that the IFMs were reprimanded mainly for the shortcomings in the following categories:

- 56% of the sanctions imposed concerned in particular lack of supervision of delegated activities;

- 47% of the sanctions imposed concerned in particular shortcomings in terms of governance and internal control;

- 31% of the sanctions imposed concerned in particular weaknesses in the portfolio management function, particularly the due diligence obligation and the best execution supervision.

XII. Supervision of securitisation undertakings

1. Development of authorised securitisation undertakings in 2025

In 2025, the CSSF received three applications for registration on the official list of authorised securitisation undertakings subject to the Law of 22 March 2004 on securitisation. Following the deregistration of one securitisation undertaking during the year, 27 securitisation companies were registered on the official list of authorised securitisation undertakings as at 31 December 2025, against 28 entities at the end of 2024.

The balance sheet total of authorised securitisation undertakings exceeded EUR 56.2 billion at the end of 2025, i.e. an increase of EUR 11.8 billion against 2024. This increase is mainly due to the fact that the notional amount of new issues significantly exceeded that of matured or prematurely redeemed issues.

The submitted application files show that securitisation transactions mainly consist in repackaging transactions in the form of structured products issues linked to various financial assets, notably equity indices or baskets of shares, as well as in securitisation of debt, loans and other comparable assets. The repackaging transactions are mainly synthetic securitisation transactions in respect of the risk transfer technique.

In general, the securities issued by securitisation undertakings are bonds and subject to foreign law. It is also possible for some securitisation undertakings to issue warrants.

To date, the CSSF has not received any application file for a fiduciary-representative under Luxembourg law, even though the Law of 22 March 2004 on securitisation has established a specific legal framework for these independent professionals in charge of representing investors' interests.

2. Development in the regulatory framework

A draft law amending the Law of 22 March 2004 on securitisation was drafted in 2025 in order to foster the development of transactions in the Luxembourg financial centre.

As regards the recast of Regulation (EU) 2017/2402 of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (STS) (Securitisation Regulation) and Regulation (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR), discussions will continue in 2026.

On 17 June 2025, the European Commission published a formal legislative proposal regarding the legislative securitisation framework (legislative proposal) that sets out amendments to the Securitisation Regulation and the CRR. On 19 December 2025, the Council of the European Union published its common position on this legislative proposal. On 11 December 2025, the European Parliament's Committee on Economic and Monetary Affairs (ECON) published its draft report thereon. This draft report, which proposes amendments, constitutes a preliminary position of the European Parliament and is likely to evolve and to be amended following exchanges of views and discussions within the ECON. The European Parliament's final position is currently expected to be published on 5 May 2026. The European Commission, the Council of the European Union and the European Parliament will then begin trilogue discussions to reach a final compromise. Although a precise timetable is still being worked out, it is unlikely that the amendments to the securitisation legislative framework will enter into force before mid-2027.

XIII. Supervision of pension funds

1. Development of pension funds in 2025

1.1. Major events in 2025

In 2025, one pension fund subject to the Law of 13 July 2005 on institutions for occupational retirement provision in the form of pension savings companies with variable capital (SEPCAVs) and pension savings associations (ASSEPs) was deregistered from the CSSF's official list of pension funds. Consequently, eight pension funds subject to the Law of 13 July 2005 were registered on the official list as at 31 December 2025.

The year 2025 was mainly marked by the addition of new pension schemes to existing pension funds. Thus, during the year, the CSSF authorised three new pension schemes within existing pension funds and four schemes were notified in accordance with Article 11 of Directive (EU) 2016/2341 of 14 December 2016 in order to carry out a cross-border activity on behalf of a sponsoring undertaking established in another EU Member State.

In 2026, the CSSF expects a slight increase in the number of cross-border pension schemes in the pension fund sector.

1.2. Pension funds activities

The pension funds supervised by the CSSF manage one or several pension schemes set up by Luxembourg companies or, for one of them, by foreign companies, for their employees.

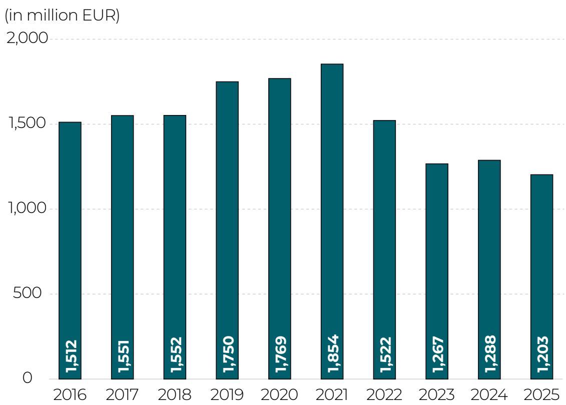
As at 31 December 2025, only one pension fund managed cross-border pension schemes, providing services to sponsoring undertakings in Germany and Portugal.

The eight pension funds registered on the CSSF's official list have adopted the legal form of a pension savings association.

1.3. Development of pension fund gross assets

At the end of 2025, gross assets of pension funds amounted to EUR 1,203 million against EUR 1,288 million at the end of 2024. This represents a decrease by 6.5% from 2024.

Development of pension fund gross assets



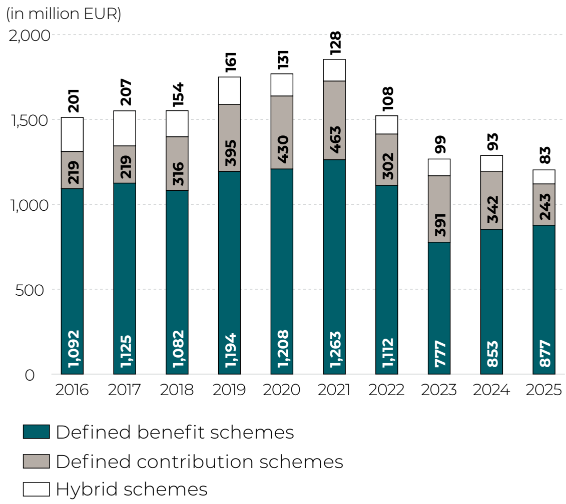
The gross assets of cross-border pension schemes amounted to EUR 8 million at the end of 2025 against EUR 19 million as at 31 December 2024.

1.4. Development of gross assets according to the type of pension scheme

As at 31 December 2025, the overall gross assets of pension funds broke down as follows:

- 73% in defined benefit schemes (EUR 877.5 million);
- 27% in defined contribution schemes and hybrid schemes (EUR 325.5 million).

Breakdown of gross assets between defined benefit schemes, defined contribution schemes and hybrid schemes

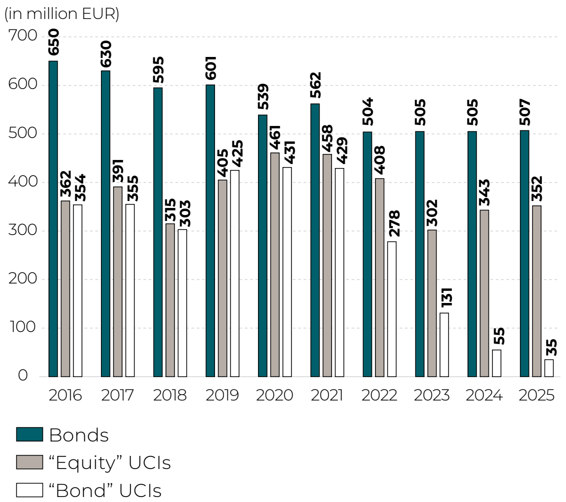


1.5. Allocation of gross assets of pension funds

As at 31 December 2025, the gross assets of pension funds broke down as follows:

- EUR 487.5 million, i.e. 40.5% of the total gross assets in investment funds, including:
  - 72% (i.e. EUR 351.5 million) exposed to the equity market;
  - 7% (i.e. EUR 35 million) exposed to the bond market;
  - 21% (i.e. EUR 101 million) in mixed funds, money market funds, real estate funds and funds with alternative investment policies;
- EUR 507 million, i.e. 42% of the total gross assets, in bonds;
- EUR 208.5 million, i.e. 17.5% of the total gross assets, in other assets, money market instruments, equity and liquid assets.

Allocation of gross assets of pension funds

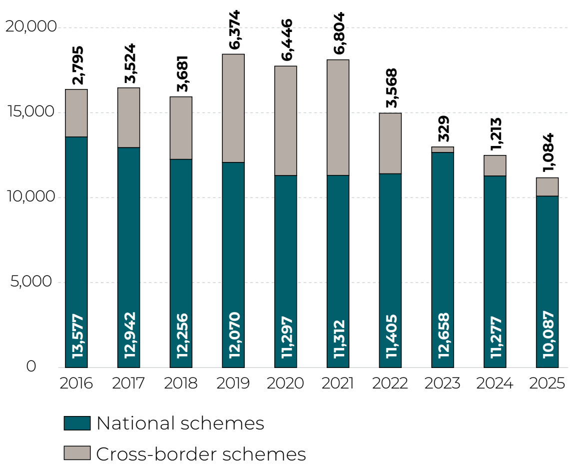


1.6. Development in the number of pension fund members

At the end of 2025, the pension funds had 11,171 members against 12,490 at the end of 2024.

An analysis of the population of members of the pension funds supervised by the CSSF shows that the proportion of international members (1,084 members as at 31 December 2025) is slightly falling compared to the previous year.

Development in the number of pension fund members



2. Development of liability managers in 2025

The official list of professionals authorised to act as liability managers for pension funds subject to the Law of 13 July 2005 amounted to seven as at 31 December 2025.

XIV. Supervision of securities markets

1. Prospectuses for securities

1.1. Approvals of prospectuses

In 2025, the CSSF recorded an increase of about 9.13% in the number of approvals of prospectuses for securities published under Regulation (EU) 2017/1129 of 14 June 2017 (Prospectus Regulation). This development contrasts with the downward trend observed at European level, where ESMA's Prospectus Register data indicated a decrease of approximately 5% in approvals and was mainly due to an increase in the number of approvals of standalone prospectuses, while the number of approvals of base prospectuses remained stable compared to last year. In this context, it is noteworthy that, according to the information published in the ESMA Prospectus Register, the CSSF remained the leading European authority with respect to prospectus approvals in 2025.

1.2. European Single Access Point (ESAP)

Together with ESMA and the other European authorities, the CSSF actively participates in the development of the upcoming platform which will enter a new phase on 10 July 2026 with the start of transmission of data concerning, among others, prospectuses by issuers and competent authorities. Opening to the public will only take place in July 2027.

In this context, the CSSF has been adapting these systems throughout 2025 and beginning of 2026 in order to transmit the documents concerned by the ESAP Regulation together with the related metadata within the legal timeframe.

1.3. Data quality

The CSSF pays particular attention to the quality of data received from issuers under the Prospectus Regulation. In 2026, the CSSF will continue to increase its controls of the data on approved prospectuses as well as on Final Terms in order to transmit the most relevant information possible to ESMA.

2. Enforcement of information published by issuers

Within the context of its mission of supervising securities markets, the CSSF is in charge of examining the information published by issuers of securities, generally referred to as "enforcement". This review consists in ensuring that the financial and sustainability-related information drawn up and published by the issuers under its supervision complies with the applicable standards.

Beyond the legal and regulatory requirements, the examination of the financial and sustainability-related information contributes to the investors' protection and confidence in the financial markets.

In its communiqué of 16 January 2026[1], the CSSF presented the results of its 2025 enforcement campaign on information published by issuers of securities for 2024. The main lessons learnt from this campaign are summarised below.

2.1. Enforcement of financial information

As regards the examined financial information, the main findings referred to issues concerning the application of the international financial reporting standards (IFRS), which had been identified by the CSSF as priorities for this campaign.

Thus, it was specified that a better granularity and more clarity were expected in the information provided in the notes to the financial statements, in order to substantiate the significant amounts indicated in the primary statements.

With respect to the information on operating segments, the messages provided show that the sectoral data must faithfully represent the vision of the issuer's management.

The issuers that were confronted with significant uncertainties regarding going concern were also reminded that they must provide analyses that are transparent and specific to their situation.

Finally, despite an overall improvement in the compliance with ESMA Guidelines on Alternative Performance Measures, lack of clear definitions and lack of reconciliations with financial statements were observed again.

2.2. Sustainability information enforcement

For issuers publishing sustainability-related information, the 2025 campaign focused mainly on two aspects: a thematic review on the first sustainability reports voluntarily published according to the CSRD requirements, the findings of which were subject to a publication on 18 August 2025 and a review of information as required under Article 8 of Regulation (EU) 2020/852 of 18 June 2020 (Taxonomy Regulation).

Thus, the first CSRD sustainability reports published voluntarily showed an encouraging implementation of these new requirements, indicating real improvement in the sustainability reporting quality. The next reports must continue in this direction to provide sustainability-related information that is integrated, entity-specific and useful for stakeholders, meeting the ESRS requirements.

As regards information related to Article 8 of the Taxonomy Regulation, although significant progress was observed, improvements are still needed concerning notably links between indicators and the financial statements, the consideration of all elements required in their calculation or the quality of the provided explanations.

2.3. Challenges and priorities for 2026

On 12 December 2025, the CSSF published the themes and issues that will be subject to specific monitoring during the review of the financial statements and sustainability reports published by issuers for 2025.

With respect to financial information, attention will be given to considerations related to geopolitical risks and to uncertainties as well as to IFRS 8 requirements on operating segments.

As regards sustainability topics, 2025 was marked by discussions and work with respect to the Omnibus package at European level, impacting the CSRD of 14 December 2022, with the objective

1 https://www.cssf.lu/en/Document/results-of-the-enforcement-of-the-2024-financial-and-non-financial-information-published-by-issuers-subject-to-the-transparency-law/

to focus on the most important undertakings and more material information. The publication of the Omnibus I directive in the Official Journal of the EU of 26 February 2026 notably set new thresholds. Concomitantly, EFRAG published, in November 2025, draft simplified ESRS which, once adopted, will be used as basis for sustainability reporting under the CSRD. The transposition of the amended CSRD in Luxembourg should take place in 2026, allowing notably the issuers concerned to have a clear framework for the publication of their sustainability reports. Meanwhile, the CSSF will continue to monitor the sustainability reports published by issuers for the financial year 2025, whether or not they choose to comply voluntarily with the ESRS.

3. Supervision of issuers

In the context of its mission as supervisory authority under the Law of 11 January 2008 on transparency requirements for issuers (Transparency Law) and in order to guarantee a high level of investor protection, the CSSF notably ensures that the issuers publish periodic and ongoing information as required by the law.

3.1. ESEF requirements

The CSSF continues monitoring the requirements relating to the ESEF format set out in Delegated Regulation (EU) 2019/815 under which issuers are required to prepare their annual financial reports. In general, the markups of IFRS consolidated financial statements as laid down in Article 4 of said regulation, as well as the markups of the other parts of the annual financial reports for issuers incorporated in a Member State (as provided for in Article 5) were well done. Reference should be made to ESMA's *ESEF Reporting Manual* (updated in July 2024) which provides guidance on this topic, including the structure of the files to be transmitted.

3.2. Clarifications on CSRD

The CSSF follows the developments in the amendments of the CSRD and their transposition into Luxembourg law. The issuers concerned will continue to be kept informed of the impact of these changes in relation to the requirements of the Transparency Law via a Newsfeed sent through eRIIS.

3.3. European Single Access Point (ESAP)

The work on the establishment of a European Single Access Point organised at EU level continues with the active participation of the CSSF. The transmission of data to ESAP by the collection bodies will start in July 2026 (for the first phase of the project) and data will be published as from July 2027. Different national players are involved in this project.

3.4. Notifications of major holdings

The CSSF continues to pay particular attention to the compliance with the obligations of the Transparency Law regarding notifications of major holdings by holders and issuers. In particular, the deadlines for the notifications were not complied with in several cases, which required the intervention by the CSSF. It is important for market transparency that this information be disclosed promptly. The CSSF will remain vigilant concerning these issues.

4. Market abuse

4.1. Suspicious transaction and order reports (STORs)

In 2025, the CSSF received 61 suspicious transaction and order reports (STORs) under Article 16 of the Market Abuse Regulation from the market operator and other professionals established in Luxembourg, representing a significant increase in the number of STORs compared to the preceding year (36 STORs). The STORs received from Luxembourg professionals concerned suspicions of insider dealing, suspicions of market manipulation or suspicions combining insider dealing and market manipulation, the vast majority of which related to transactions in equity securities (shares).

In parallel, the CSSF received 11 STORs from its foreign counterparts, which mainly concerned suspicions of insider dealing and a few cases of suspicions of market manipulation, mostly in relation to transactions in debt securities (bonds).

The supervisory activity relating to the STOR obligations of IFMs was repeated in 2025 in the framework of the 2024 CSSF financial crime survey. The CSSF analysed the answers received to these questions and noted that the results were comparable to those of the previous year.

Regulation (EU) 2023/1114 of 31 May 2023 on markets in crypto-assets (MiCAR), applicable since 30 December 2024, introduced a harmonised framework with respect to the prevention and detection of market abuse involving crypto-assets, including the obligation for any person professionally arranging or executing transactions in crypto-assets to report suspicious transactions and orders. Crypto-asset service providers (CASPs) are reminded that they must diligently assess whether the facts observed are likely to reveal infringements related to market abuse provided for in MiCAR before transmitting a STOR to the CSSF. To this end, they must refer not only to the provisions of MiCAR but also to Level 2 delegated acts (Commission Delegated Regulation (EU) 2025/885 of 29 April 2025 supplementing MiCAR with regard to regulatory technical standards (RTS)) specifying the criteria and modalities applicable to STORs. In this context, the CSSF received, in 2025, one STOR under Article 92 of MiCAR from a CASP concerning the suspicion of market manipulation with regard to crypto-assets.

4.2. Cooperation and exchange of information with foreign supervisory authorities

In 2025, the CSSF opened around 30 inquiries relating to requests for assistance from its foreign counterparties, mainly under IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information and under the Multilateral Memorandum of Understanding providing a legal framework for cooperation arrangements and exchange of information between competent authorities and ESMA. The decrease in the number of inquiries compared to the figures of last year (around 50 inquiries) does not reflect a drop in the activity but is the result of an increasing complexity of the ongoing investigations.

The majority of these requests related to inquiries into insider dealing and market manipulation conducted by the requesting foreign authorities. The other requests related to inquiries into diverse subjects (including MiFID – unauthorised activities).

XV. Supervision of market infrastructures

1. CSDR and the supervision of central securities depositories

In accordance with Article 1(1) of the Law of 6 June 2018 on central securities depositories and implementing Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (CSDR), the CSSF is the competent authority in charge of exercising the duties under CSDR for the authorisation and supervision of the central securities depositories (CSDs) established in Luxembourg.

As at 31 December 2025, two entities were authorised as CSDs in Luxembourg under CSDR, one of which has an authorisation in accordance with Article 16 of CSDR (provision of core CSD services), and the other one holds the three available CSDR authorisations, i.e. the one under Article 16, the authorisation to maintain an interoperable link under Article 19, and the authorisation to provide, under its banking authorisation, banking-type ancillary services for CSD participants under Article 54. Within the CSSF, there is a dedicated team responsible for the supervision of CSDs (with and without banking authorisation).

As regards the supervision of authorised CSDs, the CSSF must, at least every three years, perform a review and evaluation in accordance with Article 22(1) of CSDR. In addition, a review and evaluation must be carried out in accordance with Article 60(2) of that regulation, at least every two years for CSDs authorised to provide banking services under Article 54[1]. In practice, for the CSD holding a banking authorisation, the reviews and evaluations provided for under Articles 22(1) and 60(2) are carried out on an annual basis given the importance of its activities. These exercises are coupled with the continuous supervisory work under CSDR (as well as under the CRR/CRD package for the entity holding a banking authorisation).

During the year 2025, the monthly and annual reports of settlement fails required under Article 7 of CSDR were transmitted by the authorised CSDs on time and without major technical problems.

Within the framework of the reporting by settlement internalisers (Article 9 of CSDR), all entities that were required to submit a report transmitted their reporting, on a regular basis, as required by the regulation. As at 31 December 2025, 101 entities were required to submit a report against 127 entities as at 31 December 2024.

1 It should be noted that these review frequencies changed with the implementation of Regulation (EU) 2023/2845 (CSDR Refit).

2. EMIR

In the framework of Regulation (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation - EMIR), the CSSF contributes, through different ESMA working groups, to the development of implementing measures regarding EMIR and to ESMA publications in order to promote common positions between competent authorities in the application of EMIR.

The CSSF is the competent authority in Luxembourg to ensure compliance with certain provisions of EMIR by financial counterparties, except for those subject to the supervision of the CAA, and by non-financial counterparties as defined by the Law of 15 March 2016 on OTC derivatives, central counterparties and trade repositories.

In 2025, the CSSF received about 8.8 million reports per day from trade repositories for a total of approximately 2.2 billion reports. As at 31 December 2025, these reports concerned 11,545 counterparties established in Luxembourg which were divided between 52 banks, 8,900 funds, 9 other counterparties subject to prudential supervision, and 2,584 non-financial counterparties which do not fall within the scope of the CSSF's prudential supervision. On the same date, these entities were exposed to more than 800,000 transactions. The banks had 82,593 open transactions, the funds 617,858, the other counterparties subject to prudential supervision 49,160 and the non-financial counterparties 140,649. The notional amount for all these transactions was about EUR 7,000 billion.

In accordance with Article 9 of EMIR, in 2025, the supervisory activity remained focused on the comprehensiveness, accuracy and timeliness of the derivative transactions reporting as part of the post-Refit. Under Article 9(1) of Commission Implementing Regulation (EU) 2022/1860[2], the entities responsible for reporting must notify the CSSF of any error or omission. In 2025, 89 different entities responsible for reporting submitted a total of 509 notifications to the CSSF. These notifications are processed on an ongoing basis by the CSSF via direct interaction with the notifying entities if necessary.

The notifications concerned, in particular, deficiencies relating to counterparty data and the indicators of reporting responsibility, notably the reporting counterparty, the entity responsible for reporting (ERR), the report submitting entity (RSE), with a specific attention to the reporting delegation arrangements. Other deficiencies reported concerned the classification of counterparties, the reporting of valuation and collateral (initial margin and variation margin), the accuracy of the date fields and of the timestamps. A significant number of weaknesses still related to the quality of the reference data required for the reporting.

In 2025, the CSSF continued to inform the relevant market participants to ensure prompt communication of certain key subjects related to EMIR, notably rejection reports, extension of the reporting fields for reconciliation reports as from 29 April 2026, the new IMMV form and active account notifications (AAR) under Article 7a(1) of EMIR, the ESMA communication on the AAR reporting and on the reporting of information on clearing activity at recognised third-country CCPs.

EMIR allows entities to benefit from intragroup exemptions in accordance with Article 4(2), Article 9(1) and Article 11(5) to (10). In 2025, the CSSF accepted the requests received upon appropriate review.

Moreover, the CSSF received further notifications informing it that the clearing thresholds had been exceeded for financial (FC+) or non-financial (NFC+) counterparties, in accordance with the obligations provided for in Articles 4a and 10 of EMIR.

Throughout the year, the CSSF worked with ESMA and the other competent authorities to develop and implement data quality indicators (DQIs).

In 2026, the CSSF expects the publication of the delegated regulation on the conditions of the active account requirement following the publication of the final report on 19 June 2025[3].

2 Commission Implementing Regulation (EU) 2022/1860 laying down implementing technical standards for the application of Regulation (EU) No 648/2012

3 https://www.esma.europa.eu/sites/default/files/2025-06/ESMA91-1505572268-4201_Final_Report_on_EMIR_3_Active_Account_Requirement.pdf

3. Transparency of securities financing transactions

In the framework of Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (Securities Financing Transaction Regulation - SFTR), the CSSF contributes, through different ESMA working groups, to the development of implementing measures regarding SFTR and to ESMA publications in order to promote common positions between competent authorities in the application of SFTR. In accordance with Article 1 of the Law of 6 June 2018 on transparency of securities financing transactions, the CSSF is the national competent authority regarding SFTR for financial counterparties apart from those subject to the supervision of the CAA, as well as for non-financial counterparties.

Most of the data quality problems raised in 2025 to reporting counterparties or entities responsible for reporting established in Luxembourg or in other Member States could be resolved quickly. In 2026, the CSSF intends to pursue its activities in this field, to implement the data quality indicators developed and to continue its data-driven supervision of SFTR obligations.

In 2025, the CSSF took part, along with other national competent authorities, in ESMA's Data Quality Indicators (DQI) exercises. In this context, the CSSF contacted the entities exceeding the levels of data quality issues agreed between ESMA and the national competent authorities and requested them to take corrective actions. In addition, as part of its supervisory activities, the CSSF monitored the reports rejected by the trade repositories for Luxembourg counterparties.

XVI. Supervision of information systems

This chapter deals with the supervision of information systems of financial professionals, including mainly credit institutions, investment firms, specialised PFS, payment institutions and electronic money institutions. As regards the specific supervision of support PFS, reference is made to point 3. of Chapter VIII "Supervision of PFS and mortgage credit intermediaries".

1. Major events in 2025 and challenges for 2026

1.1. Digital resilience

2025 was marked by the entry into application of the Digital Operational Resilience Act (DORA)[1] on 17 January 2025 and, at national level, the "DORA Law[2]". As a reminder, the DORA Law transposes the DORA directive into Luxembourg law and gives the national competent authorities responsible for ensuring the application of DORA (i.e. the CSSF and the CAA) the supervisory and investigative powers necessary for the performance of their duties and provides for an appropriate system of sanctions.

The CSSF continued its work within the European Supervisory Authorities' Joint Committee Sub-Committee on Digital Operational Resilience (JC SC DOR) until the completion of its activities in June 2025. Since then, the CSSF has been assisting the three ESAs within the Oversight Forum established in accordance with Article 32 of DORA. In addition to its role in the new supervisory framework for critical ICT third-party service providers, the Oversight Forum ensures supervisory convergence in relation to digital operational resilience. The CSSF will continue to take an active part in the Oversight Forum in 2026.

