

Structure of the descriptive report

1. Significant events

The support PFS shall indicate, where applicable, the significant events which took place during the year under review and which may impact its situation. These events represent, for example, decisions on strategies, important reorganisation, launch or discontinuation of activities, merger/acquisition operations or collaboration/partnership.

Significant events which may trigger risks for financial professional clients of the support PFS shall be included in the risk management system under point 2.5.2.

The support PFS shall specify where no significant events took place during the year under review.

2. Organisation and administration

The support PFS shall provide under this item an overview of its operational, decisional and governance structure.

2.1. Management in charge of the day-to-day management

The support PFS shall describe the responsibilities of the management in charge of the day-to-day management and the scope of powers necessary for the good performance of its mission that the board of directors (or management board) has conferred on it.

It shall specify, among others, if applicable:

- possible limits imposed on the local decisions of the support PFS by the board of directors (or management board) involving a group;
- the decisions of the board of directors (or management board) locally imposed on support PFS and which may infringe the Luxembourg laws and regulations.

2.2. Central administration

The support PFS shall briefly describe the organisation of its central administration.

2.3. Administrative organisation

The support PFS shall briefly describe its administrative organisation.

In case the support PFS outsources the administrative services, it shall also briefly describe the outsourced services and specify the supervision in place at the PFS to monitor the outsourced services.

2.4. Accounting function

The support PFS shall briefly describe the operation of the accounting function.

In case the support PFS outsources the accounting function, it shall also briefly describe the outsourced services and specify the supervision in place at the PFS to monitor the outsourced services.

2.5. Internal control

The support PFS shall describe the way in which its internal control system is organised.

2.5.1. Internal procedures

The support PFS shall indicate under this item if there is a procedure manual covering all the activities carried out within the company and which may directly or indirectly impact on the financial sector professional clients.

The support PFS shall also mention if, pursuant to its obligations:

- there is indeed a training programme in place for its employees, notably in relation to the compliance with the confidentiality of the financial sector professional clients' data and the prevention of money laundering and terrorist financing;
- the contracts used indeed include a confidentiality clause, as well as a reference to criminal proceedings incurred in case of violation of the professional secrecy¹.

2.5.2. Risk management system

The support PFS shall provide the roles and responsibilities of the various stakeholders (actors) to this system². The support PFS shall notably indicate:

- the member of the authorised management responsible for risk management;
- if the risk management function is internally entrusted to one or more person(s). These persons must have the necessary independence, from a hierarchical point of view, in order to adequately take on the responsibility;
- if the risk management function is entrusted to an external expert in risk management and the latter's name.

¹ As laid down in Article 41(1) of the LFS.

² Risk management system implemented in accordance with the requirements of Section 5 of Circular IML 98/143 on internal control and of Circular CSSF 20/750 on the requirements regarding information and communication technology (ICT) and security risk management.

2.5.3. Audit committee

In the event the support PFS has its own audit committee³ (a possible audit committee at group level is not concerned here), it shall describe the composition, functioning modalities, frequency and agenda of this committee's meetings.

2.5.4. Internal audit

The support PFS shall describe the internal audit function (in-house, support of the parent company, use of an external expert or of a professional third party, in which case the coordination with the person responsible for the follow-up shall be described).

2.6. Information systems for internal use

2.6.1. Summary table

The support PFS shall provide the expected information in the summary table made available by the CSSF for the accounting and client relationship management functions.

2.6.2. Network architecture and external connections

The support PFS shall provide a description and/or a scheme of its network architecture comprising the main security elements (DMZ, firewalls, IDS, routers, proxy, etc.). In case it is impossible or useless to differentiate the network architecture required for the internal functioning of the PFS from that required for the activities carried out in the financial sector, please refer to point 3.3.3.

The support PFS shall list the connections useful for the internal functioning to or from the exterior (including with its group, where applicable), by specifying the control that it exercises over these accesses (separate Active Directory, opening/closing of the communication lines, logs, etc.) and the redundancy measures of these connections.

3. Activities carried out in the financial sector

3.1. Description of the activities carried out

The support PFS shall precisely describe the type and volume of its activities. A distinction shall be made, on the one hand, between the activities carried out in the financial sector, insurance sector and other activities and, on the other hand, between the activities requiring an authorisation as support PFS and those which do not.

³ In accordance with point 6 of Circular IML 98/143 and Article 74 of the Law of 18 December 2009 concerning the audit profession.

The support PFS shall also specify, where appropriate, the mode of service provision. For example:

- for an administrative agent: "Business Process Outsourcing" services delivered on the support PFS' premises and on its own mutualised IT system;
- for an IT systems and communication networks operator: making available and managing an "Infrastructure as a Service" located on its premises in a dedicated or shared mode, or managing the network on the client's premises;
- for a client communication agent: printing and sending letters to clients of the financial professional client on its own systems and premises.

A change in the activities' nature, the cessation of an activity or the start of new activities or exceptional or significant events during the year under review should be reported under point 1. "Significant events".

The support PFS shall also provide a nominative list of its **financial sector clients from Luxembourg or abroad for which it provides services requiring a PFS authorisation** and specifying for each one of them:

- the activity sector concerned (finance/insurance);
- the country of residence (Luxembourg/abroad);
- the nature of the provision (main activities carried out);
- the location of the provision;
- and if it is offered through off-site or on-site communication.

3.2. Partnerships/cascade outsourcing

The support PFS shall indicate the existence of any partnership or cascade outsourcing (with external companies or within the group) for carrying out activities in the financial sector and specify the nature (expertise, availability of profiles, provision requiring authorisation).

It shall also specify:

- a. the staff (in number of FTE) allocated to the provision of services in the financial sector (dedicated staff);
- b. the staff (in number of FTE) of any subcontractors permanently used by the support PFS for the service provision in the financial sector.

3.3. Information systems for external use⁴

3.3.1. Summary table

The support PFS shall provide the expected information in the summary table made available by the CSSF for the IT systems for external use.

⁴ Referred to in the self-assessment questionnaire as "IT systems related to client activities".

The following shall be considered as information systems for external use:

1. systems that partially or exclusively support the activities carried out for the financial sector professional clients of the support PFS, irrespective of their belonging to the client or PFS or of their location;
2. and for which the support PFS is responsible as regards the sound functioning in relation to the client.

These two conditions are cumulative in order to determine if a system is qualified as system for external use.

The term "system" may be limited here to a software if the provision only concerns a software.

For example, an administrative agent which provides asset accounting services to professionals of the financial sector on its own accounting system and on its own premises - system which it already used and continues to use for its own activity - may, at first sight, consider this accounting system as an internal system. However, this system shall indeed be considered as an external system since it also supports the activity carried out in the financial sector, the administrative agent is responsible of its sound functioning and it has the power to decide on the system supporting the provision.

Similarly, an administrative agent which provides asset accounting services to professionals of the financial sector on its own accounting system, but which outsources the management of its system to a third party, shall consider this system as falling under this section. Indeed, irrespective of the use of outsourcing, the administrative agent remains responsible towards its clients as regards the functioning of the system and may retain a decision-making power relating to the choice of the system supporting the provision.

3.3.2.Functional scheme of the flows

The main links (interfaces) which exist between the functions and, consequently, the reported systems pursuant to point 3.3