Moreover, the CSSF also participated in the meetings of the EU-SCICF[3] Forum, the pan-European Systemic Cyber Incident Coordination Framework that is active since 17 January 2025 and which aims at facilitating an effective EU-level coordinated response in the event of a major cross-border cyber incident or related threat having a systemic impact on the EU's financial sector as a whole. In this context, during the year, the EU-SCICF Forum

1 Regulation (EU) 2022/2554 of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA)

2 https://legilux.public.lu/eli/etat/leg/loi/2024/07/01/a271/jo

3 Based on Article 49(1) of DORA and as envisaged by the Recommendation of the European Systemic Risk Board (ESRB) of 2 December 2021 on a pan-European systemic cyber incident coordination framework for relevant authorities (ESRB/2021/17)

initiated all necessary preparations, including creating documents, defining and testing its members' alert and communication protocols, developing templates, and holding quarterly meetings to exchange information on threats and to identify systemic factors having an impact on the financial stability in Europe.

By the same token, within the framework of the Luxembourg Systemic Risk Committee (Comité du Risque Systémique - CdRS), a working group was set up in September 2025 with the primary purpose of identifying activation procedures related to the systemic elements in the context of incidents and threats in Luxembourg.

As in the previous year, the CSSF participated in several conferences and events organised by industry associations to interact with, and help supervised entities prepare for the implementation of DORA. The CSSF has also started a series of workshops at certain selected entities in order to assess their readiness for DORA.

Internally, the CSSF has adapted its regulatory framework to the entry into force of DORA through the update and the issue of various circulars. Moreover, the CSSF set up a framework and tools to receive and communicate ICT-related incidents, as well as to receive and transfer the register of information to the ESAs, as required under DORA.

The TIBER-LU programme[4] launched in 2021 under the oversight of the BCL and the CSSF, is the national implementation of the TIBER-EU framework[5]. As a reminder, this programme involves conducting in-depth cybersecurity tests, simulating attacks based on the *modus operandi* of real attacks.

During 2025, the TIBER-LU programme completed its first round of tests, all of which were conducted on a voluntary basis. Such a commitment from the volunteering entities provided them with valuable experience and areas of improvement for better preparedness in case of real cyber-attacks. In particular, the largest room for improvement was found in internal system strengthening and detection capacity, while the security of the external perimeter was the most robust area.

4 https://www.cssf.lu/en/2021/11/tiber-lu/

5 https://www.ecb.europa.eu/paym/cyber-resilience/tiber-eu/html/index.en.html

The year 2025 was a transition year, with the introduction, under DORA, of a requirement to carry out threat-led penetration testing (TLPT) for entities designated by the competent authority. Accordingly, the CSSF played an active role in updating the TIBER-EU framework so that it could continue to be used in compliance with this new requirement. Consequently, on 20 June 2025, the BCL and the CSSF updated the national implementation by publishing a new implementation guide[6]. This enabled the adoption of the TIBER-LU framework as the means of carrying out TLPTs and the launch of the first TLPT during the summer of 2025, whilst maintaining a voluntary framework in parallel (for entities not identified by a competent authority to carry out a mandatory TLPT).

In the context of the intersectoral NIS2[7] and CER[8] directives, the CSSF took part in the work of the HCPN (Haut-Commissariat à la Protection Nationale) relating to the review of the national cybersecurity strategy and the national strategy on the resilience of critical entities.

1.2. Artificial intelligence

In 2025, the provisions of the European regulation on artificial intelligence (AI Act) began to be phased in:

- In February 2025: application of the rules regarding prohibited AI practices, as well as of the definitions and the provisions related to AI literacy;
- In August 2025: application of the obligations for General-Purpose AI and of the rules on governance.

Due to delays in the appointment of competent authorities in most Member States, including market supervisory authorities and bodies responsible for conformity assessment, as well as delays in the publication of guidance, harmonised standards and compliance tools, the European

6 https://www.cssf.lu/en/Document/tiber-lu-implementation-guide/

7 Directive (EU) 2022/2555 of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148

8 Directive (EU) 2022/2557 of 14 December 2022 on the resilience of critical entities and repealing Council Directive 2008/114/EEC directive)

Commission published a proposal to amend the AI Act (Digital Omnibus on AI[9]) in November 2025. The purpose of this amendment is to simplify and postpone the entry into force of certain measures in order to ensure smooth and proportionate implementation of the provisions of the AI Act. Negotiations between the Member States and the EU's governing bodies are still ongoing in March 2026 to finalise these amendments.

In 2025, the CSSF contributed to the EBA's work aimed at mapping and aligning the requirements of the AI Act concerning high-risk AI systems used for solvency assessment and credit scoring with the sectoral requirements included in the texts within the EBA's scope of action[10]. The objective of this mapping exercise was to assess and promote a common understanding of the potential regulatory and supervisory implications of the AI Act for the EU banking and payments sectors.

The CSSF also contributed to the ECB's work to improve the understanding of the use of AI in the banking sector, focusing both on general aspects of AI and on its specific use for credit scoring and fraud detection[11].

In May 2025, the CSSF and the BCL published the results of their survey[12] aimed at gaining a better understanding of the use of AI by entities of the Luxembourg financial sector. Compared with the previous study conducted two years earlier, the scope of the entities has been extended to include investment firms and authorised investment fund managers. This survey attracted wide participation from the entities and showed representative results.

9 https://digital-strategy.ec.europa.eu/en/library/digital-omnibus-ai-regulation-proposal

10 https://www.eba.europa.eu/sites/default/files/2025-11/d8b999ce-a1d9-4964-9606-971bbc2aaf89/AI Act implications for the EU banking sector.pdf

11 https://www.bankingsupervision.europa.eu/press/supervisory-newsletters/newsletter/2025/html/ssm.nl251120_1.en.html

12 https://www.cssf.lu/en/2025/05/second-thematic-review-on-the-use-of-artificial-intelligence-in-the-luxembourg-financial-sector/

As part of events organised by professional associations, the CSSF provided an update on the progress of the implementation of the AI Act in Luxembourg and across the EU, thereby raising awareness among financial sector stakeholders about the opportunities, risks, and new requirements in this area.

In 2026, the CSSF will continue to participate in various working groups tasked with implementing this regulatory framework, both at national and European level, particularly in the working groups responsible for clarifying the application of the European regulation on AI in the financial sector.

1.3. Distributed Ledger Technologies (DLT) and crypto-assets

Together with its Innovation Hub[13], the CSSF continues its technology watch regarding the use of distributed ledger technologies (DLT) in the financial sector.

MiCAR introduced new rules governing the cryptocurrency ecosystem in Europe. Crypto-asset exchange platforms that were previously unregulated are now required to obtain an official authorisation to legally operate in the EU. In 2025, the CSSF noted a significant number of applications for authorisation as crypto-asset service provider (CASP), for which technical aspects and the management of associated risks remain key considerations.

During 2025, the CSSF has again noted an increase of DLT projects from regulated entities, especially regarding tokenisation of assets.

1.4. PSD2 requirements relating to payments security and access to payment accounts

Throughout 2025, the CSSF continued to participate in the working groups of the EBA and the ECB. One of the main areas of focus was to follow the progress of the European Commission's legislative proposal to revise the PSD2, which is currently under discussion with the European Parliament and the Council. It is expected to be finalised in 2026.

13 Cf. Chapter V "Financial innovation"

A second major area of work focused on the preparation of the joint EBA-ECB report on payment fraud[14].

Finally, a third area of focus consisted in contributing to the preparation of the EBA's opinion on the interaction between the PSD2 and MICAR, with the aim of clarifying the boundaries between payment services and crypto-asset services.

2. Supervision of information systems in practice

Supervision is about verifying that supervised entities comply with the legal and regulatory framework, with the direct or indirect aim of maintaining or improving the activities' professionalism and resilience. Particular attention is paid to the technologies used and to the framework for managing ICT-related risks and cyber risks within the supervised entities.

In the context of the off-site supervision of the information systems, the CSSF processed 520 requests in 2025, a stable volume compared to 2024. These requests break down as follows:

- 31 applications for authorisation or for the extension of authorisation (IT-related part) for different types of entities (credit institutions, electronic money institutions, payment institutions, PFS);
- 489 requests for advice, notifications or regularisations relating to IT projects submitted by supervised entities (most of them concerned the use of ICT third-party service providers, remote access, security of online services or major system changes and specific IT issues). About 37% of the requests for advice or notifications originated from credit institutions, 22% from management companies and 17% from specialised PFS.

In 2025, the CSSF received 260 ICT-related incident notifications submitted under DORA and Circular CSSF 24/847. The number of notifications increased by about 20% compared to 2024. The growth between 2023 and 2024 was much higher, about 90%, following the entry into force of Circular CSSF 24/847. Over the past two financial years, the CSSF has therefore observed a sharp rise in the number of ICT-related incident notifications. This increase is attributed to several factors, including the entry into force of DORA, which applies to a very large number of financial entities and has extended the typology of ICT incidents to be notified compared to the previous regulatory framework, as well as a few incidents at service providers that resulted in multiple notifications of the same incident by these providers' client entities.

The vast majority of incidents notified in 2025 (81%) were not related to malicious acts. The most common causes included failures by third-party providers, change management issues and human errors. In addition, several incidents have resulted from distributed denial-of-service (DDoS) attacks and successful phishing campaigns, highlighting the persistent exposure to external cyber threats.

These situations underscore the need to implement robust preventive and protective measures, enhance resilience and incident response capacities, and continue efforts to raise security awareness among supervised entities.

As regards the on-site supervision of the information systems, the on-site inspections aiming to cover the IT risk are described in more detail in point 1.10. of Chapter XIX "Instruments of supervision".

14 https://www.eba.europa.eu/publications-and-media/press-releases/joint-eba-ecb-report-payment-fraud-strong-authentication-remains-effective-fraudsters-are-adapting

XVII. Supervision of the remuneration policies

The CSSF ensures compliance with the requirements regarding governance and remuneration in the financial sector. The procedures and arrangements implemented by the entities with respect to remuneration form an integral element of robust internal governance arrangements which ensure that risks are managed in an efficient and lasting manner. In 2025, the CSSF continued its review of the remuneration policies and practices within credit institutions and investment firms in order to ensure compliance with the legal and regulatory requirements.

The CSSF continues to receive higher ratio notifications from credit institutions for the purpose of paying variable remuneration exceeding 100% of the fixed remuneration component. Overall, these have met all the applicable legal and regulatory requirements.

However, some requirements have not been fully met. Indeed, the "above target" or "exceptional" performance justification should have been better documented and sufficiently precise information was not always provided by the credit institutions to their shareholders. Moreover, the CSSF observed again that the documents provided by the credit institutions did not always clearly demonstrate that the achievement of environmental, social and governance (ESG) objectives had been taken into account when determining the higher ratio amounts. Consequently, the CSSF continues to ensure compliance with the procedure set out in Article 38-6(1)(g) of the Law of 5 April 1993 on the financial sector and clarified in Circular CSSF 15/622. During the analysis of future higher ratio notifications, it will also pay particular attention to ESG compliance.

Moreover, the CSSF pursues its efforts to ensure compliance with the remuneration requirements through targeted thematic reviews on selected topics and based on a sample of credit institutions and investment firms.

The CSSF also contributed to the EBA's annual benchmarking exercise on remuneration policies and practices for financial year 2024. No significant failure to comply with the applicable regulations has been observed on this occasion, indicating the entities' good understanding and application of these regulations. Although some errors having an impact on data quality had been identified, they were corrected following exchanges with the entities concerned. Despite these positive observations, the CSSF continues reviewing the reports submitted to it by entities concerned by this annual exercise with the utmost vigilance.

The CSSF also contributed to the EBA's biannual approved higher ratio benchmarking exercise for financial year 2024. No significant failure to comply with the applicable regulations has been observed on this occasion, indicating the entities' good understanding and application thereof. The CSSF found that the number of approved higher ratios decreased by 23% (59 in 2024 compared with 77 in 2022).

Finally, the CSSF pursued its annual benchmarking exercise of the remuneration practices at a national level. In this context, it noted that credit institutions distributed variable remunerations at a lower level than in the previous years, averaging 35% of the fixed component of the remuneration in 2025 for performance year 2024 (against 37% in 2024, 44% in 2023 and 45% in 2022). The proportion of the variable remuneration paid out in financial instruments averaged 33% (against 36% in 2024, 28% in 2023 and 40% in 2022) and the deferred part of variable remuneration averaged 35% (against 37% in 2024, 30% in 2023 and 39% in 2022).

XVIII. Public oversight of the audit profession

1. European cooperation

Established by Regulation (EU) No 537/2014, the CEAOB (Committee of European Auditing Oversight Bodies) is the body for cooperation between the different public audit oversight authorities in the EU. Among its members are the representatives of the European national authorities, the European Commission and ESMA. Representatives of the EEA national authorities as well as the EBA and EIOPA also participate in the meetings as observers.

The CSSF is an active member of the CEAOB. It chairs the inspection sub-group and is a member of the other sub-groups and of the regulatory colleges for the Big 4[1].

1.1. Comment letters relating to standard setting proposals

The CEAOB provided its point of view on the following topics:

- IAASB – Invitation to comment before the IAASB finalises the narrow-scope amendments to the ISQMs and ISAs as a result of the revisions to the definitions of listed entity and public-interest entity in the IESBA Code (March 2025);
- IAASB – Exposure Draft on the proposed narrow-scope amendments to IAASB standards arising from the IESBA's using the work of an external expert project (July 2025);
- EFRAG – Response to the consultation on revised ESRS (September 2025).

1 PwC, KPMG, Deloitte, EY

1.2. Other publications

In 2025, the CEAOB also published:

- a report on the statistical and qualitative survey of the activity of the CEAOB members with respect to investigations and sanctions (July 2025);
- guidelines regarding agreements on exchange of information with third-country competent authorities (November 2025);
- a response to the European Commission on the review clause of the application of DORA to statutory audits and audit firms.

1.3. Other publications

On 13 March 2025, the CEAOB received a letter from the European Commission updating on the initial request of 7 March 2024 for a technical advice for the development of EU specific add-ons and carve-outs (if applicable) to be included in the delegated act adopting ISSA 5000.

Afterwards, the CEAOB received another letter from the European Commission inviting it to refocus its work on the preparation of technical advice regarding the guidelines to be adopted by the Commission.

More recently, through a letter dated 27 January 2026, the European Commission, following the adoption of Omnibus I, invited the CEAOB to refocus its work on the preparation of technical advice for the development of EU specific add-ons (and possible carve-outs) to ISSA 5000, to be used for the preparation of the delegated act adopting limited assurance sustainability standards which must be published by July 2027 at the latest.

2. Legal, regulatory and normative framework of the audit profession

In 2025, the CSSF continued its contribution to the work on the transposition of Directive (EU) 2022/2464 of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. Draft law No 8370, submitted on 29 March 2024, has not yet been voted as the wish of the legislator was to wait on the finalisation of Omnibus I aiming to simplify the sustainability texts in order to simplify the non-financial reporting requirements and thus strengthen the competitiveness of the European undertakings to include it in the Luxembourg transposition.

The scope of application is limited due to the increase of the thresholds to over 1,000 employees and to over EUR 450 million in annual net turnover. In parallel, EFRAG must create a more simplified and accessible version of ESRS.

The amending Omnibus I directive was published in the Official Journal of the EU on 26 February 2026 and must be transposed by the Member States by 19 March 2027.

3. Quality assurance review

3.1. Scope of application

By virtue of the Law of 23 July 2016 concerning the audit profession (Audit Law), *réviseurs d'entreprises agréés* (approved statutory auditors) and *cabinets de révision agréés* (approved audit firms) are subject to a quality assurance review of their statutory audit engagements, organised according to the terms laid down by the CSSF in its capacity as oversight authority of the audit profession.

The population of *cabinets de révision agréés* and *réviseurs d'entreprises agréés* that carry out statutory audits is as follows, as at 31 December 2025:

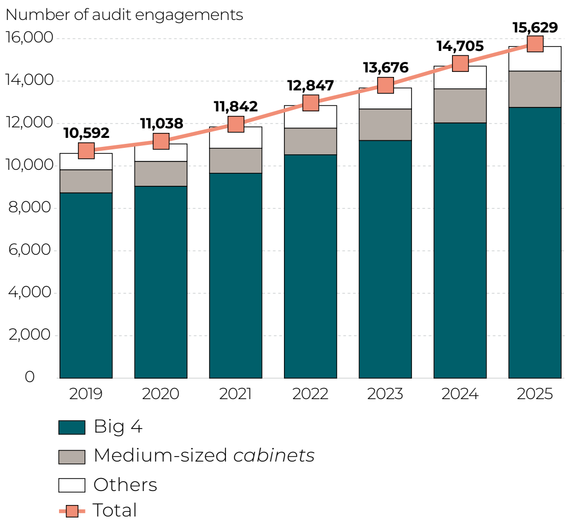
- 61 *cabinets de révision agréés*, 11 of which audit PIEs[2];
- three approved independent *réviseurs* (auditors), none of which audits PIEs.

2 Public-interest entity

Based on the data collected through the Annual Declarations for the year 2025, the statutory audit engagements break down as follows between *cabinets de révision agréés* and independent *réviseurs d'entreprises agréés*:

- 82% of the engagements were carried out by the Big 4;
- 11% of the engagements were carried out by medium-sized audit *cabinets*[3];
- 7% of the engagements were carried out by the other audit firms and independent *réviseurs*.

Development of market share in statutory audit[4]



3.2. Activity programme for 2025

The CSSF set down a multiannual programme for the control of *cabinets de révision agréés/réviseurs d'entreprises agréés* which aims at observing the legal quality assurance review cycle, being three years for firms that audit PIEs and six years for the other ones. This programme was based on the information transmitted by firms and réviseurs through the Annual Declarations relating to their activity.

Under the 2025 programme, eight firms were reviewed, six of which audit PIEs and six are members of an international network. The quality assurance reviews focused on:

- the review of firms' quality management systems in accordance with International Standards on Quality Management 1 and 2 (ISQM);
- the review of a sample of audit files relating to statutory audit engagements of the financial years 2024 and 2023.

The 2025 programme also concerned the review of the quality management system of a firm which had been postponed in the 2024 programme.

The eight reviewed audit firms reported[5] a total of 12,668 audit engagements, including 369 in relation to PIEs. Under the 2025 review programme (including specific follow-ups), 146 mandates were reviewed, 25 of which concerned PIEs.

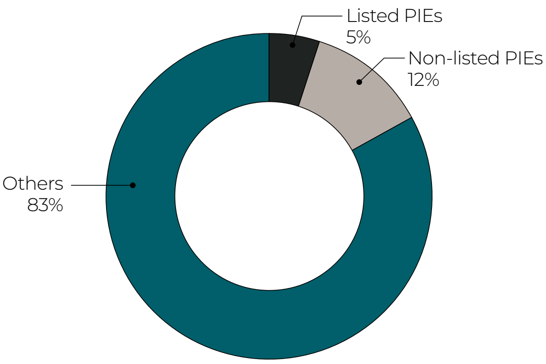
The quality assurance reviews started in January 2025 and were carried out by 10 CSSF inspectors with professional audit experience and expert knowledge in the business areas of the financial centre. These reviews represented a total of 8,548 hours.

3 Firms that carry out over 100 statutory audit engagements (as at 31 December 2025, five firms were concerned)

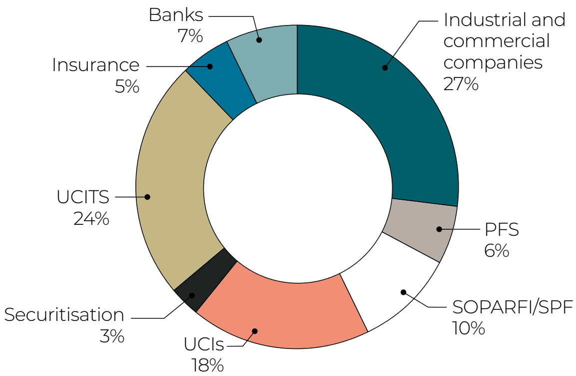
4 Source: Annual Declarations collected by the CSSF

5 Based on the statements of *cabinets de révision agréés* as at 31 December 2024.

Breakdown of audit files reviewed by the CSSF in 2025 per entity type



Breakdown of audit files reviewed by the CSSF in 2025 per sector



It should be noted that for the UCITS sector files, a specific inspection was implemented in addition to the individual review of the audit files. This inspection consists notably of a review of internal controls within the firms in relation to the holding and independent valuation processes of portfolio securities and derivative financial instruments.

3.3. Main issues identified during the 2025 quality assurance reviews

3.3.1. Review of quality management systems

In 2025, the CSSF's review of the firms' quality management system focused mainly on:

- the resources and services provided by the networks to which some firms belong;
- the application of ISQM 2 and of Article 8 of the European regulation on specific requirements regarding the statutory audit of public-interest entities in terms of engagement quality reviews.

As regards resources and services provided by the networks to their member firms, the CSSF analysed how the firms:

- assessed the risks related to their use whether on a compulsory or voluntary basis;
- had adapted or supplemented them so that they are appropriate for use in their system of quality management;
- performed the related monitoring and remediation activities;
- assessed the results of the monitoring and remediation activities performed and communicated by the network.

The CSSF noted that the information on the monitoring and remediation activities communicated by the network to the member firms was greatly perfectible. Indeed, this communication is mostly in the form of a half-yearly or annual report or summary memorandum, supplemented with regular meetings to which all member firms participate. The network does not give access to its working documents and does not document its monitoring activities in a system accessible to member firms. Moreover, the level of information provided by the networks in these memoranda varies from one network to another, notably concerning the size of the tested samples, the reasoning underlying the assessment of the severity and pervasiveness of the identified findings and deficiencies as well as the analysis of the underlying causes and the remediation expected from the member firms.

This observation requires a more in-depth analysis by the member firms of networks, especially in relation to technological resources (including notably artificial intelligence) developed, certified and deployed by the networks and used by local firms which retain responsibility for their quality management system.

These observations were also discussed with different networks in the framework of the activities of the Inspection sub-group of the CEAOB and will be subject to monitoring in 2026, notably in relation to the use of resources located in other existing shared service centres within the different networks and to developments of AI-enabled audit tools.

As regards the engagement quality reviews, the CSSF first carried out the analysis of the integration of ISQM 2 in the quality management systems of the different firms and then examined the performance of these reviews in audit files selected under the 2025 activity programme.

In general, the designation process of the persons responsible for the quality reviews according to eligibility criteria, as well as the policies and procedures regarding the performance of these reviews, did not call for any comment.

Nevertheless, the CSSF noted that in most of the examined audit files this review often seemed to be an administrative formality carried out mechanically (checklist and visa on certain documents) without it being possible to determine if the person in charge of the engagement quality review had examined the basis of the important judgements made by the team and the appropriateness of the team's conclusions based on the file's documentation.

Similarly, the CSSF observed that this review was often carried out at the end of an engagement, typically just before the signature of the audit opinion and that the hours allocated to these reviews were minimal, whereas paragraphs 18(a) and 24(a) of ISQM 2 refer to the time that must be allocated to the review and to its performance in a timely manner during the engagement in order to make an objective evaluation.

These reviews, which aim to ensure that the engagements are carried out in accordance with the applicable standards and requirements and that the reports issued are appropriate to the circumstances, are an important element to ensure the quality of the audit. The CSSF recommends therefore to the people in charge of these reviews to document accordingly the procedures performed and the conclusions they reached thereon in their files.

3.3.2. Audit files

Following the 2025 quality assurance review, the CSSF observed that the *cabinets de révision agréés* have continued their initiatives and efforts to enhance the quality and robustness of the audit work.

These actions took place in an environment marked by rapid development and deep economic and technological transformations, characterised notably by the growing digitalisation of the activities and the rise of artificial intelligence. Moreover, human resources management in the context of high professional requirement and increased complexity of the engagements is also an important challenge for *cabinets de révision agréés*.

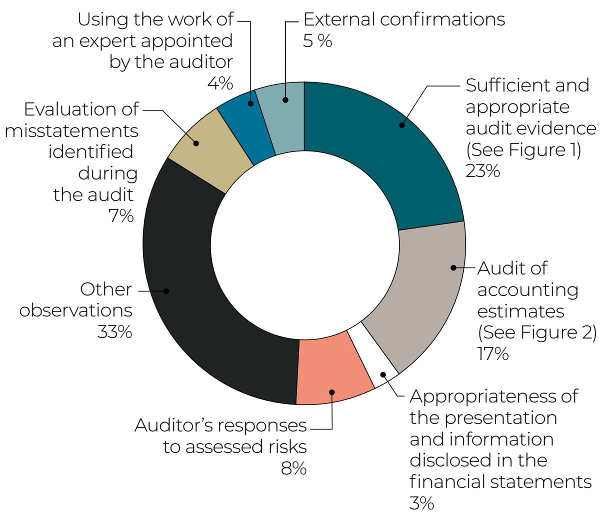
However, although the firms work to improve the quality of their audits, the results of the 2025 quality assurance review confirm that there is still room for improvement in the conduct of audit engagements.

The CSSF notes that the number of files that include at least one observation, by reference to the total number of files reviewed, decreased compared to 2024. However, the average number of significant observations and breaches per file increased, showing a heterogeneous quality of the files.

The CSSF reiterates that the auditors must collect and document in their files all the elements supporting the opinion in the audit report and provide evidence that the audit has been planned and carried out in accordance with the ISA standards and with the applicable legal and regulatory requirements. In particular, significant professional judgements and supporting evidence must be documented in the audit files.

The graph below summarises the main observations issued following the 2025 quality inspections.

Main observations issued on the files



Similarly to the previous years, audit evidence and accounting estimates were audit topics which were subject to most observations in 2025.

Given the importance and recurrence of the misstatements identified in the collection of evidence, the CSSF proposes to review them in Figure 1 below.

The issues identified in relation to accounting estimates are presented in detail in Figure 2 below.

Besides the recurrence of the observations on the two above-mentioned topics, the CSSF noted once again weaknesses in the auditor's responses to assessed risks (ISA 330), particularly insufficient substantive procedures or tests of controls or their inappropriate nature to address audit assertions concerned by these responses.

Moreover, compared to 2024, the CSSF noticed an increase in the number of observations relating to the evaluation of misstatements identified during the audit, to external confirmations as well as to the use of the work of an auditor's expert.

As regards the evaluation of misstatements identified during the audit (ISA 450), the auditor must accumulate the identified misstatements, other than those that are clearly trivial, and communicate them on a timely basis with the appropriate level of management. However, the CSSF observed that, in some files, the auditor had not identified differences in certain items of the balance sheet and profit or loss, or in the information communicated in the financial statements, which exceeded its escalation thresholds. Therefore, the auditor was not able to request management to investigate and correct these differences.

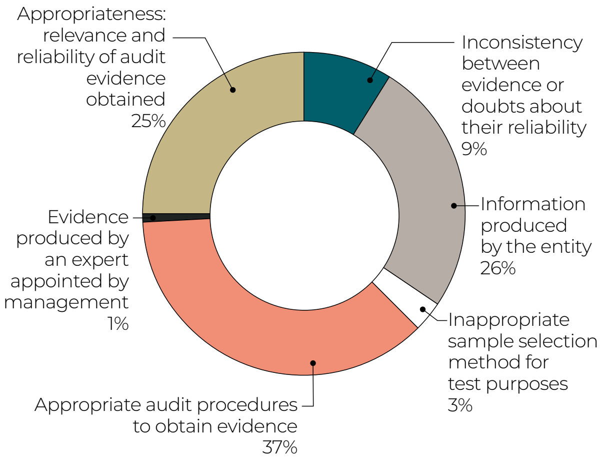
The CSSF also identified breaches of ISA 505 "External Confirmations". According to this standard, the auditor must, among others, investigate the differences with the received confirmations in order to determine whether or not they indicate misstatements. However, some files highlight failures in the analysis of observed differences and in the investigations to address them appropriately.

ISA 620 regarding the use of the work of an auditor's expert also gave rise to an increasing number of observations compared to 2024, particularly regarding weaknesses in the auditor's assessment of the appropriateness of the assumptions and data used (valuation methods, identification of "comparable" or figures) by the expert.

Finally, the less frequent observations grouped together under "Other observations" concern the following auditing standards in particular:

- auditor's responsibilities relating to fraud in an audit of financial statements;
- forming an opinion and reporting on financial statements;
- analytical procedures;
- group audits;
- overall objectives of the independent auditor and the conduct of an audit in accordance with ISA standards; and
- engagement quality control.

Figure 1: Sufficient and appropriate audit evidence



If breaches of ISA 500 "Audit evidence" were among the most frequent observations made by the CSSF during the 2024 quality assurance review, they also represented the leading source of non-compliance identified in 2025, demonstrating that audit procedures in this area still have room for improvement.

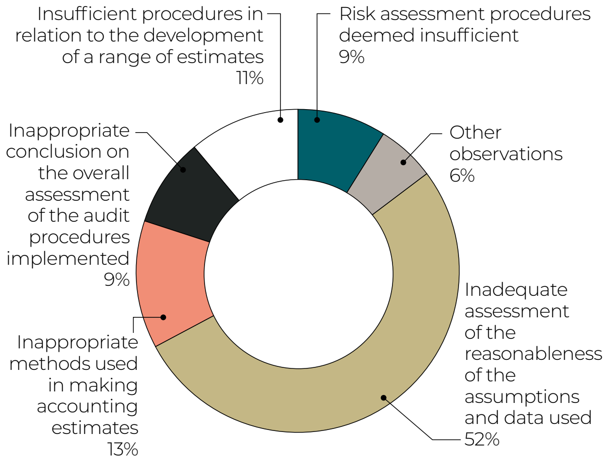
ISA 500 sets out the core principles governing the auditor's collection and evaluation of audit evidence. It aims to ensure that the obtained audit evidence is sufficient and appropriate referring - to the relevance and reliability - in supporting the auditor's conclusion. Building on these principles, ISA 330 "The Auditor's Responses To Assessed Risks", particularly its paragraphs 25 to 27, deals with the sufficiency and appropriateness of audit evidence gathered by the auditor.

Weaknesses in the application of these requirements were indeed identified in the design and implementation of appropriate audit procedures aiming to collect audit evidence. In too many cases, the procedures implemented appear either limited or insufficiently tailored to the identified risks, thereby compromising the auditor's ability to collect audit evidence that is sufficiently robust to support his/her conclusions.

Moreover, the auditor must further ensure the reliability of the information produced by the entity before using it in his/her audit procedures as audit evidence. The auditor relies too often on reports, analyses or data created by the internal systems of the entity without testing beforehand their accuracy and completeness with only limited documentation. Such practices weaken the credibility of the obtained audit evidence.

Finally, the CSSF reminds the auditor to exercise a higher degree of professional scepticism both when analysing the information that may be considered as audit evidence and when assessing the adequacy and sufficiency of the audit evidence selected to support his/her audit conclusions.

Figure 2: Audit of accounting estimates (AE)



The growing complexity of the financial information together with the enhanced use of judgements and evaluation models significantly increases the risks of material misstatements in the financial statements for accounting estimates. Due to their uncertain nature and strong reliance on assumptions and forward-looking data, accounting estimates are a particularly sensitive area for the preparer of the financial statements and for the auditor. In that respect, ISA 540 "Auditing Accounting Estimates and Related Disclosures" insists on three key dimensions for the evaluation of estimate process: the methods used, the assumptions underlying the estimates and the data on which the estimates are based.

ISA 540 requires the auditor to develop an in-depth understanding of the estimate process implemented by the entity (including the manner in which the management evaluates and responds to the estimation uncertainty by developing its point estimate), to critically evaluate the judgements exercised by the management and to conceive audit procedures adapted to the degree of uncertainty inherent in each estimate.

The 2025 quality assurance review revealed that some weaknesses in the implementation of these requirements remained within the audit work.

Several shortcomings were identified during the assessment of the reasonableness of the assumptions and the data used by the management. In some cases, the evaluation carried out by the auditor remained insufficiently supported or overly reliant on the analyses produced by the entity, without sufficient critical scrutiny of the parameters used, particularly when these were based on projections or information that was difficult to verify.

Moreover, shortcomings were also noted in the assessment of the appropriateness of the methods used to develop accounting estimates. In some files, the methods applied by the management were not analysed in sufficient depth by the auditor, especially with respect to their consistency with the generally accepted practices or their adequacy with respect to the characteristics of the item being valued. Accuracy and arithmetic consistency issues were also observed.

Finally, another weakness frequently identified concerns the procedures carried out to develop a range of independent estimates for assessing the reasonableness of the management's accounting estimate. In some audit files, the work regarding the development of this range appeared limited, insufficiently documented or based on assumptions that were not explicitly justified.

To remedy this situation, the CSSF recommends that auditors:

- strengthen the critical assessment of the assumptions and data used by the management, by verifying notably their consistency with the available information, the market data and the economic environment of the entity;

- ensure that the management has adequately assessed the degree of uncertainty associated with the evaluation of accounting estimate in order to develop their point estimate, particularly with regard to the range of possible measurement outcomes;

- assess the reasonableness of the information provided regarding the uncertainty associated with accounting estimates, notably to determine whether the information adequately conveys the level of uncertainty associated with the assessment and the range of the possible outcomes;

- conduct a thorough assessment of the appropriateness of the estimation methods used; and

- develop and document rigorously the reasonableness of the ranges of estimates deemed acceptable.

3.3.3. Thematic review

In 2025, the CSSF carried out a thematic review on the requirement for auditors to presume that there are risks of fraud in revenue recognition and, consequently, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

This review, based on the inspection of 46 statutory audits carried out by the Big 4, among which 17 auditing PIEs, led to the following main observations:

- the analysis performed by the auditors often lacked sufficient granularity to effectively identify and evaluate the specific fraud risk factors relevant for the entity as well as the specific products, revenue transactions or assertions which may give rise to fraud risks in the revenue recognition;

- the rebuttal of the fraud risk presumption in revenue recognition was particularly high in the financial sector and was not always appropriate based on the facts and circumstances of the audited entities, all sectors combined;

- the internal controls identified by the auditors to address fraud risks related to revenue appeared overly generic and deficient;

- the modifications adapted to the nature, to the moment and to the extent of the audit procedures are not always made to adequately address the specific risks of fraud concerning revenue recognition.

4. Monitoring of preventive measures

In 2025, the CSSF carried out specific follow-ups for three professionals for which material weaknesses were noted in the previous financial years. Under these specific follow-ups, six mandates were reviewed (no PIE). These reviews represented a total of 228 hours.

As a result of these reviews, two professionals' specific follow-ups were closed.

During the 2025 activity programme, based on eight finalised quality assurance reviews, four *réviseurs d'entreprises agréés* were subject to a specific follow-up.

5. Overview of the population of *réviseurs d'entreprises* in Luxembourg

5.1. Access to the profession

5.1.1. Activities of the Consultative Commission for the Access to the Audit Profession

The Consultative Commission's task is, among others, to verify the theoretical and professional qualification of the candidates for the access to the audit profession in Luxembourg, as well as that of the service providers from other Member States wishing to exercise the activity by way of free provision of services.

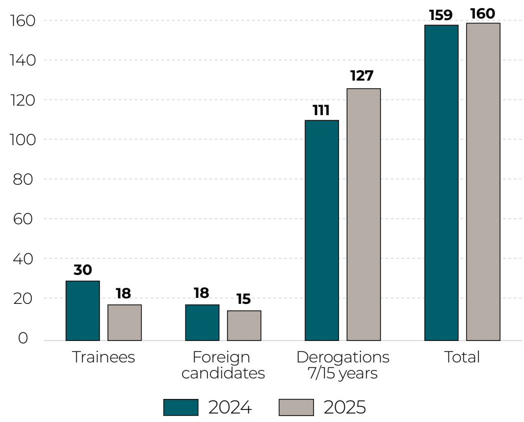
The commission met seven times in 2025 and analysed the files of 160 candidates, against 159 in 2024.

In 2025, the access to training was refused to five candidates (3%) as the number of subjects to be completed based on their administrative certificate was greater than four.

There are three categories of candidates:

- trainee *réviseurs d'entreprises*;
- foreign candidates;
- candidates applying for an exemption based on their professional experience of either 7 or 15 years.

Development of the number of application files submitted to the Consultative Commission



80% of the candidates came from the Big 4. As regards the nationality, most of the candidates came from France (18%), followed by Belgium (12%), Luxembourg (9%) and Tunisia (8%). The remaining 53% originated from various other countries.

5.1.2. Examination of professional competence in 2025

The CSSF administrates the examination of professional competence in accordance with Articles 5 and 6 of the Grand-ducal Regulation of 14 December 2018 determining the requirements for the professional qualification of *réviseurs d'entreprises*.

Based on the decision of the examination jury, the CSSF granted the title of "*réviseur d'entreprises* (statutory auditor)" to 38 out of the 81 candidates registered for the written and oral exams of the examination of professional competence.

Graduation ceremony

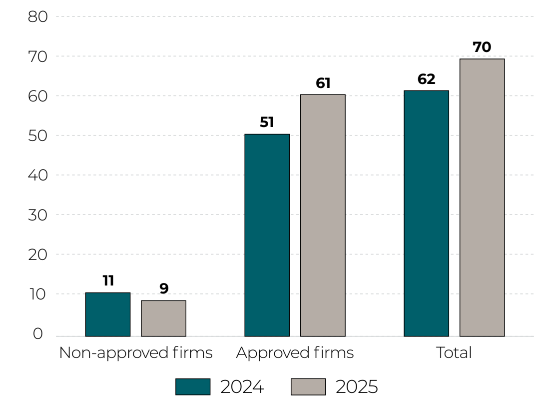
5.2. Public register

The public register of *réviseurs d'entreprises agréés*, *cabinets de révision agréés* and third-country auditors and audit entities is available on the CSSF website (https://audit.apps.cssf.lu).

5.2.1. National population as at 31 December 2025

- **Development of the number of *cabinets de révision* (audit firms) and *cabinets de révision agréés***

The total number of *cabinets de révision* and *cabinets de révision agréés* amounted to 70 as at 31 December 2025, against 62 as at 31 December 2024.



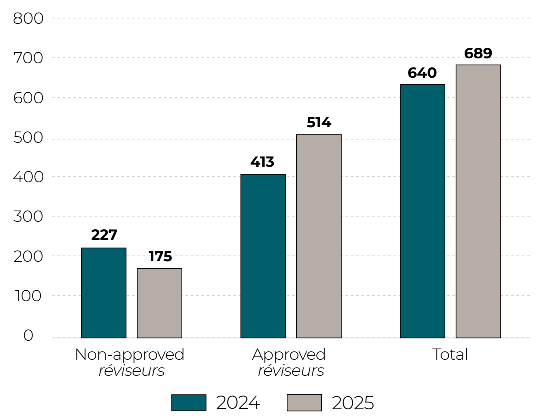
The following firms were approved in 2025:

- FINOVION S.À R.L.
- TAXEUM LUXEMBOURG S.À R.L.
- EISNERAMPER Luxembourg
- PRICEWATERHOUSECOOPERS ASSURANCE
- NUMENOR S.À R.L.
- MAYOTTE S.À R.L.
- NEXAFIDES WP LUX S.À R.L.
- TEGARIN AUDIT SARL
- MAKERY S.À R.L.
- INVICTUS AUDIT S.À R.L.
- ATANIA S.À R.L.

In 2025, one firm gave up its approval and has also abandoned the title of "*cabinet de révision* (audit firm)" and three *cabinets de révision* returned their title.

- **Development of the number of *réviseurs d'entreprises* and *réviseurs d'entreprises agréés***

The total number of *réviseurs d'entreprises* and *réviseurs d'entreprises agréés* amounted to 689 as at 31 December 2025, against 640 as at 31 December 2024.



In 2025, the CSSF granted the title of "*réviseur d'entreprises* (statutory auditor)" to 69 people and approved 117 *réviseurs d'entreprises*. However, 16 *réviseurs d'entreprises* abandoned their approval.

The population consisted of 70% men and 30% women. The average age of the *réviseurs* was 46.19 years for women and 46.20 years for men.

- **Development of the number of candidates for the audit profession**

The total number of trainee *réviseurs d'entreprises* amounted to 70 as at 31 December 2025, against 74 as at 31 December 2024, which is a 5% decrease. The population consisted of 54% men and 46% women, with an average age of 30.57 years for women and 30.56 years for men.

The number of candidates exempted based on their professional experience of either 7 or 15 years in the financial, legal and accounting areas amounted to 338 as at 31 December 2025, against 281 as at 31 December 2024, i.e. a 20% increase. The population consisted of 68% men and 32% women, with an average age of 35.96 years for women and 36.34 years for men.

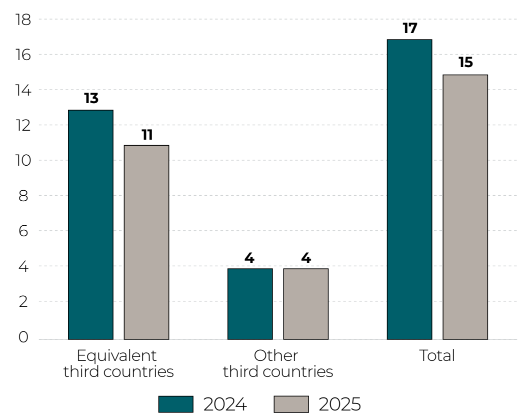
It should be pointed out that 80% of the population of trainees came from the Big 4.

5.2.2. Third-country auditors and audit firms

The number of third-country auditors and audit entities that provide an auditor's report on the annual or consolidated financial statements of a company incorporated outside an EU Member State, whose securities are admitted to trading on the regulated market of the Luxembourg Stock Exchange, decreased in 2025. Indeed, two entities did not renew their registration during the financial year as their activities no longer fell within the scope of the amended Directive 2006/43/EC.

The public register listing all registered third-country auditors is available on the CSSF website.

Breakdown of registered third-country auditors



6. Cooperation agreements

The CSSF did not sign any new cooperation agreement in 2025. The agreements previously concluded are available on the CSSF website.

XIX. Instruments of supervision

1. On-site inspections

On-site inspections are in-depth investigations which provide a better understanding of the functioning and activities of the supervised entities and allow the assessment of the risks to which these entities are exposed and their compliance with the laws and regulations. In general, on-site inspections are proposed, on an annual basis, by the supervisory departments which have developed a dedicated risk-based approach to determine which professionals must undergo an on-site inspection. Subsequently, an annual planning is established and validated by the Executive Board of the CSSF. Any change, insertion or deletion in this annual planning must be subject to a formal validation.

The "On-Site Inspection" (OSI) department is in charge of conducting on-site inspections of banks[1], payment institutions, electronic money institutions, UCIs as well as their management companies[2], investment firms, specialised PFS, support PFS, virtual asset service providers, crypto-asset service providers and financial market participants. Moreover, the OSI department coordinates on-site inspections of Luxembourg significant banks with the "On-Site & Internal Model Inspections" department of the ECB with respect to the topics addressed by the SSM.

On-site inspections relating to IT are carried out by a specialised team within the "Supervision of information systems and support PFS" department. The subjects covered during these inspections as well as the main weaknesses identified are detailed in point 1.10. below.

To fulfil all its tasks, the OSI department's staff remained stable with 81 agents, representing 76 full-time equivalents, as at 31 December 2025. A team composed of eight agents, representing 6.5 full-time equivalents as at 31 December 2025, of the "Supervision of information systems and support PFS" department that is specialised in IT on-site inspections has to be added to this figure.

The teams in charge of on-site inspections are set up based on the nature, scale and scope of the missions.

1 This includes on-site inspections of less significant banks which are not directly subject to the SSM and AML/CFT, MiFID, depositary bank, UCI administration and EMIR on-site inspections of significant and less significant banks as these topics are not directly covered by the SSM. The inspections of credit institutions regarding authorisations to use internal models for own funds requirements are excluded from the scope of activities of the OSI department. These inspections are carried out by a dedicated team within the Banking departments.

2 Only for MiFID and AML/CFT and for the activity of transfer agent and individual portfolio management.

Each on-site inspection results in the drafting of an internal report on the controls performed and the weaknesses identified during the mission by the team in charge of the mission. The observations are then shared with the inspected professionals during a fact validation meeting. Generally, on-site inspections are followed by an observation letter that is sent to the inspected professional. In the event of more serious failures, the CSSF analyses whether it needs to launch an injunction procedure or a non-litigious administrative procedure in order to impose an administrative sanction pursuant to the sectoral laws in force. The administrative sanctions and prudential enforcement measures are described in detail in point 2. of this chapter.

In accordance with the Grand-ducal Regulation of 23 December 2022 relating to the fees to be levied by the CSSF, a lump sum is billed for every on-site inspection relating to a specific topic. This lump sum amounts to EUR 25,000 for banks, to EUR 10,000 for the other entities and to EUR 1,500 for agents acting on behalf of a payment institution or electronic money institution.

In 2025, 118 on-site inspections were conducted by the CSSF departments:

- 41 of these inspections were performed by the UCI departments and are set out in point 4.3. of Chapter XI "Supervision of investment fund managers and UCIs";
- 72 of these inspections were carried out by the OSI department (cf. points 1.1. to 1.9. below);
- 5 of these inspections were carried out by the "Supervision of information systems and support PFS" department (cf. point 1.10. below).

Breakdown of the on-site inspections carried out in 2025 by topic and type of entity (excluding UCI departments)

	Ad hoc	AML / CFT	Credit Risk	Interest-rate risk (IRRBB)	Operational risk	Depositary function	UCI administration	Corporate Governance & Business Model Assessment	MiFID	IT Risk
Banks		10	2	2	3	2		5	6	2
Investment firms		7						2	2	
Paymenet institutions / Electronic money institutions	1	5						1		1
Support PSF										1
Specialised PSF	1	10				3	2	2		1
Management companies		4							1	
Virtual asset services providers		1								
Total	**2**	**37**	**2**	**2**	**3**	**5**	**2**	**10**	**9**	**5**

1.1. Ad hoc on-site inspections

Ad hoc on-site inspections are intended for the investigation of a given situation or a specific, sometimes worrying, issue related to the professional. This particular situation of the professional has in principle already been observed in the context of the off-site prudential supervision. Such missions may either be planned in advance or occur unexpectedly. The nature and scale of ad hoc inspections may vary significantly and, consequently, determine the composition and size of the on-site inspection teams.

In 2025, two ad hoc on-site inspections were performed. In addition, four ad hoc on-site inspections which had started earlier continued in 2025. They concerned, in particular, corporate governance and anti-money laundering and countering the financing of terrorism issues. The ad hoc team also supported one "MiFID" on-site inspection.

1.2. "Anti-money laundering and countering the financing of terrorism" (AML/CFT) on-site inspections

AML/CFT on-site inspections are described in detail in point 1.2. of Chapter XXII "Financial crime" which relates more particularly to the CSSF's supervision with respect to AML/CFT.

1.3. "Credit risk" on-site inspections

The purpose of "Credit risk" on-site inspections is to verify the soundness and prudence of credit risk management within credit institutions. They are performed based on the credit risk methodology prepared by the ECB.

In 2025, the CSSF carried out two missions on credit risk in Luxembourg at less significant banks. Moreover, as regards significant banks within the SSM framework, the CSSF carried out two inspections in Luxembourg and participated in one inspection abroad.

The CSSF would like to draw the banks' attention to the following elements identified during these inspections.

With regard to the governance framework, the CSSF stresses the need to have operational policies and procedures covering the credit risk management processes based on a clear separation between credit granting and the monitoring of loans, as well as on a strong involvement of the risk management function.

As regards collateral management, the CSSF highlights the requirement to use assessments performed by qualified and independent experts subject to an in-depth and critical review by banks.

With reference to the risk classification, the CSSF insists on the need to define indicators of significant increase in credit risk (SICR), early warning indicators (EWIs) and indicators of unlikeliness to pay (UTP) that are specific to the entity, coherent and relevant in order to trigger a reclassification in a timely manner.

With respect to credit monitoring, the CSSF emphasises the implementation of the monitoring and reporting arrangements that are exhaustive and sufficiently frequent, covering all relevant indicators and metrics (e.g. forbearance or EWIs) and ensuring appropriate coverage of risks (notably the refinancing risk and the monitoring of covenants). Moreover, robust arrangements for the recognition and measurement of days past due must be implemented.

The CSSF points out the importance to validate internal models for the calculation of expected credit losses (ECLs). In addition, it is expected that this validation be included in a robust framework for the measurement of realised losses and for back-testing. As for exposures classified in stage 3 subject to individual assessment, it is reminded that these assessments must represent an unbiased probability-weighted estimates of ECLs.

Finally, the use of high-quality data is crucial for all credit risk management processes.

Besides performing on-site inspections, the CSSF's "Banking Risks" division (BR division) participated in several ECB-led initiatives related to credit risk, in the framework of on-site inspection activities. It contributed to the review of the inspection methodology concerning credit risk and shared its expertise within the working group of the Commercial Real Estate campaign. It contributed to the Credit File Review working group which aims to promote a proportionate risk-based approach for the selection of files to be reviewed. Moreover, the BR division participated in the Centre of Competence in relation to the development of tools aiming to improve and optimise credit risk on-site inspections. Finally, it also contributed to the implementation of an integrated solution for the end-to-end handling of findings and supervisory measures at SSM level.

1.4. "Interest rate risk" on-site inspections

"Interest rate risk" or "Interest Rate Risk in the Banking Book (IRRBB)" on-site inspections aim to assess how interest rate risk arising from non-trading activities is managed and to assess the stress test results. They are performed based on the interest rate risk methodology prepared by the ECB.

In 2025, the CSSF carried out two missions of this type at less significant institutions. Moreover, with respect to significant institutions within the SSM framework, the CSSF participated in one on-site inspection abroad.

Following these inspections, the CSSF draws the credit institutions' attention to the importance of an appropriate framework with regard to governance, risk culture and expertise. The above must be combined with a solid process for the identification of risks and the definition of limits, as well as with a precise quantification of the risk according to both an economic value of equity (EVE) approach and a net interest income (NII) approach. As regards sight deposits or non-maturity deposits, prudent assumptions that comply with regulatory requirements must be applied.

The CSSF also actively contributed to the ECB's ALM (Assets and Liabilities Management) Centre of Competence, notably through the drafting of a manual for on-site inspections, the provision of support for the inspection campaign as well as the preparation and holding of training sessions.

1.5. "Operational risk" on-site inspections

"Operational risk" on-site inspections, excluding internal models and ICT risk, aim to verify how the operational risk is identified, controlled, managed and measured by credit institutions. They also include outsourcing-related inspections. They are performed based on the operational risk methodology prepared by the ECB.

In 2025, the CSSF carried out three inspections on the operational risk, including outsourcing, at less significant banks in Luxembourg. Moreover, as regards significant banks within the SSM framework, the CSSF conducted one on-site inspection abroad.

Following these inspections, the CSSF highlights the importance of an efficient framework for the control of outsourced activities, in particular relying on a monitoring based on relevant key performance and risk indicators (KPIs/KRIs). The above must also be combined with a regular risk assessment process that complies with regulatory requirements. The CSSF also points out the appropriate involvement of the management body and the risk management function in this framework which must, in addition, be supported by complete and robust contractual arrangements.

1.6. "Depositary function" on-site inspections

In 2025, the CSSF initiated five on-site inspections on the depositary function, two of which at banks and three at specialised PFS authorised as professional depositary of assets other than financial instruments. Several of these inspections included a follow-up to remediation plans implemented further to previous inspections by the CSSF.

These inspections revealed, in particular, that the entities improved their depositary control framework, mainly with respect to the obligations of safekeeping of other assets. However, the CSSF would like to draw the entities' attention to the following requirements.

- **Safekeeping of other assets - Process regarding the asset registrations within the IFMs**

In the context of investments in alternative asset classes, the CSSF expects that processes for monitoring transactions and registering ownership of assets within the IFMs' organisation are checked for appropriateness and effective implementation. This check must be performed via audits/due diligence and monitoring of transactions in order to ensure notably the update of AIFs' registers and structure charts by IFMs.

- **Safekeeping of other assets - Application of the look-trough principle**

The aim of the look-trough principle to be applied in the context of safekeeping duties is to ensure that these are not circumvented in the event of indirect investment in target assets through intermediate legal structures set up by the AIFM.

In practice, depositaries are expected to apply this principle on the basis of an analysis taking into account, in particular, the target assets as referred to in the AIF's investment policy, the holding chain and the control of these assets by the AIF, but also the AIF's management process in a broad sense, including the asset valuation and risk management process. Specifically, the review of the asset holding chain must identify the structures established by the AIFM or AIF and take into account all elements of direct and indirect control. The ultimate aim of this requirement is to ensure that the depositary's supervisory model for these AIFs is aligned with their management and administration process.

The CSSF notes the reference to these expectations in the guidelines published under the aegis of professional associations and emphasises the declining number in observations on this topic.

- **Safekeeping of other assets - Monitoring of transactions on illiquid assets**

With respect to the expectations published in its communication of 24 July 2024[3], the CSSF remains vigilant regarding the monitoring of transactions on illiquid assets which must be organised so as to allow the depositary to verify the existence and compliance of the transactions prior to the payment of the corresponding liquidity. In particular, transactions identified ex-post, notably through the cash flow monitoring, in the absence of preliminary notification from the IFMs, must be brought to the attention of the IFMs for remediation purposes.

In this context, the inspections positively noted the implementation of action plans by depositaries aiming to improve the information exchange process with the IFMs.

- **Safekeeping of other assets - Record keeping of assets**

With respect to the requirements of record keeping, the CSSF expects that the processes for the control of safekeeping of other assets allow the depositary to keep up to date and to provide inventories of the AIFs' assets that are documented and justified based on the information used to establish the AIFs' ownership rights.

- **General oversight duties**

Moreover, as regards the general principles relating to the oversight duties, the CSSF reiterates that the following aspects must be taken into consideration:

- risk assessment associated with the UCI strategy in order to identify the relevant elements to be included in the scope of the ongoing supervision and periodical controls;
- regular examination (due diligence) of the internal controls in place within the organisation of IFMs and their delegates in order to ensure the existence of an appropriate framework covering the UCIs serviced by the depositary.

The methods and frequency applied to periodical controls must be consistent with the results of these assessments. In addition, according to the oversight duties concerned, periodical controls must be carried out with a frequency which is consistent with the frequency of the activity under monitoring.

3 https://www.cssf.lu/en/2024/07/clarification-by-the-cssf-regarding-controls-to-be-implemented-by-luxembourg-depositaries-in-relation-to-alternative-investment-funds-aifs-investing-in-illiquid-assets/

- **Oversight duties related to asset valuation**

In addition, in accordance with the communiqué of 18 July 2023[4] on the CSSF's expectations following ESMA's Common Supervisory Action on asset valuation, it is reminded, as regards the obligation relating to the control of the value of the units or shares, mainly relating to UCIs investing in illiquid alternative assets, that the depositary must:

- check, as part of audits of IFMs, the compliance with policies and processes applied to the valuation of the assets held by AIFs serviced by the depositary;
- ensure, as part of the periodical controls, that these valuation policies and processes are effectively implemented.

- **Acceptance of new mandates**

The CSSF continues to insist on the robustness of the acceptance process applied to new mandates and delegations. In particular, the initial analysis of the risks associated with new mandates is expected to be established on the basis of a minimum of qualitative information on aspects of ownership registration and asset valuation within the IFMs' organisation.

- **Delegation of supporting tasks**

In the event of delegation of supporting tasks associated to the oversight and cash flow monitoring, the CSSF expects a preliminary and detailed analysis of the envisaged operational models, considering the criteria to be met for supporting tasks as defined in the ESMA Questions and Answers published in 2022 (ESMA34-32-352 AIFMD; ESMA34-43-392 UCITS Directive).

In addition to the regular inspections, the inspectors in charge of the depositary topic were involved in various other initiatives.

On 17 November 2025, ESMA published the findings of its peer review on the supervision of depositary obligations with a sample of assessed authorities that include the CSSF. Several inspectors were involved, on the one hand, to address ESMA's queries concerning inspections carried out on this topic and, on the other hand, to participate in the joint review process of the other assessed authorities.

In addition, the CSSF continued to participate in conferences relating to the depositary activity and maintained an ongoing dialogue with professional associations, among others, in order to communicate and clarify the CSSF's expectations and also to exchange about important messages mentioned in this report.

1.7. "UCI administration" on-site inspections

The purpose of "UCI administration" on-site inspections is to ensure the proper implementation of the obligations arising from Circular CSSF 22/811 on the authorisation and organisation of entities acting as UCI administrators.

In 2025, the CSSF initiated two on-site inspections at UCI administrators.

From this type of inspection, it is typically found that the delegation of tasks to other group entities is widely used for efficiency purposes, whether in relation to the NAV calculation or the maintenance of the UCI's unit-/shareholder register. The CSSF reminds that the local entity must have contracts in place that comply with the applicable regulations and set out the administration services actually delegated as well as each delegate's role and responsibility. In addition, the local entity is expected to ensure appropriate monitoring of delegated tasks so that they remain under its control at all times.

4 https://www.cssf.lu/en/2023/07/cssf-feedback-report-on-esma-common-supervisory-action-on-valuation/

1.8. "Corporate Governance", "Business Model & Profitability Assessment" and "Climate risk" on-site inspections

In 2025, 10 "Corporate Governance" on-site inspections were carried out at credit institutions, payment institutions, electronic money institutions, investment firms and specialised PFS. Furthermore, within the SSM framework, the CSSF conducted or participated in four inspections in relation to these topics at three significant banks, including one established in Luxembourg.

The participation in these on-site inspections within the SSM framework showed the expertise developed in Luxembourg in the areas of climate and environmental risk (C&E), risk data aggregation and reporting, corporate governance and business model and profitability assessment. This improvement in skills is being used at the CSSF and in the financial centre notably through the dissemination of developed knowledge and the experience gained from the SSM colleagues. Over the year, the CSSF also continued to bring expertise to the review of the inspection methodologies, the development of good practices in relation to inspection techniques (e.g. for the digital transformation of supervised professionals), the delivery of specialised training and knowledge sharing (e.g. via a compilation of best practices to share observations with professionals during the investigation phase) within the SSM and, in particular, within the "Business Model and Profitability" and "Climate and Environmental risks" competence centres.

The objective of "Corporate Governance" on-site inspections is to assess the quality of the governance framework set up by the professionals, taking into account the legal and regulatory requirements. Thus, the overall internal governance arrangements, the "head of group" function carried out by a Luxembourg entity over its subsidiaries or branches, the organisation and effectiveness of the internal control functions of an entity, the remuneration policies, the aggregation and reporting of risk data or even the outsourcing organisation, may be subject to such an inspection. The main aim of on-site inspections relating to the climate and environmental risks is to assess the extent to which financial institutions have proportionally integrated climate and environmental risks into their governance and internal control arrangements. Finally, the purpose of the "Business Model & Profitability Assessment" on-site inspections is to check how an institution's business and risk strategies are linked while pursuing its medium- and long-term financial interests.

The on-site inspections completed in 2025 revealed that professionals were consolidating and sustaining their governance framework in order to comply with the regulatory requirements on internal governance. In this context, the CSSF reminds the professionals' board of directors that they are responsible to ensure diligent handling of issues that are brought to their attention and the implementation of appropriate corrective measures. They must also strengthen the risk management framework and periodically assess the appropriateness of the internal control arrangements as well as of the necessary resources. Furthermore, the identification and management of conflicts of interest represents a key issue, particularly when resulting from the influence of the group to which the professionals belong. The adoption of a governance framework approved at local level is a key enabler for strengthening the ability of the Board of Directors to perform efficient oversight.

With respect to the roles and responsibilities of the authorised management of the supervised entities, the CSSF points out the importance for a clear and structured distribution of the responsibilities among the three lines of defence. Actual consideration of the recommendations issued by the internal control functions and diligent implementation of the identified corrective measures should be ensured as well. In addition, the authorised management must carry out a critical review of the reports established by the internal control functions and ensure an ongoing monitoring of the outsourcing arrangements. Moreover, the decision-making processes must systematically include all the identified risk categories. The implementation of a structured and duly documented framework is in this respect a key element to guarantee sound, transparent and informed decision-making. Additionally, the CSSF emphasises the necessity to ensure the actual presence of the authorised management in Luxembourg, which is a prerequisite for appropriate functioning and decision-making.

As regards the compliance function, the on-site inspections highlighted the necessity to enhance the link between the content of the compliance control plan and the prior compliance risk assessment in order to ensure full consistency. In order to consolidate their governance framework, the supervised entities should improve in certain cases the assessment of the resources allocated to the compliance function and assert its authority and independence. The latter may be weakened by the hierarchical link with the group or the absence of decisions by the management bodies. Moreover, the supervision of subsidiaries and branches under the control of professionals should be strengthened. The lack of a comprehensive compliance framework, combined with weaknesses in the controls, is likely to restrict the ability of the professionals to adequately identify, assess, manage, supervise and report compliance risks to which the professionals are or could be exposed, as well as to ensure efficient supervision of their subsidiaries and branches.

Similarly to the observations previously made and, in this case, concerning the risk management function, the oversight by the supervised entities of their subsidiaries and branches may be further improved. This implies, among others, a harmonisation of the risk appetite statements, the guarantee of comprehensive risk limit frameworks, the organisation of control missions within subsidiaries and branches together with the systematic drafting of reports and, where applicable, the assertion of the authority and independence of the professionals' risk management function vis-à-vis the group to which they belong. Additionally, the CSSF identified improvement cases regarding the formalisation of risk analyses during the launch of new products or new activities, adequate dimensioning of human resources and comprehensiveness of the reports on risks. These elements are particularly important insofar as insufficient consideration of the opinion issued by the internal control functions is likely to limit the ability of the authorised management to take well-informed decisions based on a rigorous risk assessment.

As regards the internal audit function, professionals continued to consolidate their activities. However, the CSSF identified room for structural improvement, notably with respect to the definition of the audit universe and the application of a risk-based approach, the improvement to the content and definition of the scope of the audit plan, as well as the monitoring, the reporting and the implementation of the recommendations. It is interesting to note that an increasing number of inspected entities, especially investment firms or professionals of the financial sector, outsource the internal audit function to specialised firms in the context of a strong competition to obtain such mandates. This situation results in financial offers and budgets for these mandates that are tight and sometimes insufficient to ensure that a fully operational and exhaustive internal audit function is carried out. This dilemma is generally compensated by specialised firms through restrictions in the contracts or in the internal audit plans. In this context, the CSSF would like to remind the professionals that their management bodies must ensure, including in the case of outsourcing, that appropriate and proportionate resources are available to guarantee the effectiveness of the internal audit function.

Finally, over the past year, the CSSF finalised several on-site inspections regarding climate-related and environmental risks. These missions emphasised arrangements that were still being structured, requiring notably the definition of precise and measurable C&E objectives that are integrated in the strategy of the supervised entities, the development of a formalised procedural framework, and the systematic identification of risk factors linked to climate change and environmental issues. Since the responsibilities in this respect lie with the management bodies, it is important that they are properly allocated notably within the sustainable development committee, where such committee is established within the entity. It is also essential that key information relating to C&E risks are regularly disclosed to the Board of Directors in order to allow the latter to carry out an efficient supervision in this area. Lastly, room for improvement remains regarding the definition, comprehensiveness and calculation methods of C&E indicators included in the risk appetite framework, as well as the completeness and consistency of the materiality assessment exercise.

1.9. "MiFID" on-site inspections

The purpose of "MiFID" on-site inspections is to assess whether the implemented MiFID framework is in line with the legal and regulatory requirements as regards investor protection and the related organisational measures.

In 2025, the CSSF carried out nine "MiFID" on-site inspections at credit institutions, investment firms and management companies authorised under Chapter 15 of the 2010 Law. All these inspections had a partial scope which allowed focusing on one MiFID thematic or on a group of MiFID thematics according to the risk assessment of the off-site supervisory departments.

The on-site inspections carried out in 2025 revealed notably that the entities persistently continued to improve their framework for the identification of conflicts of interest linked to investment activities and services performed which is a prerequisite for investor protection. However, the CSSF draws the entities' attention to the importance of formalising the analysis of these situations as well as defining and implementing concrete mitigation measures. Such formalisation is also expected regarding the analysis of inducement flows paid or received, which may lead to situations contrary to the investors' interests in order to conclude their compliance.

In parallel to "MiFID" on-site inspections, it is important to raise that, based on the weaknesses identified during these on-site inspections, discussions and follow-up work were undertaken with ESMA concerning the integration of sustainability aspects in the processes of product governance and suitability assessment of investment products or services.

1.10. "IT risk" on-site inspections

The "Supervision of information systems and support PFS" department includes the "IT on-site inspection" division in charge of conducting IT on-site inspections at the professionals. The objective of the "IT risk" on-site inspections is to assess how the professionals manage their IT risks. This assessment may, for example, include activities in relation to the identification, mitigation and control of risks associated with IT processes or processes linked to IT governance, operation of IT systems, their likely outsourcing, IT changes, data security and IT systems.

Following the significant changes introduced by Regulation (EU) 2022/2554 of 14 December 2022 on digital operational resilience for the financial sector (DORA), the CSSF continued its participation in the ECB working group which led to the implementation and harmonisation of the practices of IT on-site inspections within the SSM framework. Similar work was carried out with respect to the CSSF's IT on-site inspection practices. As a reminder, DORA has been applicable to EU financial entities since 17 January 2025. Moreover, the team worked in close cooperation with the ECB colleagues and other national supervisory authorities within the competence centre on IT risks. This work aims to promote a uniform supervisory approach, for example through the review of the inspection methodology, the support in inspection campaigns, the development of good practices in relation to inspection techniques or knowledge sharing.

In 2025, the "IT on-site inspection" division, on behalf of the CSSF, performed five on-site inspections at two credit institutions, one electronic money institution, one specialised PFS and one support PFS. Moreover, as regards significant banks within the SSM framework, the CSSF carried out one mission in Luxembourg and participated in one inspection abroad. Moreover, it cooperated with another CSSF team in carrying out one AML/CFT on-site inspection. The "IT on-site inspection" division also carried out an inspection concerning the automated process for generating the data file relating to payment accounts and bank accounts identified by an IBAN as required by the Law of 25 March 2020 establishing a central electronic data retrieval system related to payment accounts and bank accounts identified by IBAN and safe-deposit boxes held by credit institutions in Luxembourg ("Central System" or "CRBA").

Following these inspections, the CSSF would like to draw the professionals' attention to the following.

At the level of IT security, the CSSF points out the importance to correctly manage the risks related to obsolete IT systems and their configuration in order to protect against malicious events. The CSSF draws the professionals' attention to the proactive and global management of vulnerabilities, including the identification, assessment and remediation of vulnerabilities, notably those that are critical as well as patch management. In order to confirm the efficiency of their security measures, the CSSF also focuses on the IT security tests which allow identifying potential vulnerabilities and shortcomings with respect to security of IT systems. Additionally, the CSSF insists on the management of firewall rules, in particular the regular re-examination of their adequacy which should occur at least every six months if the firewall supports critical activities or systems. The ongoing monitoring of the events linked to IT security is also a point of attention.

As regards the management of logical access, the CSSF insists on the necessity to limit, to the extent possible, the use of privileged generic accounts (e.g. for daily IT activities) while ensuring that the users are identifiable at all times for actions carried out with these accounts in the IT systems. The CSSF also highlights the attribution of access rights according to the principles of need-to-know, need-to-have and least privilege, including for privileged nominative access and remote access. The CSSF underlines the crucial character of event logging linked to access for control purposes to allow identifying suspicious activities in a timely manner and to ensure accountability for the activities performed. The CSSF also insists on the key role of the annual or even half-yearly implementation and review of access rights for critical systems.

With respect to the management of IT risks, the CSSF insists on the key role of the mapping of the information assets supporting the business functions and support processes as well as the classification of the information assets according to their criticality. These elements form the basis of the IT risk management activities, in particular for a complete and regular risk identification.

At the level of IT governance, the CSSF underlines the necessity that the management body be involved in the management of IT activities and the related risks, and their appropriate supervision.

As regards outsourcing, the CSSF emphasises the importance of the criticality assessment of the outsourced IT activities, complete contractual provisions (in particular with the parent companies) and regular operational monitoring of the performances and risks of the IT service providers.

For the continuity of the professional activities, notably for critical or important activities, the CSSF points out the importance to put in place quality governance arrangements that allow defining all the scenarios to be taken into consideration, to implement efficient and comprehensive business continuity plans, response and recovery plans and communication plans. Finally, it is crucial to regularly test these plans to ensure that potential incidents may be rapidly resolved and thus guarantee continuity of the critical or important functions.

2. Decisions as regards administrative sanctions and prudential enforcement measures taken in 2025

In 2025, the CSSF took the following decisions with respect to administrative sanctions and prudential enforcement measures. It should be noted that the total amount of fines the CSSF imposed in 2025 amounted to EUR 7,099,481.

2.1. Credit institutions

In 2025, the CSSF imposed six administrative sanctions on credit institutions.

A fine of EUR 4,968,780 was imposed on a credit institution for non-compliance with the professional obligations regarding AML/CFT, pursuant to Article 2-1(1) and Article 8-4(1), (2) and (3) of the Law of 12 November 2004 on AML/CFT.

Another credit institution had to pay a fine of EUR 185,000 in application of Article 2-1(1) and Article 8-4(1), (2)(f) and (3)(a) of the Law of 12 November 2004 on AML/CFT for non-compliance with the professional obligations regarding AML/CFT.

Another fine amounting to EUR 127,500 was imposed on a credit institution pursuant to the provisions of the first, sixth and seventh indents of Article 51(1) and Article 19(7), (8), (9) and (11) of the Law of 12 July 2013 on alternative investment fund managers, as amended, for non-compliance with the professional obligations regarding the depositary function.

An administrative pecuniary sanction of EUR 5,000 was imposed on another credit institution pursuant to the provisions of Article 63-2(1)(d) and Article 63-2(2)(e) of the Law of 5 April 1993 on the financial sector for non-compliance with the legal and regulatory obligations regarding governance related to remuneration policy and practices laid down notably in Articles 38 to 38-9 of the Law of 5 April 1993 on the financial sector.

Moreover, a credit institution had to pay a fine of EUR 225,000 in application of the provisions of Article 63-2(1)(d) and Article 63-2(2)(e) of the Law of 5 April 1993 on the financial sector for non-compliance with the professional obligations regarding internal governance.

Finally, a credit institution was given a reprimand in accordance with Article 2-1(1) and Article 8-4(1) and (2)(b) of the Law of 12 November 2004 on AML/CFT for non-compliance with the professional obligations regarding AML/CFT.

2.2. Investment firms

In 2025, the CSSF imposed two administrative fines on investment firms as legal persons.

Pursuant to the provisions of Article 63-2a(1) and (4) of the Law of 5 April 1993 on the financial sector, the CSSF imposed an administrative fine of EUR 223,000 for non-compliance with the prudential rules and professional obligations relating to the MiFID II framework, as defined in Directive 2014/65/EU on markets in financial instruments and delegated acts, and transposed, where applicable, into national law, taking into account criteria defined in Article 63-4 of the Law of 5 April 1993 on the financial sector, notably the number and gravity level of the infringements, as well as the financial situation of the legal person responsible for the infringement.

An investment firm had to pay an administrative fine of EUR 223,000 in application of the provisions of Article 63-2a(1) to (4), Article 63-2b and Article 63-4 of the Law of 5 April 1993 on the financial sector for non-compliance with the professional obligations regarding the internal governance arrangements as laid down in Articles 14(2), 17(1), 17(1a), 19(3), 40 and 59 of the Law of 5 April 1993 on the financial sector.

The CSSF used its right of injunction in accordance with Article 59 of the Law of 5 April 1993 on the financial sector in 19 cases for the following reasons:

- weaknesses identified in the requirements regarding IT risks;
- deficiencies identified in the MiFID II framework in place;
- non-compliance with the applicable MiFID II regulatory framework;
- non-compliance with the regulatory framework applicable to the distribution of contracts for difference to retail clients (MiFID II);

- deposit of client funds by an investment firm at a payment institution not permitted by the regulations in force;
- non-compliance with Article 19(3) of the Law of 5 April 1993 on the financial sector;
- remediation measures not implemented within a short and reasonable period as regards the recommendations/observations of the internal control functions;
- non-compliance with the regulatory deadline for the transmission of the European prudential reporting (IFR reporting);
- insufficient quality of certain closing documents for the 2023 financial year;
- lack of quality identified in the content of the European prudential reporting (IFR reporting) and national reporting;
- shortcomings identified in the remuneration policy not compliant with the legal requirements and applicable regulations;
- weaknesses identified by the external *réviseur* (auditor) and by the internal auditor in their reports as at 31 December 2023 and lack of quality in certain closing documents for the 2023 financial year;
- breach of requirements referred to in Part Six of the IFR on disclosure by investment firms;
- non-compliance with the capital ratio as at 31 December 2024;
- shortcomings in the legal obligations provided for in Articles 15(9), 18(17) and 40 of the Law of 5 April 1993 on the financial sector.

The CSSF also imposed three injunctions in accordance with Article 8-2(1) of the Law of 12 November 2004 on AML/CFT (against 12 in 2024) on severe issues relating to the lack of adequacy and comprehensiveness in the Know-Your-Customer (KYC) documentation and the absence of risk assessment prior to the entry into relationship; the lack of a systematic periodical KYC review; and the ineffective testing of the name screening tool which prevented to detect that the tool had not worked adequately for approximately one year.

Following a request by the CSSF, the *Tribunal d'arrondissement de et à Luxembourg* (Luxembourg District Court) sitting in commercial matters ordered, in 2025, the dissolution and judicial liquidation of an investment firm incorporated under Luxembourg law based on Article 129(1)(2) of the Law of 18 December 2015 on the failure of credit institutions and certain investment firms.

In 2025, the CSSF transmitted six reports to the State Prosecutor pursuant to Article 23(2) of the Code of Criminal Procedure and Article 74-2(4)(2) of the Law of 7 March 1980 on judicial organisation.

2.3. Specialised PFS

During 2025, the CSSF imposed administrative fines totalling EUR 109,500 on two specialised PFS.

A fine of EUR 7,500 was imposed on a specialised PFS for non-compliance with an injunction issued in accordance with Article 53(1) of the Law of 5 April 1993 on the financial sector following significant delays in the transmission of the 2023 closing documents.

Another fine of EUR 102,000 was imposed on a specialised PFS authorised notably as professional depositary of assets other than financial instruments in accordance with the provisions of Article 26-1 of the Law of 5 April 1993 on the financial sector following non-compliance with the professional obligations identified during an on-site inspection concerning the depositary's professional obligations.

During 2025, the CSSF also used its right of injunction in accordance with Article 53(1) of the Law of 5 April 1993 on the financial sector on three occasions for the following reasons:

- injunction letters were addressed to two specialised PFS following significant delays in the transmission of annual closing documents for 2023 and 2024, respectively;
- one injunction letter was addressed to a specialised PFS authorised notably as professional depositary of assets other than financial instruments in accordance with the provisions of Article 26-1 of the Law of 5 April 1993 on the financial sector following non-compliance with the professional obligations identified during an on-site inspection concerning the depositary's professional obligations.

In 2025, the CSSF also reported a suspicion of money laundering by one specialised PFS to the FIU in accordance with Article 74-2(4)(2) of the Law of 7 March 1980 on judicial organisation and additionally addressed a complaint to the State Prosecutor under Article 23(2) of the Code of Criminal Procedure regarding the same specialised PFS.

2.4. Support PFS

In 2025, the CSSF imposed one administrative fine on one support PFS pursuant to the provisions of the second subparagraph of Article 63(2) of the Law of 5 April 1993 on the financial sector, as the PFS failed to comply with the obligation of prior notification in case of change in the indirect shareholding. The entity was fined EUR 25,000.

2.5. Payment institutions, electronic money institutions and virtual asset service providers

During 2025, the CSSF imposed an administrative fine of EUR 214,000 on one electronic money institution. This fine was imposed in accordance with the provisions of Article 2-1(1) and Article 8-4 of the Law of 12 November 2004 on AML/CFT, for non-compliance with the professional obligations regarding AML/CFT.

In 2025, the CSSF also used its injunction right in accordance with, on the one hand, the provisions of Article 8-2(1) of the Law of 12 November 2004 on AML/CFT and, on the other hand, the provisions of Article 38(1) of the Law of 10 November 2009 on payment services with reference to the identified weaknesses regarding:

- compliance with the professional obligations regarding AML/CFT at one electronic money institution, two payment institutions and one virtual asset service provider;
- establishment of robust internal governance arrangements at a payment institution;
- establishment of a robust IT risk management framework at two payment institutions.

2.6. Investment fund managers (IFMs) and investment funds

In 2025, the CSSF issued the following decisions with respect to sanctions and administrative police:

- pursuant to the Law of 13 February 2007 relating to specialised investment funds:
  - administrative fines of EUR 2,000 each imposed on the dirigeants (directors) of eight SIFs for non-filing of the annual financial report;
- pursuant to the Law of 15 June 2004 relating to the investment company in risk capital (SICAR):
  - administrative fines of EUR 500 each imposed on the dirigeants (directors) of two SICARs for non-filing of the annual financial report;
  - an administrative fine of EUR 500 imposed on a liquidator of a SICAR (in voluntary liquidation) for failure to submit information or for submission of incomplete information to the CSSF;

- pursuant to the Law of 17 December 2010 relating to undertakings for collective investment:
  - administrative fines of EUR 4,000 each imposed on the directors of a UCITS for non-filing of the annual financial report;
  - an administrative fine of EUR 18,136 imposed on an IFM for non-compliance with the professional obligations related to rules of conduct, organisational requirements and investment policies of UCITS identified following an off-site investigation;
  - an administrative fine of EUR 207,310 imposed, as a consequence of an on-site inspection, on an IFM/authorised AIFM for failure to comply with the legal provisions, regarding the requirements to have sound administrative and accounting procedures and adequate internal control mechanisms;
  - two administrative fines imposed on an IFM/registered AIFM for non-compliance with the professional obligations regarding the filing of quarterly closing documents as at 31 December 2023, on the one hand, and of closing documents as at 31 December 2024, on the other hand. The administrative fines amounted to EUR 250 and EUR 3,000, respectively;
- pursuant to the Law of 12 July 2013 on alternative investment fund managers:
  - an administrative fine of EUR 30,800 imposed on a registered AIFM for non-compliance with the obligation to communicate information applicable to alternative investment fund managers;
  - an administrative fine of EUR 46,580 imposed on a registered AIFM for non-compliance with the legal provisions regarding the registration/authorisation conditions;
  - two administrative fines imposed on an authorised AIFM for non-compliance with the professional obligations regarding the filing of quarterly closing documents as at 31 December 2023, on the one hand, and of closing documents as at 31 December 2023, on the other hand. The administrative fines amounted to EUR 250 and EUR 14,000, respectively;
- pursuant to the Law of 12 November 2004 on AML/CFT:
  - administrative fines of EUR 10,000 each imposed on nine registered AIFMs for failure to submit the 2024 questionnaire on financial crime.

In 2025, with regard to prudential enforcement measures, the CSSF withdrew one SIF from the official list of specialised investment funds, seven UCIs from the official list of undertakings for collective investment, one IFM/authorised AIFM from the official list of management companies authorised under Chapter 16 of the Law of 17 December 2010 relating to undertakings for collective investment as well as from the official list of authorised alternative investment fund managers pursuant to the Law of 12 July 2013, and one IFM from the official list of management companies authorised under Chapter 15 of the Law of 17 December 2010 relating to undertakings for collective investment.

2.7. Securities markets

The review of financial reports under the Transparency Law led the CSSF to issue, pursuant to Article 25 of that law, 11 administrative fines amounting to a total of EUR 217,500 due to delays in the disclosure and filing of nine annual financial reports and two half-yearly reports.

The CSSF also issued three warnings in relation to information on major holdings (provided for in Chapter III of the Transparency Law) concerning shortcomings in the disclosure of notifications of major holdings by the issuer concerned.

Lastly, an administrative sanction of EUR 6,375 was imposed on an issuer for failure to comply with the legal publication deadline laid down in Article 11(6) of the Transparency Law concerning several notifications of major holdings.

2.8. Audit profession

In 2025, the CSSF issued five fines, two amounting to EUR 1,500, one amounting to EUR 18,000, one amounting to EUR 9,000 and one amounting to EUR 8,000.

The first two fines were imposed by the CSSF pursuant to Article 43(1)(f), read in conjunction with Article 43(2)(a) of the Law of 23 July 2016 concerning the audit profession (Audit Law), for breach of legal and regulatory requirements relating to ongoing training, considering notably the criteria defined in Article 44 of that law.

The third fine was imposed by the CSSF pursuant to Article 43(1)(f), read in conjunction with Article 43(2)(a), (b), (c) and (e) of the Audit Law, for shortcomings regarding the transparency obligation vis-à-vis the CSSF and for behaviour that is contrary to the rules regarding ethics or professional repute, considering notably the criteria defined in Article 44 of that law.

The fourth fine was imposed by the CSSF pursuant to Article 43(1)(f), read in conjunction with Articles 43(2)(a), (b) and (h) of the Audit Law, for non-compliance with the professional obligations relating to statutory audits, considering notably the criteria defined in Article 44 of that law.

The final fine was imposed by the CSSF pursuant to the provisions of Article 41(3), Article 43(1)(f) and Article 43(2)(a) and (b) of the Audit Law, read in conjunction, for non-compliance with the legal and regulatory obligations relating to statutory audits, taking into account the criteria defined in Article 44 of that law.

XX. Resolution

The Law of 18 December 2015 on the failure of credit institutions and certain investment firms (BRRD Law[1]), which notably transposes Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD), designates the CSSF as the resolution authority in Luxembourg. The CSSF exercises the missions and powers assigned to it as resolution authority through the Resolution Board, whereas the "Resolution" department (RES department) performs the day-to-day tasks related to these missions. The RES department counted 16 people as of 31 December 2025.

In line with the distribution of responsibilities, particularly between the Resolution Board and the Single Resolution Board (SRB), the RES department is in charge, among other things, at individual and group level, as concerns credit institutions and investment firms falling within the scope of the BRRD Law or Regulation (EU) No 806/2014 (the SRM Regulation)[2], of submitting the following for decision to the Resolution Board:

- adoption of resolution plans and resolvability assessments;
- measures to address or remove impediments to resolvability;
- appointment of a special manager;
- a fair, prudent and realistic valuation of the assets and liabilities;
- application of simplified obligations or, if applicable, granting exemptions, among others, to the obligation to draft a resolution plan;
- setting of the minimum requirement for own funds and eligible liabilities, in particular its level;

1 Following the transposition, among others, of Directive (EU) 2019/879 (BRRD2 Directive) and Directive (EU) 2024/1174, both amending the BRRD Directive, the BRRD Law was last updated on 20 December 2024.

2 The SRM Regulation (SRMR) was amended, among others, by Regulation (EU) 2019/877 (SRMR2) and Directive (EU) 2024/1174.

- adoption of resolution decisions and application of resolution tools in accordance with the relevant procedures and safeguards;
- write-down or conversion of relevant capital instruments and eligible liabilities;
- actions to implement the instructions issued by the SRB.

Following the entry into force of Regulation (EU) 2021/23 of 16 December 2020 on a framework for the recovery and resolution of central counterparties, the Law of 20 July 2022 designates the CSSF as the resolution authority of central counterparties in Luxembourg according to Article 3(1) of the regulation. There are currently no central counterparties established in Luxembourg.

The RES department represents the CSSF as resolution authority within international fora, such as the SRB, the EBA and ESMA.

As far as ESMA is concerned, the CSSF is represented in the CCP Resolution Committee, a permanent subgroup of ESMA set up in 2023 and gathering the resolution authorities of central counterparties.

As far as the EBA is concerned, the RES department is represented in the Resolution Committee (ResCo) which is a permanent internal committee of the EBA, set up in January 2015, for the purposes of taking decisions and fulfilling tasks conferred on the EBA and the national resolution authorities under the BRRD. The voting members are the directors of the national resolution authorities within the EU. In addition, the RES department participates in the work of the Subgroup on Resolution Planning and Preparedness (SGRPP), which is a subgroup of the Resolution Committee.

With respect to the SRB, the Resolution Director participates in the plenary session of the SRB as well as in the extended executive session when matters concerning Luxembourg entities are being discussed. This was the case in 2025 for the adoption by the SRB, which met in extended executive session, of resolution plans of several banking groups which included Luxembourg banking subsidiaries and of resolution plans of Luxembourg banking groups or systemic banks.

Moreover, the agents of the RES department participate in the work of the following permanent sub-committees of the SRB: Resolution Committee and its sub-structures, Fund Committee, Administrative and Budget Committee as well as Legal Network. The CSSF also participates in the SRB ICT Network.

The RES department continues its collaboration with the SRB for the drafting of resolution plans for Luxembourg significant banks under the competence of the SRB. In this context, frequent meetings, videoconferences and information exchanges take place with the representatives of the SRB, the CSSF's Banking Departments and the relevant banks. The RES department also participates, within the Internal Resolution Teams coordinated by the SRB, in drafting resolution plans for significant banking groups in the Banking Union which have Luxembourg subsidiaries.

In a cross-border context outside the SRB, the RES department is chairing two resolution colleges. Moreover, it continues to participate in the work, meetings and conference calls of other resolution colleges chaired by group-level resolution authorities from other EU or EEA countries.

The RES department also drafted resolution plans for less significant banks under the direct responsibility of the Resolution Board.

In 2025, a CSSF-CODERES circular was published concerning the collection of information for the calculation by the SRB of the 2026 contributions to the Single Resolution Fund.

Finally, members of the RES department advised the representatives of the Ministry of Finance during the discussions within the Council of the EU on the amendments to the BRRD and the MRU.

XXI. Protection of depositors and investors

The Conseil de protection des déposants et des investisseurs (CPDI) is the internal executive body of the CSSF in charge of managing and administering the deposit-guarantee scheme financed by the Fonds de garantie des dépôts Luxembourg (FGDL) and the Système d'indemnisation des investisseurs Luxembourg (SIIL). The FGDL is an *établissement public* (public body) separate from the CSSF and established by Article 154 of the Law of 18 December 2015 on the failure of credit institutions and certain investment firms (BRRD Law). The missions of the CPDI are defined in Part III "Protection of depositors and investors" of the BRRD Law. The CPDI is assisted in the performance of its duties by the "Depositor and Investor Protection" department (PDI department) of the CSSF which counts 6.6 full-time equivalent jobs. In general, the PDI department performs the operational tasks of the FGDL and of the SIIL.

- **Activities of the CPDI and of the PDI department**

The CPDI met twice in 2025 as the day-to-day decisions were taken by written procedure. Under its management, the PDI department's work included in particular:

- support to the FGDL's Management Committee in extending the syndicated credit line agreement entered into in 2022 until 11 November 2027, allowing the FGDL to meet its commitments in case its financial means are insufficient;
- management of the campaigns to reimburse the depositors of ABLV Bank Luxembourg S.A. (in liquidation), Fortuna Banque s.c. (in liquidation), East-West United Bank S.A. (in liquidation), and Banque Havilland S.A. (in suspension of payment);
- collection of *ex ante* contributions in accordance with Article 182 of the BRRD Law and the new Circular CSSF-CPDI 25/48;
- annual survey on the volume of covered claims in connection with investment business and verification of the data received;
- contribution to the EBA's work relating to deposit guarantee schemes and to the work of the EFDI (European Forum of Deposit Insurers);
- participation in the 2025 Functional Test of EDDIES (European DGS to DGS Information Exchange System) together with other deposit guarantee funds;
- signature of an agreement regarding the FGDL's retention and disposition schedule with the Archives nationales de Luxembourg.

- **FGDL interventions**

In 2025, no intervention of the FGDL took place with respect to deposit guarantee.

On 7 February 2024, the *Tribunal d'arrondissement de et à Luxembourg* (Luxembourg District Court) sitting in commercial matters, ordered the judicial liquidation of East-West United Bank S.A., triggering the FGDL's intervention in order to compensate depositors for the unavailability of their deposits up to the maximum amount provided for in the BRRD Law, i.e. EUR 100,000 per person. In 2025, the FGDL did not reimburse any depositors as there were no eligible applications. As at 31 December 2025, the FGDL reimbursed a total amount of EUR 337.

On 9 August 2024, the *Tribunal d'arrondissement de et à Luxembourg* sitting in commercial matters, ordered a six-month suspension of payment for the benefit of Banque Havilland S.A., triggering the FGDL's intervention. On 7 February 2025, the *Tribunal d'arrondissement de et à Luxembourg* sitting in commercial matters, extended the duration of the suspension of payment until 9 August 2025. Prior to this date, Banque Havilland S.A., through an application filed with the *Tribunal d'arrondissement de et à Luxembourg*, requested the Court to order that the suspension of payment be lifted by proposing a restructuring plan presenting its organisation following the suspension of payment proceedings. In response to this request, the *Tribunal d'arrondissement de et à Luxembourg* sitting in commercial matters, ordered, among others, the lifting of the suspension of payment measure, the reimbursement of depositors and of the FGDL, as well as the payment to other creditors. Following this judgement, Banque Havilland S.A. reimbursed the FGDL for the total amount the latter had paid to all depositors from 9 August 2024 until the date of that judgement, i.e. EUR 5.4 million. As a reminder, the FGDL had reimbursed a total amount of EUR 4.0 million as at 31 December 2024.

As a reminder, the CSSF determined the unavailability of deposits at Fortuna Banque s.c. on 12 October 2023. Since that date, the FGDL has been reimbursing the covered deposits of depositors who transmitted the necessary information and whose eligibility was confirmed by the CPDI. In accordance with Article 176(8) of the BRRD Law, the depositors have ten years, following the date the unavailability of deposits has been determined, to request reimbursement of their deposits by the FGDL. As at 31 December 2025, the FGDL reimbursed an amount of EUR 8.4 million.

Within the context of the unavailability of deposits at ABLV Bank Luxembourg S.A. determined on 24 February 2018, no additional reimbursement was made in 2025. As at 31 December 2025, the total deposits reimbursed by the FGDL amounted therefore to EUR 10 million.

- **Activation of the SIIL**

The SIIL comes into play in case a professional is unable to return funds or financial instruments in relation to investment business. The cover under the SIIL as governed by the BRRD Law is limited to EUR 20,000.

In 2025, following the dissolution and judicial winding-up of Alfa Asset Management (Europe) S.A. ordered on 18 December 2025 by the *Tribunal d'arrondissement de et à Luxembourg* sitting in commercial matters, the eligible customers were invited to contact the SIIL in order to receive possible compensation amounting up to EUR 20,000, in accordance with Article 196 of the above-mentioned law and according to the determination of their eligibility.

No compensation request was received in 2025 from eligible customers of Alfa Asset Management (Europe) S.A., East-West United Bank S.A. and Banque Havilland S.A. (for which the SIIL was activated in 2024), of Fortuna Banque s.c. (for which the SIIL was activated in 2023), of Fuchs & Associés Finance S.A. (for which the SIIL was activated in 2023), or of Anphiko Asset Management S.A. (for which the SIIL was activated in 2022).

- **Financing of the FGDL**

As at 31 December 2025, the FGDL had 83 member institutions as against 84 at the end of December 2024. In 2025, the FGDL raised EUR 34.5 million from member institutions as contributions for the buffer of additional financial means provided for in Article 180 of the BRRD Law (EUR 27.5 million in 2024) and did not raise any contribution as provided for in Article 179 of the BRRD Law as the 0.8% target level of the covered deposits had been reached. In addition, the FGDL also raised EUR 2.7 million as administrative contributions provided for in Article 154(12) of the BRRD Law (also EUR 2.7 million in 2024), mainly in order to cover the costs related to the setting-up and maintenance of the credit line.

As at 31 December 2025, the FGDL's available financial means, including the buffer of additional financial means, thus amounted to EUR 604.8 million (EUR 552.2 million in 2024). Moreover, since November 2022, the FGDL has had a credit line granted by a syndicate of Luxembourg banks with a volume of EUR 1 billion, pursuant to Article 179(2) of the BRRD Law, and guaranteed by the Luxembourg State in accordance with the Law of 6 April 2022 on the granting of State guarantee for credit lines contracted by the FGDL. No use of the credit line was made in 2025.

Lastly, within the context of the judicial liquidation of ABLV Bank Luxembourg S.A. and following the filing of a statement of claim with the *Tribunal d'arrondissement de et à Luxembourg* sitting in commercial matters, the liquidator paid the FGDL EUR 0.2 million in 2024 and EUR 9.8 million in 2023. No additional payment was made to the FGDL by the liquidator in 2025.

It is also noteworthy that the covered deposits rose by 1.9% over a year to EUR 38.3 billion as at 31 December 2025.

XXII. Financial crime

This chapter focuses on key aspects or major events of the CSSF's 2025 AML/CFT supervisory missions and supervision of the implementation of the restrictive measures in financial matters in relation to the different categories of professionals supervised, authorised or registered by it as regards their compliance with the relevant professional obligations. Section 2 provides information on the main developments in the legal and regulatory framework, as well as feedback on AML/CFT-related work carried out at national, European and international level.

- **New "Fight against Financial crime" department**

In 2025, a department entirely dedicated to the fight against financial crime ("Fight against Financial crime" department or "LCF department") was set up as a result of the reorganisation of the former department "Consumer Protection/ Financial Crime" which was composed of several divisions. The new LCF department counts 12 staff members and two divisions, whose main missions are (i) dealing with legal matters pertaining to the fight against financial crime as a whole, which includes money laundering, terrorist financing and proliferation financing (AML/TF/PF) or predicate money laundering offences, such as corruption, or also restrictive measures in financial matters, and (ii) steering, coordinating and supporting the CSSF's actions relating to the fight against financial crime at an internal, national, European and international level.

The LCF department plays a strategic role at national level through its active contribution to the drafting and evolution of the legal and regulatory framework, and its close cooperation with the other national competent authorities and self-regulatory bodies.

At international level, the LCF department participates in the development of European standards and cooperates with the European or international competent authorities, in particular with the new European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA). An example for this cooperation is the LCF department representing the CSSF in the Financial Action Task Force's (FATF) work and meetings, and coordinating and implementing the CSSF's actions to ensure its compliance with the FATF standards.

1. AML/CFT supervision and supervision of restrictive measures in financial matters by the CSSF

Controlling compliance with professional obligations in relation to AML/CFT and restrictive measures in financial matters is an integral part of the supervisory framework put in place by the CSSF. This control programme combines off-site and on-site supervisory measures and follows a risk-based approach, which relies on different sets of information and data gathered by the CSSF during the year on the risks and mitigation measures implemented by the professionals. To this end, the AML/CFT supervisory departments transmit an AML/CFT questionnaire to the professionals under their supervision, whose outcome will contribute to the annual risk assessment of each entity by adapting the intensity of supervision.

1.1. Off-site AML/CFT supervision

1.1.1. Credit institutions and central securities depositories (CSDs)

In 2025, the CSSF continued its off-site AML/CFT supervisory actions to ensure that credit institutions and CSDs maintain effective arrangements in relation to the fight against terrorist financing and restrictive measures in financial matters.

In this evolving EU regulatory context, the CSSF intensified its exchanges with the Luxembourg banking sector, in particular through meetings and regular contacts with the credit institutions' compliance officers and members of the management body (in its supervisory and management function). Thus, 192 meetings relating specifically to AML/CFT aspects were organised in 2025. It is worth mentioning that these exchanges were complemented by an AML/CFT conference for credit institutions organised jointly with the ABBL, with the participation of the Financial Intelligence Unit (FIU), which was held on 24 April 2025. A total of five meetings of the Expert Working Group Compliance, established with the ABBL and the FIU, were held in order to discuss in particular the development of risks linked to virtual IBANs and corruption, the implementation of the European regulation on instant credit transfers and the regulatory technical standards (RTS) that AMLA submitted to public consultation.

In parallel, the CSSF organised five AML/CFT college meetings in its role as lead supervisor out of a total of 17 colleges and participated in 24 AML/CFT college meetings organised by European authorities for 32 Luxembourg credit institutions.

The CSSF identified deficiencies resulting from the fact that certain high-risk countries had not been taken into consideration as well as recurring delays in the periodic review process. The CSSF sent seven injunction letters in this context.

1.1.2. Investment firms

The investment firm sector is a relatively heterogeneous sector, encompassing a number of supervised entities that provide quite diverse investment services and activities, whilst remaining subject to the same AML/CFT professional obligations.

In 2025, the attention points focused on raising the sector's awareness of the future developments linked to the EU AML/CFT regulatory package, published in June 2024, which established in particular the AMLA. The focus was also on following up on the recommendations identified by the FATF in its fourth mutual evaluation report of Luxembourg, especially as regards enhancing the TF risk understanding and improving the quality of the reports sent to the FIU.

In this context, the dedicated AML/CFT team within the "Supervision of investment firms" department recruited a new team member, bringing its total headcount to four as at 31 December 2025.

During the year, the CSSF conducted a targeted review addressing the issue of RR[1] and RC[2] mandates being held concurrently within investment firms. Moreover, a thematic review on AML/CFT risks linked to trust and company service providers (TCSP) was carried out. At a conference held in March 2025, organised in collaboration with the FIU, the supervisory priorities and attention points retained for 2025 were presented to the sector, and good practices linked to the applicable AML/CFT obligations were shared, in particular in relation to the annual compliance/AML-CFT report,

1 Person responsible for compliance with the professional obligations as defined in CSSF Regulation No 12-02

2 Compliance officer in charge of the control of compliance with the professional obligations as defined in CSSF Regulation No 12-02

transaction monitoring, the risk-based approach and the risk assessment.

In 2025, as far as European cooperation is concerned, the CSSF organised two AML/CFT college meetings involving two investment firms in its role as lead supervisor, and it actively used the information exchange channels set up with other authorities in relation to other four investment firms.

As for all CSSF AML/CFT teams, the dedicated AML/CFT team of the department also actively contributed to the review of level 2 and level 3 EU texts putting into practice the new rules introduced by the EU AML/CFT regulatory package. The AML/CFT team also contributed to the update of the appendix concerning investment firms in the *Sub-sector Risk Assessment on TCSP* (TCSP SSRA) as published in January 2026.

As part of its off-site controls, the CSSF met with the chief compliance officers of eight investment firms in 2025. Moreover, it intensified direct and informal contacts (via email and phone) with the supervised entities and participated in two welcome visits at the premises of newly authorised investment firms. The off-site controls resulted in ten observation letters that referred to weaknesses in the update of AML/CFT policies and procedures, transaction monitoring and the follow-up, within the AML/CFT report drawn up by the RC, to the recommendations drawn up by the third line of defence. In addition, two injunction letters relating to weaknesses identified in the periodic customer review system were sent out.

The dedicated AML/CFT team also followed up on the weaknesses identified during the on-site inspections carried out by the on-site inspection team at investment firms and on the relevant remediation plans.

1.1.3. Specialised PFS

Specialised professionals of the financial sector ("specialised PFS") hold different authorisations, e.g. as corporate domiciliation agent, professional providing company incorporation and management services, registrar agent, professional depositary of financial instruments, professional depositary of assets other than financial instruments, operator of a regulated market authorised in Luxembourg, debt recovery, professional performing lending operations, professional performing securities lending, Family Office and mutual savings fund administrator.

The CSSF established a series of off-site supervisory measures to verify the specialised PFS' compliance with their AML/CFT obligations through a risk-based approach. Specialised PFS providing company services (TCSP activities) pose a high inherent ML/TF risk. To comply with their legal AML/CFT obligations, they must implement mitigation measures to reduce their risk exposure.

The human resources dedicated to the off-site AML/CFT team of the "Supervision of specialised PFS" department, set up as a division since 1 December 2025, remained stable with five agents.

The annual AML/CFT conference dedicated to specialised PFS, whose purpose is to provide information and training to supervised entities, was organised on 27 January 2025 with the participation of the FIU. A total of 352 participants attended the conference. It should be noted that mortgage credit intermediaries had also been invited.

As regards cooperation with the private sector in 2025, the CSSF held three meetings with the working group dedicated to specialised PFS in collaboration with the FIU, the Luxembourg Association of Compliance Officers (ALCO), the Luxembourg Alternative Administrators Association (L3A), the Luxembourg Private Equity and Venture Capital Association (LPEA), the Luxembourg Association of Family Offices (LAFO) and the Luxembourg Association for Risk Management (ALRiM). The meetings concerned, i.a. (i) the update of the *Sub-Sector Risk Assessment on TCSP* for specialised PFS, (ii) the public consultation on the regulatory technical standards based on Article 28(1) of Regulation (EU) 2024/1624, (iii) the outcome of the thematic off-site inspection on the use of shelf companies by specialised PFS providing TCSP services, and (iv) the 2025 thematic missions on the definition of ML/TF risk appetite and terrorist financing.

In 2025, 15 meetings with specialised PFS covered specific AML/CFT topics, such as the activities of specialised PFS and the ML/TF risk to which they are exposed, the systems and the use of new technologies, training and resources put in place with respect to AML/CFT and compliance, the supervision of AML/CFT delegated tasks, where applicable, the involvement of members of the board of directors and/or of the board of managers in projects relating to AML/CFT, AML/CFT and compliance projects, where applicable, the cooperation with the authorities, etc. The fight against terrorist financing, the politically exposed persons (i.e. their detection, case management and the exposure of specialised PFS to corruption risk) and the sanctions issued notably against entities and individuals in the context of the Ukraine conflict and the financing of the proliferation of weapons of mass destruction were also on the agenda of the meetings.

In 2025, AML/CFT controls were carried out during three welcome visits. These controls included, among other things, tests on the customer name screening tool, the review of AML/CFT files and the presentation by the specialised PFS of its ML/TF risk, its risk appetite, its AML/CFT procedures and its transaction monitoring process.

A total of 14 observation letters were sent to specialised PFS with respect to shortcomings identified notably (i) in the reports issued as part of the closing documents for the year 2024, (ii) in the 2024 annual AML Questionnaire on Financial Crime, (iii) following face-to-face meetings at the premises of the CSSF, (iv) during control welcome visits of the CSSF at newly authorised specialised PFS, (v) during the follow-up process of on-site inspections and (vi) following the review of the AML/CFT procedures during the licencing process.

After reviewing the appointments proposed by the specialised PFS for the roles of RC, compliance officer and RR, a total of 14 acknowledgement letters were sent.

1.1.4. Payment institutions and electronic money institutions

The CSSF is in charge of the AML/CFT supervision of payment institutions and electronic money institutions established in Luxembourg and authorised by the CSSF, as well as of branches, agents and distributors established in Luxembourg of payment institutions or electronic money institutions authorised in other EU Member States.

As part of its off-site ML/TF risk supervision of these players, the CSSF carried out a number of actions in 2025, including ML/TF risk awareness-raising actions in relation to this specific sector, such as:

- the organisation of an annual conference on specific themes pertaining to payment institutions and electronic money institutions, branches and agents or distributors of foreign institutions established in Luxembourg, as well as virtual asset service providers/crypto-asset service providers. Among the topics presented during this conference for the payment sector players, the CSSF provided information on the evolution of ML/TF risks to which these entities are or may be exposed, on the trends observed and the expected emerging risks in Luxembourg, as well as information on the deficiencies that are recurrently noted by the CSSF as part of its AML/CFT supervision of these players;

- the launch of a thematic review relating to the CFT framework including on-site visits at the premises of eight payment and electronic money institutions;

- the continuation of national and international cooperation work, including notably regular exchanges and discussions between the CSSF and the FIU, the organisation of and participation in the AML/CFT colleges as well as the organisation of bilateral meetings with other national authorities depending on the AML/CFT supervisory needs of these players.

Moreover, the exchanges with the institutions in the context of this AML/CFT supervision notably covered the following topics:

- the requirements relating to adequate internal management, in particular adequate and sufficient human resources to mitigate and effectively manage the ML/TF risks to which institutions are or will be exposed when developing, where applicable, new products, services or markets;

- the adequacy, assessment and update of the parameters, criteria or scenarios defined by the institutions while exercising ongoing due diligence on the transactions concluded by their customers, including the parameters, criteria and scenarios linked to terrorist financing, tax crimes, complex and unusual transactions;

- the implementation of a control plan by the compliance function (second line of defence) to verify the quality and compliance of the controls carried out by the internal and, where applicable, outsourced teams of the first line of defence, and to contribute to the independent control of ML/TF risks.

1.1.5. Virtual asset service providers/ Crypto-asset service providers

The CSSF is in charge of the AML/CFT supervision of virtual asset service providers (VASPs) registered by the CSSF in accordance with Article 7-1 of the Law of 12 November 2004 on AML/CFT as in force on 30 December 2024, and of crypto-asset service providers (CASPs) authorised in accordance with the new framework provided for under MiCAR.

As part of its off-site ML/TF risk supervision of these players in 2025, the CSSF carried out a number of actions, including ML/TF risk awareness-raising actions in relation to this specific sector, such as:

- the preparation of an internal sectoral analysis of the risks applicable to VASPs/CASPs, taking into account the sector's major developments and the ML/TF risks to which this sector is exposed;

- the organisation of an annual conference on specific themes pertaining to payment institutions and electronic money institutions, branches and agents or distributors of foreign institutions established in Luxembourg, as well as to VASPs/CASPs. Among the topics presented during this conference for the crypto-assets sector players, the CSSF provided information on the evolution of ML/TF risks to which these entities are exposed, on the trends observed and the expected emerging risks in Luxembourg, as well as information on the regulatory requirements linked to Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets, and more specifically on the Travel Rule, as well as in relation to its practical implementation for Luxembourg players;

- the launch of a thematic review relating to the CFT framework including on-site visits at the premises of two CASPs. This review is carried out jointly with the similar review carried out in the payments sector (cf. Section 1.1.4. above);

- the continuation of national and international cooperation work, including notably regular exchanges and discussions between the CSSF and the FIU, and a number of bilateral exchanges with other national authorities depending on the AML/CFT supervisory needs of these players.

Moreover, as for the payments sector players, the exchanges with the institutions in the context of this AML/CFT supervision notably covered the following topics:

- the requirements relating to adequate internal management, in particular adequate and sufficient human and technical resources to mitigate and effectively manage the ML/TF risks to which institutions are exposed. Considering the emergence and growth of the crypto-asset sector in Europe, hiring and retaining staff with proper understanding of the specificities of crypto-assets, the related services and their AML/CFT risks requires appropriate investments in terms of both recruitment and training at the level of VASPs/CASPs;

- the adequacy of the parameters, criteria or scenarios defined by the institutions as well as the use of blockchain analysis tools while conducting ongoing due diligence on the transactions concluded by their customers;

- the implementation of a control plan by the compliance function (second line of defence) to verify the quality and compliance of the controls carried out by the internal and, where applicable, outsourced teams of the first line of defence, and to contribute to the independent control of ML/TF risk.

1.1.6. Investment fund managers and UCIs

This sector consists of products (investment funds) and their managers (management companies). No significant developments occurred in this sector in 2025.

The CSSF implemented the off-site supervision plan in accordance with the CSSF's objectives, focusing on a risk-based approach. A particular emphasis was placed on the fight against terrorist financing.

An updated version of the UCI sub-sector risk assessment was published. This new version illustrates that the professionals in Luxembourg continuously adapt their control arrangements to the ever-changing ML threats, while confirming the low level of residual TF risk. Moreover, in December 2025, the CSSF organised the annual "UCI department" conference in cooperation with the FIU and the Administration de l'Enregistrement, des Domaines et de la TVA, attended by more than 1,400 participants.

In addition to the fight against terrorist financing, the CSSF led specific projects on risk appetite, on the risk-based approach and on training programmes.

The CSSF carried out 6,135 off-site supervisory measures, including 57 bilateral meetings and 34 AML/CFT supervisory colleges. The increase in off-site supervisory measures notably results from the automated report analysis and from large-scale automated thematic reviews concerning name screening and the risk-based approach. In total, 504 observation letters were sent; this figure is notably linked to the increased number of automated measures.

The CSSF imposed 9 administrative sanctions for non-filing of the AML/CFT reports.

1.2. On-site AML/CFT supervision

AML/CFT on-site inspections are carried out by the "On-Site Inspection" (OSI) department at all the professionals supervised by the CSSF in order to assess that the quality of the AML/CFT framework is in line with the legal and regulatory requirements. Only management companies (when exercising a collective management activity for investment funds) are subject to separate on-site supervision (via the "UCI on-site inspection" department, whose controls on the delegation of AML/CFT tasks are described below).

Every year, the teams in charge of off-site supervision identify the professionals that will be subject to an on-site inspection. In addition to the global inherent risk relating to the sector of activity, the frequency of the controls depends on the AML/CFT risk measured for each professional (taking into account its activity, its customer base, the deficiencies identified by the compliance function and/or by the internal and external auditors, etc.). On-site inspections are then carried out independently by the agents specialised in AML/CFT of the OSI department.

In 2025, the OSI department carried out 37 AML/CFT inspections, covering a large range of professionals supervised by the CSSF, including banks, specialised PFS, investment firms, management companies (performing the activity of transfer agent or individual discretionary portfolio management), electronic money institutions, payment institutions or crypto-asset service providers. Although the outcome of these inspections was globally positive as regards the quality of the AML/CFT arrangements put in place, the CSSF imposed four sanctions in 2025 following the on-site inspections carried out during the previous years.

In the continuity of the FATF visit, the OSI department intended to focus on the measures taken by professionals to specifically tackle the fight against terrorist financing during its on-site inspections carried out in 2025. However, instead of initiating thematic on-site inspections limited to this specific topic, the OSI department decided to consider terrorist financing as an attention point that had to be taken into account systematically for each AML/CFT on-site inspection in 2025. This allowed for broader coverage and a better understanding of how this topic is addressed by the supervised professionals.

In this context, certain good practices can be highlighted, such as the performance of an assessment dedicated to terrorist financing within the annual risk assessment of the professional's activities, taking into account specific terrorist financing risk factors when assessing country risk (e.g. by considering the Global Terrorism Index) and when assessing client risk (e.g. via the activity), the implementation of transactional analysis scenarios enabling notably the identification of TF cash flows, the identification of certain key words in the payment messages or the incorporation of a TF module into the training sessions for its staff.

A similar approach will be applied in the future for other topics which the OECD, the FATF or the national AML/CFT strategy singles out, as for example the risk related to the laundering of the proceeds of (active and passive) corruption, the risk of financing the proliferation of weapons of mass destruction or also compliance with restrictive measures/international financial sanctions.

Through the on-site inspections, the agents of the OSI department acquire a transversal view of the market practices and they can use this experience beyond on-site inspections. For instance, they can share AML/CFT best practices in the context of public-private partnerships (e.g. ABBL conferences, etc.) or participate in AMLA working groups defining the future European AML/CFT standards.

Several specific issues were identified during the on-site inspections performed in 2025, which should be brought to the attention of all the professionals supervised by the CSSF.

Professionals should pay particular attention to the quality of their customer database, notably when data is pre-filled by the customers themselves. Indeed, even the best risk scoring tools (i.e. tools for the assessment of AML/CFT risk of customers) or name screening tools (i.e. tools for the identification of persons, entities or groups subject to restrictive measures in financial matters, politically exposed persons, as well as persons subject to negative information or referred to in enquiries by competent authorities) are not fully effective if they are connected to databases containing incomplete or erroneous data.

To ensure that professionals are able to apply restrictive measures in financial matters without delay, where necessary, the CSSF reiterates that the alerts of the name screening tools (i.e. the screening of the customer and transaction counterparties database) must be dealt with without delay where these alerts concern persons, entities or groups subject to restrictive measures in financial matters. Moreover, if the professional is not in a position to swiftly deal with the alert, the professional must take all measures to ensure that potential restrictive measures can be applied.

For professionals offering financial services to businesses, mainly in the context of e-commerce, a good practice consists in identifying any divergence between the nature of the businesses' activity and the products offered, and verifying the existence of price gaps that are manifestly abnormal between brand products sold on the market and those sold by those businesses.

The on-site inspections revealed that certain professionals adopted innovative AML/CFT tools and methods. These tools mostly aim to strengthen client data verification (e.g. detection of forged documents, facial video comparison with ID documents, etc.), to enhance ML/TF risk measure (exploiting for example the clients' location data, such as IP addresses or geolocation data from smartphones used for the connection, etc.) or to improve transaction analysis scenarios (for example by defining dynamically "normal" transaction types for a cluster of clients sharing the same characteristics and, in a second step, identifying the atypical transactions for this cluster). Professionals should remain responsive to these new market practices and should not hesitate to question their historical AML/CFT controls in order to improve them. However, these innovative tools are sometimes relatively complex (notably when AI-based) and professionals should always maintain control of these tools, understand them and be in a position to demonstrate their proper functioning (via regular and formalised controls).

The OSI department agents observed that professionals usually transmit the required reports to the FIU when they suspect ML/TF concerning a customer. However, professionals must perform an enhanced monitoring of the customer concerned to prevent any further suspicious transactions, and, where applicable, send a complementary suspicious transaction report to the FIU.

The second level controls are sometimes located outside Luxembourg, within a central team in charge of the supervision of a number of subsidiaries or branches belonging to a same group. In that case, the Luxembourg professional should keep access to the work specifically carried out for Luxembourg and the outcome thereof.

Finally, the CSSF understands that professionals attempt to rationalise their AML/CFT controls and to optimise the related costs by defining very codified check lists on their KYC documents to be collected depending on the type of client concerned. However, as already mentioned at certain conferences, the CSSF reiterates that an AML/CFT analysis should not be limited to a mere collection of documents and their update during periodic reviews. A more appropriate analytical approach would be to take a step back to verify (notably during the periodic reviews) whether the functioning of the account (and the transactions carried out) remains coherent with the customer's profile and the object and nature of the business relationship (as defined at the moment of the entry into business relationship).

For the collective management sector, the "UCI on-site inspection" department carried out, in 2025, nineteen inspections at investment fund managers and alternative investment fund managers.

- **Key areas for improvement**

The missions completed during the year gave rise to the following major observations at certain entities:

- Weaknesses regarding the obligation to detect persons, entities and groups subject to prohibitions or restrictive financial measures, as provided for in Article 3(2)(d) of the Law of 12 November 2004 on AML/CFT and Article 39(2) of CSSF Regulation No 12-02 (namely an important backlog of a high number of open alerts untreated for several months, insufficient formalisation of treatment as false positive alerts as well as incomplete controls for distributors and discretionary portfolio management customers, which had not been added to the database).

- Weakness with respect to cooperation with AML/CFT authorities in cases of delayed filing of suspicious activity reports (STRs/SARs) several months after the refusal of a transaction in contravention to Article 5(1)(a) of the Law of 12 November 2004 on AML/CFT according to which "professionals, their directors (*dirigeants*, members of the authorised management) and employees are required to inform promptly, on their own initiative, the FIU when they know, suspect or have reasonable grounds to suspect that money laundering, an associated predicate offence or terrorist financing is being committed or has been committed or attempted, in particular in consideration of the person concerned, its development, the origin of the funds, the purpose, nature and procedure of the operation."

- Weaknesses with respect to the scope and outcome of the Compliance Officer's regular controls and verifications, as set forth by Article 42(5) of CSSF Regulation No 12-02 as well as a lack of follow-up to ensure that previous observations were adequately addressed and remediated by the entity concerned in accordance with Article 44 of CSSF Regulation No 12-02.

- **Thematic inspection on blocked accounts**

In the context of the observations made by the FATF regarding the significant number of blocked accounts held with financial institutions in Luxembourg, the "UCI on-site inspection" department included this topic in its on-site inspection programme for 2025 and selected five IFMs based on the information on blocked accounts at its disposal.

The inspections carried out showed that only a limited proportion of blocked accounts relate to situations presenting a concrete AML/CFT risk. The analysis showed that most blockings resulted from periodic reviews and updates of documents, data and information in accordance with Article 35 of CSSF Regulation No 12-02 (often referred to as KYC refresh exercises). In this respect, it was observed that many blockings occur in situations involving the re-collection of expired identification documents, such as passports or equivalent documents obtained for identification and verification purposes.

- **Good practices detected during thematic inspections**

During the course of the inspections the CSSF identified the following good practices:

- the implementation of a framework distinguishing accounts blocked for AML/CFT-related reasons from those blocked for periodic review purposes, thereby enabling a more accurate assessment of the actual AML/CFT risk;
- the inclusion of specific tests relating to blocked accounts as part of the periodic reviews of delegates responsible for maintaining the investor register;
- regular reporting to the boards of directors of the funds on the status of blocked accounts, as well as on blocking and unblocking measures taken.

The verifications performed as part of the thematic inspections did not reveal any major weaknesses.

- **Guidance for AML/CFT blocking**

IFMs are encouraged to assess during their periodic customer information review or upon trigger events, the update of an expired identity document (or equivalent) obtained for identification and verification purposes in view of (i) the risk associated with the customer, (ii) the type of identity document as well as (iii) any potential doubts regarding the continued accuracy of the identification data held.

The CSSF does not require blocking solely for the reason that an identification document (or equivalent) has expired or that a periodic review is or will be done. However, an account should be blocked in this context for AML/CFT reasons in particular when specific risks are identified or in case of doubts as to the accuracy of the customer's identification details.

- **CSSF Conference**

During the annual AML/CFT conference for the collective management sector on 4 December 2025, the CSSF shared examples of findings (in particular high and medium-high risk findings) identified during recent on-site AML/CFT inspections.

The presentation also offered insight on past thematic on-site inspections, mostly the thematic review on counter-proliferation financing controls and on best practices (cf. also CSSF publication dated 17 November 2025).

2. Development of the legal and regulatory framework

This section highlights the main legal and regulatory developments relating to the fight against financial crime at national, European and international level. It supplements the information published throughout the year on the CSSF's website or provided, inter alia, during the annual conferences and as part of the public-private partnerships (PPP) that the CSSF established with certain sectors (mentioned above).

2.1. Launch of activities of the new European AML/CFT authority

AMLA, the new European authority, formally established in 2024 and based in Frankfurt, started its activities in 2025. Several meetings of its most important governing body, the AMLA General Board, in which the CSSF took part as national member representing AML/CFT supervision in Luxembourg jointly with the Luxembourg FIU, representing the FIUs aspect, were held in 2025. AMLA's main missions may be summarised as follows:

- contributing to the identification and assessment of ML/TF risks;
- establishing the technical foundations providing details for the common regulatory framework;
- coordinating the supervision carried out by national supervisory authorities and ensuring consistent application of the rules in all Member States;
- supporting and coordinating FIUs to enhance information sharing.

In parallel with AMLA's start of operations including important staff recruitment, the establishment of its governance and the ramp-up of its IT systems, AMLA also defined its immediate and strategic objectives.

On the operational side, AMLA notably defined the following priorities:

- develop technical standards and guidance entailing specifications to the common regulatory framework;
- establish a common methodology for the risk assessment of obliged entities and select the more complex and higher risk entities for the purpose of direct supervision by AMLA starting mid-2028 and allow convergence of supervisory practices;
- promote a cooperation culture with respect to AML/CFT.

As far as strategic objectives are concerned, AMLA already announced that it would concentrate on the supervision of crypto-asset service providers.

It should also be noted that the EBA transferred its AML/CFT powers and mandates to AMLA as of 1 January 2026.

2.2. Strengthening the regulatory EU framework with respect to AML/CFT

AMLA was granted extended powers to develop about 40 projects relating to implementing/regulatory technical standards and guidance based on its establishing regulation (Regulation (EU) 2024/1620) and Regulation (EU) 2024/1624 defining notably professional obligations. The CSSF is fully committed, in coordination with the other national competent authorities and bodies, to the development of these technical standards and guidelines which will provide the financial sector, and also the non-financial sector, with important details on the new requirements as well as on the practices or formats to be used for the implementation of the AML package.

In this context, the financial sector was also asked to contribute to the public consultations on these draft technical standards on several occasions in 2025. The CSSF would like to thank all the players for their valuable contribution to the practical implementation of the EU texts.

2.3. High-risk countries and non-cooperative countries - EU lists

In June 2025, the EU Commission amended Commission Delegated Regulation (EU) 2016/1675 identifying high-risk third countries with strategic deficiencies (in their AML/CFT regimes), by adapting the list of these countries. Moreover, in August 2025, the EU Commission set a new identification criterion targeting from now on also high-risk third countries that are not subject to a call for action or under increased monitoring by the FATF, but whose FATF membership has been suspended. In this respect, the Russian Federation was added to the EU list in January 2026.

Moreover, as every year in February and October, the EU Council revised the list of non-cooperative jurisdictions for tax purposes.

2.4. Developments of the international AML/CFT framework: main FATF initiatives and actions

As every year, the CSSF participated in the FATF plenary sessions which took place in February, June and October 2025, with a specific focus on financial inclusion, asset recovery and AML/CFT risk supervision.

2.4.1. Developments related to the FATF's recommendations

The FATF focused on several strategic initiatives in 2025[3]. Among them, the financial inclusion initiative led to the revision of FATF Recommendation 1 ("Assessing risks & applying a risk-based approach") and its interpretive note. In parallel, the FATF developed new guidelines on the implementation of the risk-based approach, specifying that the latter aims at implementing enhanced supervision whenever necessary, but also at applying simplified measures whenever possible. These new guidelines include, in particular, measures aiming at addressing the de-risking phenomenon.

The purpose of a further strategic initiative that was finalised in 2025 was to increase payment transparency. In this context, FATF Recommendation 16 (Travel Rule) was amended. The key changes notably include an increased transparency of the information accompanying cross-border payments and the requirement to introduce protection tools against error and fraud.

In view of the situation in Iran[4], the FATF confirmed the re-application of UN resolutions against Iran within the scope of Recommendation 7 (Targeted financial sanctions relating to proliferation) in October 2025.

2.4.2. Other FATF publications of interest for the financial sector

The report on detecting and combating online child sexual exploitation provides a precise analysis of the financial flows behind live-streamed sexual abuse of children and financial sexual extortion of children (cf. CSSF Newsletter No 300 dated January 2026).

The report *Comprehensive Update on Terrorist Financing Risks* highlights the evolving nature of these risks and trends, as well as the terrorists' constantly adaptative capacity (cf. CSSF Newsletter No 302 dated March 2026).

The report concerning the reminder and the means of the global fight against proliferation financing describes how proliferation networks acquire dual-use goods and technologies, and knowledge thereof (cf. point 2.7. below and CSSF Newsletter No 295 dated August 2025).

During the year, the FATF underlined that strengthening cooperation and collaboration among all players is crucial. The importance of public-private partnerships (PPP) was reiterated at the Private Sector Collaborative Forum which was held in Mumbai in March 2025. The private sector is "at the forefront of the fight against financial crimes". As a response to globalisation of financial systems, the FATF, the Egmont Group, Interpol and the UN called for a stronger international cooperation and published a practical guide on international cooperation against money laundering.

3 Cf. CSSF Newsletter No 295 dated August 2025.

4 Cf. also point 2.6. below.

Finally, the first FATF mutual evaluations under the new methodology set out for the 5th round of evaluations were adopted in 2025 for the following FATF members: Belgium and Malaysia.

According to the provisional FATF calendar, Luxembourg will be evaluated in 2029-2031, with an on-site visit planned in June 2030.

2.4.3. Evolution of the FATF lists

During the 2025 FATF plenary meetings, Bolivia, Lao PDR, Nepal and the Virgin Islands (UK) were added to the FATF list of jurisdictions under increased monitoring - commonly referred to as the "grey list". Moreover, South Africa, Burkina Faso, Croatia, Mali, Mozambique, Nigeria, the Philippines and the United Republic of Tanzania were removed from this list.

The FATF high-risk jurisdictions list subject to a call for action, commonly referred to as the "blacklist", did not change. The FATF thus requires the application of enhanced due diligence, and, where necessary, countermeasures to protect the international financial system from the persistent risks emanating from the following three jurisdictions: Democratic People's Republic of Korea, Iran and Myanmar. The annex of Circular CSSF 22/822 is regularly updated and provides a complete overview.

2.5. International Organization of Securities Commissions (IOSCO)

The CSSF is strongly involved with IOSCO's AML/CFT activities, particularly with IOSCO's AML Network, currently chaired by the CSSF. For 2025, the webinar on emerging money laundering, terrorist financing and proliferation financing risks linked to crypto-assets and virtual assets is worth mentioning. The information shared concerned more specifically key statistical data, examples of red flag indicators and typologies.

2.6. Evolution of the national AML/CFT framework

2.6.1. Key amendment of the Penal Code

The Law of 12 December 2025 introduced a major modification to Article 506-1 of the Penal Code, replacing the list of primary offences by a general reference to all crimes and offences.

This amendment is in line with point (a) of Article 5(1) of the Law of 12 November 2004 on AML/CFT as the requirement to report suspicious transactions continues to apply without the obligation for supervised entities to determine the predicate offence.

2.6.2. Amendment and implementation of the AML/CFT Law

The Law of 6 February 2025 amends in particular the Law of 12 November 2004 on AML/CFT to take into account the new framework applicable to crypto-asset service providers implementing Regulation (EU) 2023/1114 of 31 May 2023 on markets in crypto-assets and Regulation (EU) 2023/1113 of 31 May 2023 on information accompanying transfers of funds and certain crypto-assets. Specific provisions applicable to transfers of crypto-assets directed to or originating from a self-hosted address have been introduced in the new Article 7-1a.

The Grand-ducal Regulation of 11 June 2025 implements the new Article 9-1c of the Law of 12 November 2004 on AML/CFT and details the composition and functioning of the ML/TF Prevention Committee in charge of national coordination. This committee, of which the CSSF is a member, fosters multi-disciplinary exchanges and contributes notably to the development, coordination and assessment of the national policies and strategies relating to the prevention of money laundering and terrorist financing.

2.6.3. Beneficial Owners Register (RBE, *Registre des bénéficiaires effectifs*)

The Law of 13 January 2019 establishing a Beneficial Owners Register and the Grand-ducal Regulation of 15 February 2019 on the registration, payment of administrative fees and access to information recorded in the Beneficial Owners Register were amended in 2025 to implement significant changes, notably those related to the new data control powers of the manager, the implementing procedures for granting access, the establishment of a consultative commission, the future interconnection of the RBE with the registers established by the other Member States via the European central platform, and the protection of data held in the registers.

2.6.4. Adoption of the 3rd National Risk Assessment

On 26 May 2025, the Ministry of Justice adopted the public document on the update of the National Risk Assessment (the first version of which was published in 2020) relating only to the aspects linked to money laundering risk. Indeed, from now on, terrorist financing risk will be the subject of a separate document, enabling greater granularity of the studies according to the type of risk. The financial sector remains heavily exposed to ML risk.

2.6.5. CSSF News

In addition to the circulars or press releases/communiqués mentioned above, the CSSF adopted several other documents in relation to AML/CFT in 2025:

- Circular CSSF 25/879 on the adoption of the EBA Guidelines on information requirements in relation to transfers of funds and certain crypto-assets transfers under Regulation (EU) 2023/1113 ("Travel Rule Guidelines")
- Circular CSSF 25/878 on the adoption of the revised EBA guidelines on money laundering and terrorist financing risk factors;
- Circular CSSF 25/870 amending Circular CSSF 24/853 on the revised long form report for investment firms;
- the publication of a thematic review on counter-proliferation financing and the measures implemented by several investment fund managers;
- the update of several forms relating to the identification of the compliance officer in charge of the control of compliance with the AML/CFT professional obligations or of the person responsible for compliance with the AML/CFT professional obligations in the investment funds sector; and
- as regards risk assessment, the publication of the second update of its ML/TF Sub-sector Risk Assessment for the collective investment sector in February 2025.

2.7. Focus on financial restrictive measures/financial sanctions

The year 2025 was also marked by a number of major events at both EU and international level. Thus, the Council of the European Union had to adopt several important regulations to protect the Member States, their interests, their core values and their security from conflicts and wars around the world.

First, it adopted four rounds of additional sanctions against Russia, resulting in a total number of 19 sanctions in 2025, with a dynamic that corresponds to a set of closely successive financial sanctions packages, characterised by an almost quarterly frequency.

In 2025, a certain number of measures were taken, mainly concerning anti-circumvention measures, the extraterritorial extension of certain measures and the effectiveness of their implementation. The main measures included a transaction ban on credit or financial institutions established outside Russia that use the "System for Transfer of Financial Messages", a ban on engagement by EU operators with the Russian national payment card system ("Mir") or the faster payments system ("SBP"), the legal reinforcement of the concepts of "owning" and "controlling" a legal person, measures targeting also crypto-asset service providers, export restrictions on dual-use goods and technologies intended for companies located in third countries, restrictions on the provision of AI services, etc.

The sanctions against Belarus largely mirror the measures adopted against Russia.

In addition to these restrictive measures regimes against Russia and Belarus, the EU updated the financial sanctions regimes against other countries like Syria, Venezuela, Libya, the Central African Republic and Haiti, notably in view of the persistent gravity of the human rights situation in these countries, and the absence of democracy and the rule of law.

In 2025, cybercrime and, more broadly, the government- or paragovernment-led cyberattacks were also part of the EU Council's discussions and led to targeted restrictive measures with the aim of deterring and responding to major cyber-attacks which represent an external threat to the EU or its Member States. The list of persons subject to restrictive measures was updated twice in 2025.

In the year 2025, the sanctions on Iran were reintroduced. They had been suspended with the entry into force of the Joint Plan of Action (JCPoA or Iran nuclear deal) in 2015. This decision was taken following the UN Security Council's decision not to extend the lifting of sanctions on Iran. The measures reintroduced since September 2025 include those adopted by the UN Security Council since 2006 with successive UNSC resolutions and automatically transposed into EU law, and EU autonomous measures such as: asset freezes for the individuals and entities concerned, the prohibition on making funds or economic resources available to them and or also economic and financial sanctions covering the trade, financial and transport sectors. The EU also reimposed the freezing of assets of the Central Bank of Iran and of major Iranian commercial banks.

Finally, a number of specific restrictive measures against persons and entities in the context of the fight against terrorism were adopted, through which the Council of the EU intends to target leading members of EU-listed groups and entities that play a key role in planning, facilitating, preparing or perpetrating terrorist acts, including through their participation in financing or their involvement in terrorist training and recruitment. It should be noted that the EU Terrorist List (based on Regulation 2580/2001/EU) is separate from the list against those who support, facilitate or enable violent actions by Hamas and the Palestinian Islamic Jihad or from the list transposing the UN Security Council resolutions and targeting Al-Qaida and ISIL/Da'esh.

In relation to all the regulations and implementing regulations adopted across sectors during 2025, the Council reiterated that the circumvention of restrictive measures is prohibited, including attempts to circumvent them.

In this respect, Directive (EU) 2024/1226 of 24 April 2024, adopted by the European Parliament and the Council, represented a major step in the fight against the circumvention of financial sanctions by criminalising circumvention and circumvention attempts, while aiming to harmonise criminal laws at EU level in both the definition of the offences and the applicable sanctions. Financial sanctions will thus no longer be a compliance issue but a criminal risk. In view of the amendment of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters, a draft law was deposited with the Chamber of Deputies in July 2025.

On this topic, the CSSF also adopted the EBA Guidelines through Circular CSSF 25/896. Taking into account the numerous developments in this area throughout 2025, the CSSF updated its FAQs on international financial sanctions.

Finally, the FATF reiterated the importance of an efficient fight against the proliferation financing at global level and underlined the need to reinforce the efficiency of national measures and international cooperation with the aim of preventing the circumvention of sanctions and the use of virtual assets for this purpose. As major deficiencies were identified in the global response to these issues, the FATF published a report specifying the methods and techniques used by those who try to circumvent the sanctions (cf. also point 2.4.2. above).

All the relevant documentation is available on the CSSF website at: https://www.cssf.lu/en/international-financial-sanctions/.

2.8. Fight against corruption at EU level and in Luxembourg

In 2023, the European Commission presented a package of anti-corruption measures which included a proposal for a directive which defined corruption as a particularly serious crime with a cross-border dimension. In December 2025, a provisional agreement was concluded on this very first anti-corruption directive, which was followed by a formal agreement in April 2026. The object of this directive, published on 11 May 2026 in the Official Journal of the European Union[5] , is to harmonise criminal legislation and strengthen the efforts to prevent, combat, prosecute and sanction corruption offences throughout the European Union.

Under this directive, active and passive bribery constitute criminal offences in both the private and public sectors. The directive covers misappropriation by public officials. It also deals with obstruction of justice by prohibiting any action aimed at interfering with the giving of testimony or with the exercise of public functions in corruption procedures.

At national level, the CSSF actively contributes to the Committee on the Prevention of Corruption (COPRECO), established by the Law of 1 August 2007 approving the United Nations Convention against Corruption of 31 October 2003. This Committee assists the government in combating corruption and contributes to the coordination of the implementation of the measures adopted within the public administration. In its AML/CFT internal strategy for 2025-2027, the CSSF identified bribery as one of the predicate ML offences requiring specific attention, in line with the high ML risk assessment associated with this predicate offence, as reiterated in the 2025 National Risk Assessment mentioned above. The CSSF thus intensified its awareness-raising activities on corruption risk and will pursue these efforts. For instance, a meeting of the public-private partnership between the CSSF, the ABBL and the FIU (which published an analysis on this matter on its website in 2026) was dedicated to this topic. Also, certain sub-sectoral risk analyses of the CSSF include sections dedicated to combating bribery as well as indicators and specific case studies to help professionals detect such offences, notably active corruption, more efficiently.

5 https://eur-lex.europa.eu/eli/dir/2026/1021/oj/eng

3. AML/CFT cooperation at national level

In addition to its bilateral exchanges with other competent authorities, including the FIU, the CAA and the Administration de l'enregistrement, des domaines et de la TVA, as well as with certain AML/CFT self-regulatory bodies, the CSSF was particularly involved, throughout 2025, in the work of the ML/TF Prevention Committee and its working groups, the above-mentioned COPRECO and the Monitoring Committee regarding financial sanctions, notably by contributing to the conduct of risk analyses in these contexts.

Successful financial crime prevention relies on the contribution of all the players, whether public or private. Every effort is essential, and prevention starts with the detection of natural or legal persons that provide illicit financial sector activities, i.e. the provision of financial services without approval or registration, or without the legally required authorisation. Any detected illicit activities must be reported to the competent authorities (prosecution offices, police and/ or the CSSF) in order to guarantee and preserve the integrity of the financial system and to protect users in an environment of ever-increasing frauds and scams. To this end, warnings are updated and published by the CSSF on its website.

XXIII. Financial consumer protection and financial education

1. Financial consumer protection

1.1. Financial consumer protection at national level

The fight against financial fraud and scams was one of the defining themes of the CSSF's consumer protection work in 2025. Faced with increasingly sophisticated fraud schemes, often fuelled by the (mis)use of generative AI, the CSSF intensified its efforts to empower consumers with the awareness and tools to protect themselves.

The Lëtzfin[1] website, which contains a broad range of information on personal finance, continued to serve as the cornerstone of these efforts. Throughout the year, the website's content was further developed with a particular focus on fraud prevention, reflecting the growing urgency of the topic. The CSSF also reinforced Lëtzfin's presence on social media to reach a broader audience with practical guidance on recognising and avoiding financial scams. In this context, the CSSF started a separate campaign which targeted crypto-asset fraud, with a particular emphasis on schemes promoted through social media.

The CSSF also represents a privileged point of contact for the public in case of doubt about the legitimacy of a financial service provider or investment products.

To protect themselves against fraudulent offers and financial scams, the CSSF recommends that consumers verify on its website if the professional is duly authorised or registered in Luxembourg. If in doubt, consumers are invited to contact the CSSF.

If a consumer has already been in contact with a suspicious intermediary or has already transferred funds, the CSSF analyses the information submitted. Where fraud is suspected, the CSSF recommends ceasing immediately any contact with the fraudsters, refraining from transmitting any further personal information and avoiding any further investment. As the CSSF cannot assist the consumer in recovering the funds transferred, it highly recommends filing a complaint at the nearest police station and contacting the consumer's bank.

1 https://www.letzfin.lu

In parallel, the CSSF publishes warnings on its website to inform the public of the fraudulent activities of which it has become aware. Moreover, the reports received allow the CSSF to have a more precise view on how fraud techniques are evolving and to organise targeted awareness campaigns via its website dedicated to financial education. In 2025, the information received from consumers led to the publication of 105 new warnings by the CSSF as well as to the update of around 40 existing warnings.

The warnings concern different types of fraudulent activities: bogus websites offering unauthorised financial services, fake financial players, cloned companies used to impersonate companies established in Luxembourg, warnings and advice relating to certain types of financial products.

Overall, a constant increase in the number of frauds and scams reported can be observed. Fraudsters often misuse the company names of institutions established in Luxembourg whose legal name contains the words "financial" or "finance", but they do not specifically target Luxembourg residents. In addition, the CSSF observes that AI-driven frauds and scams are more convincing and harder to detect, as the creation of fake documents and the transmission of information to potential victims is increasingly accurate and realistic. This implies that consumers must be particularly careful in case of unsolicited contact.

1.2. Financial consumer protection at international level

1.2.1. International Securities & Commodities Alerts Network (I-SCAN)

IOSCO reinforced its investor protection framework with the official launch of I-SCAN[2] on 20 March 2025. This initiative aims to combat retail investment fraud and enhance online safety for retail investors. The portal operates as a centralised hub for alerts and warnings on suspicious entities and potential scams, with contributions provided on a voluntary basis by IOSCO members.

In this context, the CSSF actively contributes to the effectiveness of the I-SCAN portal by systemically sharing its own warnings and alerts. This participation ensures that information on potentially fraudulent or unauthorised actors identified by the CSSF is disseminated at a global level, thereby enhancing the ability of the public and other authorities to access timely and reliable information.

1.2.2. OECD Task Force on Financial Consumer Protection, Education & Inclusion

The Task Force's work concerns particularly the G20/OECD High-Level Principles on Financial Consumer Protection totalling 12 since December 2022. In 2025, the Task Force continued its efforts to disseminate the update of these principles and to translate them into the national languages.

Moreover, an important aspect of the work of the Task Force is related to the publication of a report titled Consumer Finance Risk Monitor. The objective of this report is to track trends and risks impacting financial consumers, inform policy prioritisation and elevate the consumer perspective at the international and national level by providing a strong evidence base.

The first edition of the Consumer Finance Risk Monitor was published in January 2024.

2 https://www.iosco.org/i-scan/

In 2025, the members of the Task Force were invited to complete a questionnaire on the national risks impacting financial consumers. The CSSF, with the participation of the CAA, responded to this questionnaire which was used as the basis for the new Consumer Finance Risk Monitor published in 2026.

Moreover, the Task Force carried out a specific project on financial scams and frauds. The CSSF participated in this project by completing a questionnaire related to this topic.

Furthermore, in 2025, the CSSF completed a questionnaire on Transparency in Retail Cross-border Payments and Remittances.

In 2025, the Council published a report on the *Implementation of the OECD Recommendation on Consumer Protection in the field of Consumer Credit*. This report was based on a questionnaire that the CSSF answered.

As regards digitalisation, it should be noted that a roundtable was organised by the Task Force on "Open finance and use of AI in relation to consumer financial products and services".

1.2.3. International Financial Consumer Protection Organisation (FinCoNet)

FinCoNet is an international organisation gathering supervisory authorities from 37 countries that are responsible for financial consumer protection. FinCoNet aims at fostering information exchange and cooperation between supervisory authorities in order to encourage proper conduct of the market and strong consumer protection in finance.

In 2025, FinCoNet published a series of documents on financial consumer protection, in particular the report titled *Implementation of the G20/OECD High-Level Principles on Financial Consumer Protection, with a focus on the cross-cutting theme of Sustainable Finance*. FinCoNet also published the *Summary Report of an International Seminar on Supporting financial access and inclusion through quality financial products*.

Moreover, FinCoNet members participated in several online seminars organised by FinCoNet on debt collection, fundamentals on market supervision and consumer complaint handling. Summarised information on these topics is available on the FinCoNet website. In addition, a number of workshops on sustainable finance were organised for its members.

The CSSF, as a member of FinCoNet, also attended two international seminars. The first seminar on *Supporting financial access and inclusion through quality financial products* was held in cooperation with the OECD Working Party on Financial Consumer Protection, Education and Inclusion on 9, 10 and 11 April 2025. The second seminar took place during the *OECD Financial Markets Week* on 9 and 10 September 2025, again in cooperation with the OECD Working Party on Financial Consumer Protection, Education and Inclusion, which allowed regulators to exchange their views on scams and fraud, consumer credit contracts and cross-border payments.

The FinCoNet Annual General Meeting was held from 26 to 28 November 2025, hosted by the Central Bank of Ireland. The representatives of around 50 financial market regulators worldwide as well as of international organisations participated in the general meeting, which was followed by a conference on *Strengthening Financial Consumer Protection and Supervision in an Increasingly Digitalised World*.

2. Financial education

2.1. Financial education at national level

The CSSF further developed the content published on the Lëtzfin website, which now covers a wide range of topics related to personal finance, digital finance, crypto-assets and fraud schemes. This range of articles is accompanied by concrete steps consumers can take to protect themselves, reflecting the CSSF's approach of translating regulatory insight into actionable consumer guidance. To complement its existing resources, Lëtzfin also shared targeted ESA materials, including guidance on crypto-asset fraud, AI-related scams, and the MiCA regulatory framework, with the public in 2025. By relaying these European-level insights, Lëtzfin reinforced its role as a central hub for up-to-date, practical and neutral financial information in Luxembourg.

In addition, the CSSF contributed, as it has done in the past years, to the *Woch vun de Suen*. CSSF agents visited primary school classes to discuss money and to run interactive educational activities. The initiative once again demonstrated the CSSF's commitment to reaching younger audiences early, building basic financial literacy at a formative stage. In addition to primary schools, agents also engaged with secondary schools through the *Fit for Life* programme initiated by the Jonk Entrepreneuren Association, teaching teens practical economic skills, such as budgeting, salaries, insurance, and responsible consumption to prepare them for active economic participation.

Several awareness campaigns were conducted over the course of the year 2025. Building on the work started in the previous years, and especially in 2024, the CSSF continued its campaigns and initiatives on sustainable finance and greenwashing, helping consumers identify misleading sustainability claims on financial products. Another campaign focused specifically on raising financial literacy among young residents, encouraging them to develop informed financial habits and think critically before making financial decisions.

The 2025 World Investor Week led by IOSCO provided an additional platform for the CSSF's consumer education activities. On this occasion, Lëtzfin published an animated video addressing the question: *Can I trust AI with my personal finances?* The video for the general public highlights AI tools' benefits and limitations, stressing that human judgment is crucial for financial decisions.

2.2. Financial education at international level

2.2.1. International Network on Financial Education de l'OCDE (INFE)

The OECD/INFE seeks to promote and facilitate international cooperation among the various stakeholders such as policymakers, regulators, associations and others, involved in financial education. The CSSF is an active and full member of the network.

The topics addressed by OECD/INFE in 2025 include the safe and informed use of short-term online credit and *Buy Now Pay Later* products, the safe use of digital payments, as well as the financial literacy of crypto-asset users. Further work focused on sustainable finance and financial literacy, and on safeguarding consumers' access to cash in the digital economy.

2.2.2. IOSCO's Committee 8 on Retail Investors

The Committee on Retail Investors (Committee 8) holds the primary mandate within IOSCO for financial education and investor protection, advising the IOSCO Board on retail investor issues and coordinating the annual World Investor Week.

The topics addressed by Committee 8 in 2025 include finfluencers, digital engagement practices, and online imitative trading practices such as copy trading, mirror trading, and social trading, all published as part of IOSCO's Roadmap for Retail Investor Online Safety. The 9th edition of the World Investor Week, held from 6 to 12 October 2025, focused on technology and digital finance, artificial intelligence, and fraud and scam prevention, including relationship investment scams and crypto assets.

2.2.3. Joint Committee of the European Supervisory Authorities' Consumer Protection and Financial Innovation Sub-Committee

The Subgroup on Financial Education of the permanent Joint Committee of the European Supervisory Authorities on Consumer Protection and Financial Innovation continued its work, aiming to facilitate the exchange of information, experiences, and lessons learned from financial education initiatives among national competent authorities.

3. Alternative dispute resolution

In 2025, the CSSF continued to fulfil its functions as entity competent for the alternative resolution of consumer disputes, which it takes on pursuant to the provisions of the Consumer Code.

The CSSF is competent to receive complaints from customers of institutions subject to its supervision and to act as an intermediary in order to seek an amicable settlement to these complaints.

As part of the alternative dispute resolution procedure, the CSSF processes not only requests submitted by consumers, but also complaints submitted by legal persons.

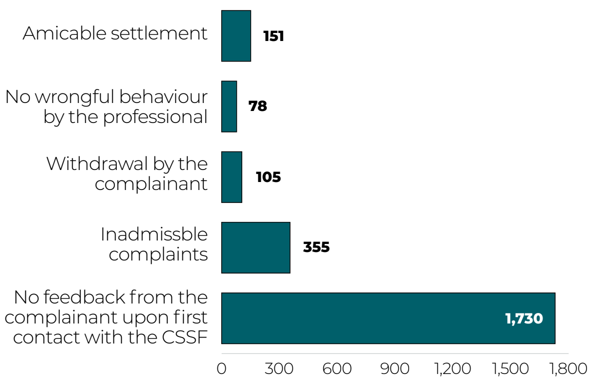
Article L. 432-4 of the Consumer Code provides that the qualified alternative dispute resolution entities must publish their annual reports, and it also lays down the information to be included in these reports.

In this chapter, the CSSF informs the public of its activities as qualified alternative dispute resolution entity, by providing, inter alia, the information required under Article L. 432-4 of the Consumer Code.

3.1. Statistics regarding CSSF complaint handling in 2025

In 2025, the CSSF received 3,186 new complaint files and closed 2,419 complaint files received that same year or before. In 2025, a significant increase in the number of files received was registered in comparison to the year 2024, during which the CSSF received a total of 1,850 complaint files.

Outcome of the CSSF's intervention and reasons for closing the files



In 2025, in 151 cases an amicable settlement could be reached between the parties following the CSSF's intervention. In 78 cases, the CSSF did not conclude to any misconduct by the professional concerned. In 105 cases, the CSSF's intervention ended as the complaint was withdrawn by the complainant.

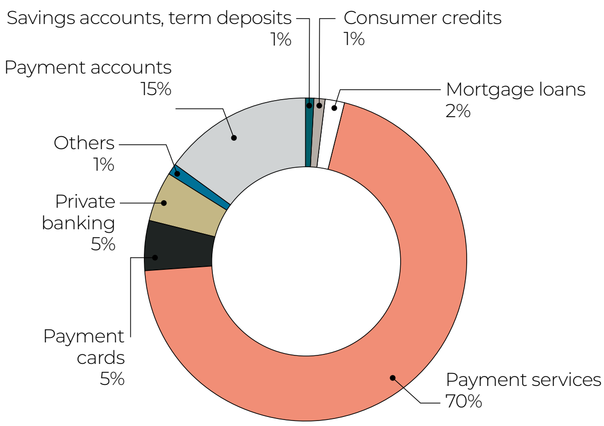
In total, 355 requests for the alternative resolution of complaints were inadmissible for the following reasons:

- complaints involving entities that are not subject to the CSSF's supervision (59%);
- complainant had no legal capacity to act (17%);
- complaints concerning a non-financial product or service (15%);
- expiry of the one-year time limit for filing the complaint with the CSSF (6%);
- complaints already examined by another alternative dispute resolution entity, arbitrator, arbitration tribunal or court (3%);
- other reasons (<1%).

In 1,730 cases, the complainants did not revert to the CSSF after having been informed of the conditions to comply with in order to introduce a complaint in due form, i.e.: 1) the complaint must be first submitted in writing to the manager responsible for complaint handling of the institution in charge and 2) if the complainant does not receive an answer/satisfactory answer within one month, the complaint file must be sent to the CSSF together with all the documents mentioned therein. The CSSF is not in a position to know if any settlement has been reached following the transmission of these complaint files to the manager responsible for complaint handling or if the customer did not follow-up on the complaint.

It should be noted that the CSSF took 85 days, on average, to close a duly examined file in 2025.

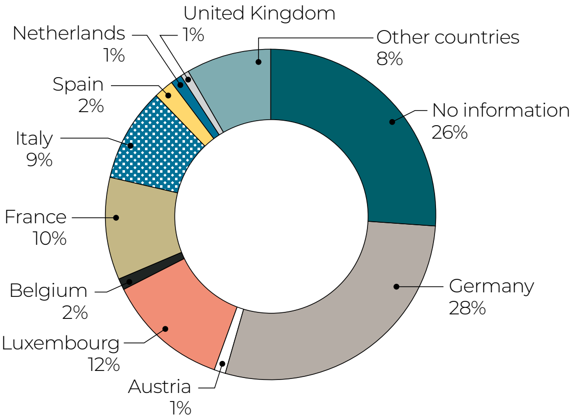
Breakdown of complaints according to their object



As far as the year 2025 is concerned, the breakdown of complaints according to the financial product or service concerned remained stable compared to the previous year. With 70%, the major share of complaints registered in 2025 concerned issues linked to the use of payment services.

In 2025, in the context of complaint handling, the CSSF recorded a significant number of files involving clients who fell victim to fraud, notably phishing, social engineering, investment fraud or other similar techniques. These frauds and scams mainly concerned payment services, payment accounts and payment cards. The analysis of these cases highlighted an accrued sophistication of the methods used by fraudsters. Basic emails or SMS including evident mistakes have been replaced by sophisticated mechanisms set up by increasingly organised and professionalised criminal networks. In this context, the CSSF refers to the Section Financial fraud[3] of its website, where the reader will find useful information on financial fraud and scams.

Breakdown of the disputes according to the complainants' country of residence



In 2025, a large part of complaints originated from Germany with 28% of the total, which is similar to the previous year. The share of complainants from Luxembourg recorded a decrease (12% in 2025 against 25% in 2024). It is also worth mentioning that the complaints received in 2025 originated from 77 different countries.

As regards cooperation with other alternative dispute resolution entities, the CSSF received 67 files from other alternative dispute resolution entities falling within its material remit in 2025. If the CSSF is not competent for a specific file, it informs, in principle, the complainant of the competent alternative dispute resolution entity.

3.2. Complaints handled in 2025

In this section, the CSSF recounts some disputes resolved in 2025 which may be of particular interest for both financial consumers and professionals.

3.2.1. Fraud – forged invoice

The CSSF received a complaint relating to the right for compensation of a complainant for a damage which, according to the latter, resulted from the execution of a payment order based on a unique identifier (IBAN) which turned out to be erroneous.

The complainant explained to the CSSF that he received an invoice from a company which had executed renovation works at his house. However, the complainant was not aware that the mail had been intercepted by a malicious person who had modified the bank account details for the payment of that invoice. The complainant placed a credit transfer order via his online banking to settle the invoice, and the transaction was executed by the bank in favour of the unique identifier provided by the complainant.

The complainant blamed his bank for failing to comply with its control obligation during the execution of this payment order. The bank argued that, in the absence of any indication of an irregularity concerning that credit transfer, the latter was executed in accordance with the instructions of the complainant, and the funds credited to the account as per the complainant's indications.

In this context, the CSSF noted that, in accordance with Article 100(1) and (2) of the Law of 10 November 2009 on payment services, an order executed in accordance with the unique identifier is deemed to have been correctly executed with regard to the specified payee, and that the payment service provider is not liable where the unique identifier provided by the client is incorrect. Thus, the unique identifier is considered the determining factor for the execution of a payment order and is sufficient to designate the payee's account. In case of discrepancies between the unique identifier provided by the client and any other information on the payee, the payment service provider may exclusively rely on the unique identifier to process the order.

3 https://www.cssf.lu/en/financial-fraud/

Having analysed the information and documents provided by the two parties to the dispute, the CSSF could not identify any element that could have given rise to doubts as to the authenticity of the payment order received by the bank, which led the CSSF to conclude that there was no misconduct by the bank as regards the execution of this credit transfer, as it acted in accordance with the instructions of the client.

However, the complaint file revealed that the bank had requested the return of funds from the beneficiary bank only two months after the fraud was identified. Despite the fact that the outcome of such return request may not be guaranteed, the CSSF considered that a swifter intervention would have been compliant with the requirement set out in the second subparagraph of Article 100(2) of the above-mentioned law, which lays down that the payment service provider must make reasonable efforts to recover the funds involved in the payment transaction. Swiftness being a crucial element in case of fraud, the CSSF considered that the bank did not act with the diligence required as concerns the efforts to recover the client's funds.

Thus, the CSSF closed the file by inviting the bank to make a commercial gesture in favour of the complainant, which the bank accepted.

The CSSF would like to reiterate the importance for payers to carefully review the bank details indicated on invoices. In this context, the CSSF draws attention to the introduction, at EU level, of a requirement to verify the payee in the case of credit transfers provided for by Regulation (EU) 2024/886 as regards instant credit transfers (Instant Payment Regulation). This mechanism, which aims at strengthening security of credit transfers, provides that payment service providers must verify whether the payee's name matches the IBAN provided before validating a payment order. It should be noted, however, that this obligation (which entered into force on 9 October 2025) was not yet applicable at the time this complaint was processed.

3.2.2. Interest rate

The CSSF dealt with a complaint of a person who claimed to have suffered a loss as a result of the rise in the interest rates applicable to his variable-rate mortgage loan. In this specific case, the complainant blamed his bank for having dissuaded him to take on a fixed-rate loan and for not having provided sufficiently clear and transparent information on the evolution of interest rates, maintaining that, had the bank provided correct advice, he would have opted for a fixed-rate loan and avoided the consequences of the interest rate hikes.

The bank denied any responsibility as regards the losses suffered by the complainant and argued that it had provided, at the time the loan was granted, the necessary information on variable interest rates through the European Standardised Information Sheet (ESIS) and that it had informed the complainant, prior to each variation, of the interest rate changes, in accordance with the applicable legal provisions. To support its assertions, the bank transmitted to the CSSF the elements proving that the information had been provided via the online banking of the complainant, the latter having opted to receive any bank communication in dematerialised form.

As part of its analysis, the CSSF noted that, in accordance with Article L.226-16(1) of the Consumer Code, the creditor must inform the consumer of any change in the borrowing rate on a durable medium before the change takes effect. In view of the elements provided, the CSSF was of the opinion that the bank had complied with its information obligation as it had communicated the rate increases in a timely manner via secured message of the online banking of the complainant.

Although, according to the CSSF, the presentation of that information could have been emphasised, it concluded that this circumstance alone did not constitute a failure to fulfil the legal and contractual obligations of the bank. The CSSF thus closed the file with no evidence of wrongful behaviour by the bank.

3.2.3. Discretionary management mandate

One complaint addressed a wealth management issue, for which the private portfolio manager had invested, under a discretionary management agreement, a significant proportion of a customer's portfolio in a real estate fund which was eventually put into liquidation. The complainant notably criticised the professional's management of his portfolio, and in particular the investments carried out, arguing that this had led to significant losses, for which he requested to be reimbursed. In practice, the complainant blamed the professional for not having complied with his investor profile nor his request for maximum protection of the invested capital. Moreover, the client disagreed on the management fees that had been charged by the professional.

The professional disputed these allegations, based notably on the contractual documents signed by the complainant, including the discretionary management agreement and the investor profile. Having analysed the documents provided by both parties, the CSSF noted that the complainant had signed a discretionary management agreement with the professional that allowed the professional to manage the assets in the best interest of the client, but at his own risk.

The CSSF also noted that, by signing the contractual documents, the complainant had accepted the investment strategy proposed as well as the risks inherent in the investments made. Moreover, the investor profile document that was signed indicated that the complainant's profile was classified as "medium", i.e. that the investor accepted a certain level of risk for his investments, expecting higher return possibilities.

When examining the file, the CSSF also noted that the complainant had withdrawn part of his assets before the expiry of the contractually agreed investment horizon, while the contract excluded liability of the professional for any losses incurred as a consequence of an early withdrawal.

As far as the client's complaint on the management fees is concerned, the latter indicated that he did not know that the professional would charge fees, which he moreover considered excessive. But the CSSF's findings revealed that the portfolio management agreement signed by the complainant included information on fees, and that an overview of the applicable costs and charges had been provided to the customer.

Considering all the elements of the file, the CSSF was of the opinion that the complainant did not bring forward any element demonstrating that the professional failed to fulfil its obligations as regards the management of his assets or the provision of information on the fees charged which could have given rise to a compensation.

Consequently, the complaint file was closed, concluding that the claims of the complainant were unjustified.

3.2.4. Banking fees

The CSSF received a complaint from a person who disputed the fees that were charged by her bank to her account for three consecutive years. In her request, the complainant referred to an agreement that was signed with the bank which provided for the application of an annual "All-in" pricing. She considered that this pricing had not been applied, which led to unduly debited quarterly fees, for which she requested a refund.

The bank argued that the complaint was not filed within the deadlines laid down in the terms and conditions, which set out that customers must report any error in the bank statements within 30 days. However, the CSSF considered that this provision did not deprive the complainant of her right to challenge the bank charges applied, which she considered had been unduly charged.

After analysing the agreement submitted by the complainant, the CSSF noted that the latter set out an annual "All-in" pricing of a fixed percentage. The bank explained that certain services included in the offer could be subject to derogations, and that the use of the "All-in" concept was not entirely appropriate in this context. The CSSF also observed that the bank was not in a position to explain how the complainant had been informed of the services actually included in the offer and of any further applicable fees.

Considering the above, the CSSF concluded that the information provided to the complainant on the services included in the offer and the applicable pricing were not transparent, and that the use of the "All-in" concept could be misleading as regards the actual applicable fees. The bank ultimately made a gesture of goodwill in favour of the complainant.

3.2.5. Clients victims of phishing

As in the previous years, the CSSF continued to receive complaints from customers who claimed to have been the victims of phishing scams which resulted in transactions of often significant amounts being executed through wrongful deception. These customers typically received a fraudulent message or call using a deceptive social engineering technique with the purpose of obtaining personal and confidential information from them.

In one of the cases, the complainant contacted the CSSF to challenge several withdrawals which were executed with her payment cards at an ATM as well as a credit transfer from her banking account of which she denied being the originator. She indicated to the CSSF that she had been a victim of phishing following a phone call from a person pretending to be an employee of her bank. According to the client, this person convinced her to transmit her personalised security credentials in order to block fraudulent transactions. In addition, the complainant physically handed over the payment cards to a person who pretended to be a courier, who had been sent to her domicile, with the purported purpose of blocking the cards.

The bank refused to follow up on the complainant's request for a refund, explaining that the transactions concerned had been carried out using the personalised security credentials of the complainant. It considered that the execution of the transactions occurred as a result of gross negligence, the complainant having disclosed her confidential data and handed over the payment cards to a third party.

In view of the elements of this file, the CSSF considered that the complainant admitted having disclosed her secret codes and handed over her payment cards to a third party who pretended to be an employee of her bank. This behaviour constitutes gross negligence within the meaning of Article 88(2) of the Law of 10 November 2009 on payment services, as the complainant did not take all reasonable measures to preserve the security of her personalised security credentials, which are strictly personal and must not be disclosed to any third party.

Thus, the CSSF agreed with the bank's position, concluding that the bank had no legal obligation to compensate the complainant for the loss suffered.

In this context, the CSSF underlines the importance for payment service users to never disclose their personalised security credentials nor to hand over their means of payment to a third person, even if the request seems to originate from their bank. Disclosing these elements and handing over one's means of payment may be qualified as gross negligence.

3.3. FIN-NET

FIN-NET was launched in 2001 by the European Commission with the purpose of enhancing cooperation between national ombudsmen in financial services and offering consumers easy access to extra-judicial mechanisms for alternative dispute resolution in the area of financial services.

In 2025, the CSSF took part in two FIN-NET plenary meetings. FIN-NET members exchanged their views on some topical issues. The European Commission presented the proposals for amendment of Directive 2013/11/EU on alternative dispute resolution for consumer disputes that were still being discussed during 2025 (notably the extension of the material and geographical scope and the possibility to group certain complaints). Directive (EU) 2025/2647 amending Directive 2013/11/EU on alternative dispute resolution for consumer disputes and amending Directives (EU) 2015/2302, (EU) 2019/2161 and (EU) 2020/1828 following the discontinuation of the European Online Dispute Resolution Platform (since July 2025) entered into force on 19 January 2026.

Moreover, the European Commission transmitted information on ongoing discussions relating to the proposal for a regulation on payment services (Payment Services Regulation - PSR), with a specific focus on fraud prevention measures and on the question of the responsibility as regards fraudulent payment transactions. Certain subjects that were discussed concerned, in particular, the application of the legal concept of gross negligence in the Member States, the financial burden for banks in case of fraud and the cooperation between banks in different countries to detect fraudulent transactions. In this context, certain FIN-NET members presented their approach on how complaints about increasingly sophisticated fraud are handled, including those relating to virtual currencies.

4. Website comparing payment account-related fees

In accordance with the Law of 13 June 2017 on payment accounts, the CSSF launched, on 1 November 2018, a comparison website[4] relating to the fees charged for the most representative services linked to payment accounts. This website, which is updated on the first day of each month, lists the prices communicated to the CSSF by payment service providers supervised by the CSSF, meeting specific criteria defined by the Luxembourg legislator.

Payment service providers required to publish their prices on the comparison website are subject to two cumulative criteria: (i) have at least 25 agencies in Luxembourg and (ii) hold at least 2.5% of the deposits covered under the Law of 18 December 2015 on the failure of credit institutions and certain investment firms.

Payment service providers which do not meet these two conditions set by the legislator may, on their own initiative, request the CSSF for the publication of their prices on the comparison website.

Currently, the fees charged for the most representative services linked to payment accounts of the following five payment service providers are published on the CSSF's comparison website:

- Banque et Caisse d'Épargne de l'État, Luxembourg;
- Banque Internationale à Luxembourg;
- Banque Raiffeisen;
- BGL BNP Paribas;
- POST Luxembourg.

4 https://www.frais-compte-paiement.lu/en/

XXIV. Procedure for reporting breaches of financial sector laws and regulations to the CSSF (whistleblowing)

1. Presentation of the reporting procedure

1.1. General information

Since the entry into force of Regulation (EU) No 468/2014 of 16 April 2014 (SSM Framework Regulation), a communication tool designed as an electronic form[1] available on the CSSF website and a dedicated email address (whistleblowing@cssf.lu) have been implemented at the CSSF in order to allow whistleblowers, i.e. any person acting in good faith and especially persons working or having worked for an entity of the Luxembourg financial sector, to report to the CSSF, in a confidential and secure manner, potential shortcomings or breaches of applicable laws and regulations committed by or within entities supervised by the CSSF (reports of breaches or whistleblowing)[2].

Information on the whistleblower's identity and on the reported facts, including the identity of any third party who may be involved, is treated with utmost confidentiality by the CSSF. To this end, the CSSF's external reporting channels ensure the completeness, integrity and confidentiality of the transmitted information. Access to the transmitted information is granted only to a limited number of authorised CSSF agents (need-to-know principle) who are bound to respect professional secrecy pursuant to Article 16 of the Law of 23 December 1998 establishing a financial sector supervisory commission ("Commission de surveillance du secteur financier"), which refers to Article 458 of the Criminal Code.

Under the applicable legislation, all private sector entities (with 50 or more workers) must also make available to all employees, channels and procedures for internal reporting of shortcomings and breaches and guarantee their follow-up.

1 https://whistleblowing.apps.cssf.lu/index.html?language=en

2 A page providing details on the protection of whistleblowers is available on the CSSF website (https://www.cssf.lu/en/whistleblower-protection/).

1.2. Legal and regulatory context

1.2.1. Law on whistleblowing

Directive (EU) 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law (Whistleblowing Directive) establishes rules and procedures to protect individuals who report information on breaches of EU law in key policy areas which they acquired in a work-related context from potential retaliation. Breaches include both unlawful acts or omissions and abusive practices.

In Luxembourg, the Whistleblowing Directive was transposed by the Law of 16 May 2023[3] (Whistleblowing Law). Its scope of application extends the protection of whistleblowers to breaches of national law as a whole. Whistleblowers meeting the conditions set out by the said law who report legal or regulatory breaches, should those be considered as administrative or criminal, may therefore be protected against any form of retaliation.

Notwithstanding the entry into force of the Whistleblowing Law, the CSSF handles with the same degree of confidentiality the reports received from any person acting in good faith who wishes to report any shortcomings or breaches committed by or within entities subject to the supervision of the CSSF, as well as any report received from natural persons who do not qualify for the protection provided for by the applicable legislation.

1.2.2. Special provisions applicable to the financial sector

- **Whistleblowing and Single Supervisory Mechanism (SSM)**

The obligation to set up a reporting mechanism similar to the national one and to put in place rules allowing cooperation with national competent authorities with regard to the transmission and processing of whistleblowing reports at ECB level was introduced by Article 23 of Regulation (EU) No 1024/2013 of 15 October 2013 and Articles 36 to 38 of Regulation (EU) No 468/2014 of 16 April 2014.

Whistleblowers are requested to use the whistleblowing procedure in place at the ECB[4] in order to report breaches by banks considered significant within the context of the SSM[5]. In cases where the CSSF receives a report concerning a significant bank, or a report concerning the breach of regulations or decisions issued by the ECB originated by an entity considered less significant within the context of the SSM, it transmits this report to the ECB and informs the whistleblower thereof.

The ECB also handles all reports in a confidential manner and in compliance with the EU data protection framework and further ensures appropriate protection for the reporting party and the accused party.

- **Specific financial sector requirements arising from sectoral laws**

The Whistleblowing Law is supplemented by specific sectoral financial laws which are already in force.

The rules applicable to the CSSF's external reporting channels can be found in the following sectoral laws:

- Article 58-1 of the Law of 5 April 1993 on the financial sector;
- Article 8-3 of the Law of 12 November 2004 on the fight against money laundering and terrorist financing, introduced by the Law of 25 March 2020;
- Article 149b of the Law of 17 December 2010 relating to undertakings for collective investment;
- Article 23 of Regulation (EU) No 1024/2013 (SSM Regulation) of 15 October 2013;
- Title 3 (Articles 36 to 38) of Regulation (EU) No 468/2014 of 16 April 2014;
- Article 36(7) of the Law of 23 July 2016 concerning the audit profession;

3 https://www.cssf.lu/en/Document/law-of-16-may-2023/

4 https://www.bankingsupervision.europa.eu/banking/breach/html/index.en.html

5 https://www.bankingsupervision.europa.eu/banking/list/html/index.en.html

- Article 8 and Annex of the Law of 23 December 2016 on market abuse;
- Article 46 of the Law of 30 May 2018 on markets in financial instruments;
- Article 271-1 et seq. of the Labour Code, introduced by the Law of 13 February 2011 strengthening the means against corruption;
- Article 4 of the Law of 6 June 2018 on central securities depositories and implementing Regulation (EU) No 909/2014.

The financial sector entities under the supervision of the CSSF are also subject to the provisions of the Whistleblowing Law which are supplemented by preexisting special provisions in the following sectoral laws:

- Articles 29-8, 38-12 and 38-16 of the Law of 5 April 1993 on the financial sector;
- Article 8-3 of the Law of 12 November 2004 on the fight against money laundering and terrorist financing, introduced by the Law of 25 March 2020;
- Article 149b of the Law of 17 December 2010 relating to undertakings for collective investment;
- Article 24(3) of the Law of 23 July 2016 concerning the audit profession;
- Article 3 of the Law of 6 June 2018 on central securities depositories and implementing Regulation (EU) No 909/2014;
- Article 10 of the Law of 16 July 2019 on prospectuses for securities.

2. CSSF’s activity since the entry into force of the Whistleblowing Law

2.1. Increased visibility of the CSSF’s external reporting channels

Since the entry into force of the Whistleblowing Law, the CSSF has observed a significant increase in the number of reports received, notably in 2023, when their number doubled as compared to 2022, and in 2025, when their number more than tripled as compared to 2022.

In general, the CSSF noted that the quality of the information provided had not been affected by this increase. Indeed, the entry into force of the Whistleblowing Law, as well as the communication by the whistleblowing office[6] and the national competent authorities began to bear fruit by offering potential whistleblowers the opportunity of expressing themselves safely.

2.2. A smoother cooperation between competent authorities

In accordance with the provisions of Articles 18 and 19 of the Whistleblowing Law, if a report does not fall within the CSSF’s remit, it is transmitted in a confidential and secure manner to the relevant competent authority. The collected data may thus be transmitted to other national competent authorities or to competent EU bodies, offices or agencies.

In the last three years, the CSSF has been actively participating in the cooperation network that has been put in place between the national competent authorities referred to in Article 18 of the Whistleblowing Law, making communication and processing of the reports received more efficient and smoother.

2.3. Professional secrecy and feedback to the reporting person

Professional secrecy laid down in Article 458 of the Criminal Code to which the CSSF is subject[7] prohibits communicating the outcome of the analysis of a report to the informant, notwithstanding the provisions of the Whistleblowing Law on feedback to submitted report.

However, the CSSF publishes certain measures and sanctions imposed on the entities (nominative or anonymous publication, depending on the context and the applicable law), including those resulting from investigations carried out following a report, without providing the trigger event.

6 https://mj.gouvernement.lu/fr/dossiers/2023/lanceurs-d-alerte.html#bloub-9

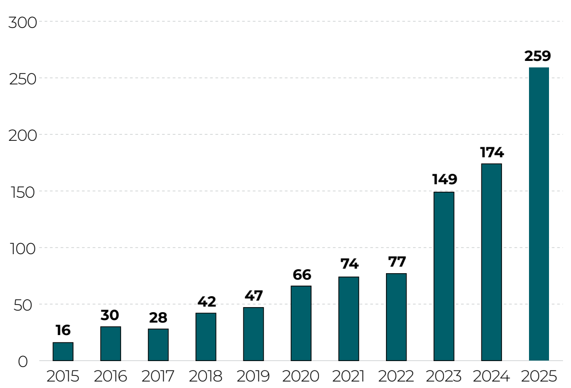
7 Cf. Article 16 of the Law of 23 December 1998 establishing a financial sector supervisory commission (“Commission de surveillance du secteur financier”).

3. Statistical data for 2025

3.1. Number of reports received and communication channels

In 2025, the CSSF received 259 new reports via different official communication channels (dedicated contact form or dedicated email address) or others. This growth was more important than in 2024 (174 reports received in 2024 against 149 in 2023), confirming an upward trend, even after the "boost" effect linked to the entry into force of the Whistleblowing Law.

Number of reports received[8]



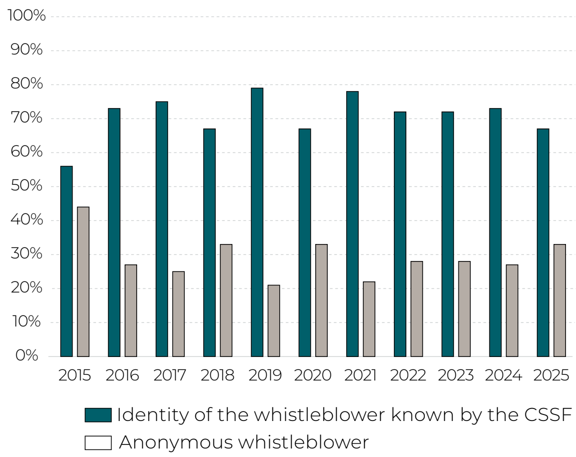
Although the relevance of the reports received remains variable, the CSSF notes nevertheless that the reporting mechanism allows, each year, the collection of useful information and the opening of investigations or the provision of input for ongoing investigations.

A significant portion of the messages received are communicated by other means than the CSSF's official reporting procedure (for instance, via the use of other email addresses of the CSSF). Apart from the fact that communication through other channels may extend the processing time of the message, using the dedicated procedure mainly allows the CSSF to ensure the application of strict confidentiality rules necessary in the light of the sensitivity of the transmitted information. The CSSF insists on the importance and efficiency at the whistleblowers' benefit to transmit the information they wish to share by using the dedicated procedure available on the CSSF website[9].

3.2. Whistleblowers

In recent years, the proportion of anonymous reports declined, showing a downward trend, with an increase in reports from identified sources, reflecting a certain level of trust in the CSSF within the Luxembourg financial sector. In 2025, the proportion of anonymous reports compared to those received from identified sources remains in line with the average observed in previous years.

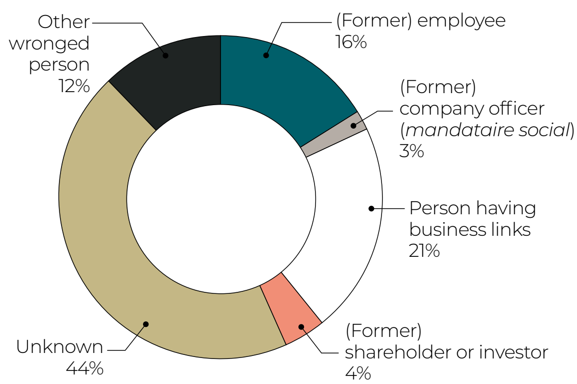
Identity of the whistleblowers



For 2025, most of the reports were transmitted by persons having business links with the entities concerned.

It is noteworthy that the high percentage of unknown connections is closely correlated with the anonymity of a portion of the reports received.

Whistleblower's connection to the person concerned by the report



8 The messages received which are clearly not whistleblowing reports are not counted.

9 https://whistleblowing.apps.cssf.lu/index.html?language=en

3.3. Nature of the reported failures/breaches

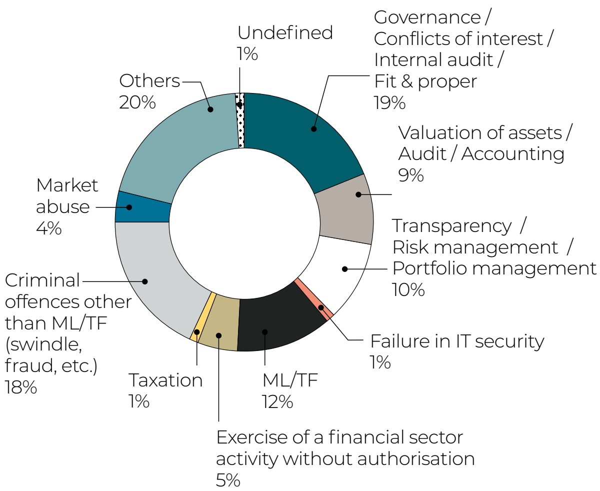
Around 19% of the reports received in 2025 concerned potential governance issues or related breaches within supervised entities (for instance, reconsideration of the good repute and/or professional experience of *dirigeants* (managers), possible conflicts of interest, disruptions in the internal organisation of the entity).

Another large portion of the messages received concerned AML/CFT-related issues or breaches (around 12% for 2025) or, at least, included an element pertaining to this topic.

In the last years, a significant portion of the reports concerned in fact potential criminal offences (about 18% for 2025). In this respect, it is reminded that the CSSF is not competent in this matter and that any information that may lead to the opening of a judicial criminal investigation may be communicated to the Prosecutor's Office of Luxembourg for analysis.

It should also be noted that the CSSF is also not competent to deal with private disputes[10] and that it does not provide legal advice in this context.

Nature of the reported failures



3.4. Actions taken in response to the reports received

The CSSF thoroughly analyses each individual report received in the framework of its whistleblowing procedure in order to provide the most appropriate response to the information received. As previously indicated, the CSSF cannot inform each reporting person about the outcome of the analysis or about the actions taken, if any, considering the professional secrecy to which it is bound.

Nevertheless, in order to provide the public with an overview of the CSSF's potential responses, a summary of the decisions regarding the reports received since the implementation of the whistleblowing procedure is presented below.

Actions taken in response to the reports received

Response	% of total
Allegations do not fall in the scope of the CSSF's supervision (entity concerned not supervised, competence of another authority)	35%
Alleged failures that could not be confirmed or that proved to be false following an investigation or inquiry by the CSSF	17%
Information already known by the CSSF	9%
Information useful for an ongoing supervisory mission of the CSSF	8%
No territorial competence of the CSSF - coordination with the competent supervisory authority	7%
Publication of a warning	5%
Insufficient information for the CSSF to conduct an investigation (for instance, whistleblower's silence)	5%
Opening of an investigation	5%
Others (for instance, facts not relevant or not serious)	5%
Referral to the Prosecutor's Office of Luxembourg (ML/TF, tax fraud, etc.)	2%
Restoration of compliance by the professional concerned following the CSSF's inquiry	1%

10 Except for mediation conducted by the CSSF in the framework of customer complaints (cf. https://www.cssf.lu/en/customer-complaints/)

XXV. European Account Preservation Order procedure

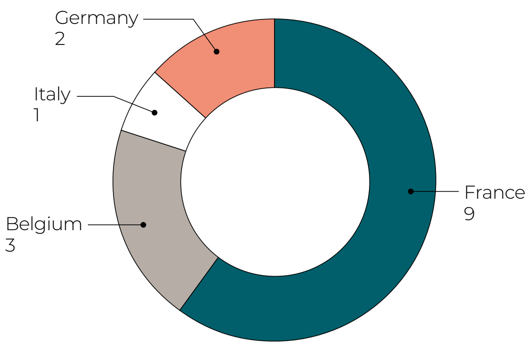
Regulation (EU) No 655/2014 of 15 May 2014 establishing a European Account Preservation Order procedure to facilitate cross-border debt recovery in civil and commercial matters, establishes an EU-level procedure that enables creditors to obtain a European Account Preservation Order preventing the subsequent enforcement of their claim from being jeopardised by the transfer or withdrawal of funds up to the amount specified in the order, held by or on behalf of the debtor in a bank account maintained in a Member State.

Consequently, where the creditor has obtained in a Member State an enforceable judgment, court settlement or authentic instrument which requires the debtor to pay the creditor's claim and the creditor has reasons to believe that the debtor holds one or more accounts with a bank in a specific Member State, but knows neither the name and/or address of the bank nor the IBAN, BIC or another bank number allowing the bank to be identified, the creditor may request the court with which the application for the Preservation Order is lodged to request that the information authority of the Member State of enforcement obtain the information necessary to allow the bank(s) and the debtor's account(s) to be identified, where applicable.

The CSSF was designated by the Law of 17 May 2017[1] as the information authority within the meaning of Article 14 of Regulation (EU) No 655/2014. In order to allow the CSSF to fully carry out these functions, this law provides that the CSSF uses the method for obtaining information referred to in Article 14(5)(a) of the aforementioned regulation, namely the obligation for all banks in the Luxembourg territory to inform the CSSF whether a certain debtor holds an account with them.

In 2025, the CSSF received 15 requests for the obtaining of account information pursuant to Article 14 of Regulation (EU) No 655/2014 from courts of the following Member States.

Breakdown of requests received by Member State



1 Law of 17 May 2017 on the application of Regulation (EU) No 655/2014 of 15 May 2014 establishing a European Account Preservation Order procedure to facilitate cross-border debt recovery in civil and commercial matters, amending the New Code of Civil Procedure and the Law of 23 December 1998 establishing a financial sector supervisory commission (Commission de surveillance du secteur financier), as amended

List of abbreviations

Abbreviation	Meaning
2010 Law	Law of 17 December 2010 relating to undertakings for collective investment
2013 Law	Law of 12 July 2013 on alternative investment fund managers
ABBL	Luxembourg Bankers' Association
AI	Artificial Intelligence
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Manager Directive - Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Managers
ALFI	Association of the Luxembourg Fund Industry
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
AMLA	Authority for Anti-Money Laundering and Countering the Financing of Terrorism
Audit Law	Law of 23 July 2016 concerning the audit profession
BCL	Banque centrale du Luxembourg - Luxembourg Central Bank
BRRD	Bank Recovery and Resolution Directive - Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms
BRRD2	Bank Recovery and Resolution Directive 2 - Directive (EU) 2019/879 of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC
BRRD Law	Law of 18 December 2015 on the failure of credit institutions and certain investment firms
CAA	Commissariat aux Assurances - Luxembourg supervisory authority of the insurance sector
CASP	Crypto-Asset Service Provider
CdRS	Comité du Risque Systémique - Systemic Risk Committee
CER	Critical Entities Resilience Directive - Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities and repealing Council Directive 2008/114/EC
CPDI	Conseil de protection des déposants et des investisseurs - Council for the Protection of Depositors and Investors
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSD	Central Securities Depositary
CSDR	Central Securities Depositories Regulation - Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories
CSSF	Commission de Surveillance du Secteur Financier - Luxembourg supervisory authority of the financial sector
DLT	Distributed Ledger Technology
DORA	Digital Operational Resilience Act - Regulation (EU) 2022/2554 of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic Area
EFRAG	European Financial Reporting Advisory Group

Abbreviation	Meaning
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European Market Infrastructure Regulation – Regulation (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
ESAP	European Single Access Point
ESEF	European Single Electronic Format
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FGDL	Fonds de garantie des dépôts Luxembourg - Luxembourg Deposit Guarantee Fund
FIU	Financial Intelligence Unit
FSB	Financial Stability Board
ICT	Information and Communication Technology
IFD	Investment Firms Directive - Directive (EU) 2019/2034 of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU
IFM	Investment Fund Manager
IFR	Investment Firms Regulation - Regulation (EU) 2019/2033 of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISA	International Standard on Auditing
ISQM	International Standards on Quality Management
ITS	Implementing Technical Standards
JST	Joint Supervisory Team
LSI	Less Significant Institution
MiCA	Markets in Crypto-Assets
MiCAR	Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation - European Regulation on markets in financial instruments and amending Regulation (EU) No 648/2012
ML/TF	Money Laundering and Terrorist Financing
NAV	Net Asset Value

Abbreviation	Meaning
NIS2	Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148
OECD	Organisation for Economic Co-operation and Development
P2G	Pillar 2 Guidance
PFS	Professional of the Financial Sector
PIE	Public-Interest Entity
PSD2	Payment Services Directive 2 - Directive (EU) 2015/2366 of 25 November 2015 on payment services in the internal market
REA	*Réviseur d'entreprises agréé* - Approved statutory auditor
RTS	Regulatory Technical Standards
SAQ	Self-Assessment Questionnaire
SFDR	Sustainable Finance Disclosure Regulation - Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector
SFTR	Securities Financing Transactions Regulation - Regulation (EU) 2015/2365 of 25 November 2015 on transparency of securities financing transactions and of reuse
SI	Significant Institution
SICAR	Société d'investissement en capital à risque - Investment company in risk capital
SIF	Specialised Investment Fund
SIIL	Système d'indemnisation des investisseurs Luxembourg - Investor Compensation Scheme Luxembourg
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
STOR	Suspicious Transaction and Order Report
UCI	Undertaking for Collective Investment
UCITS Directive	Undertakings for Collective Investment in Transferable Securities Directive - Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
UCITS	Undertaking for Collective Investment in Transferable Securities
VaR	Value-at-Risk
VASP	Virtual Asset Service Provider

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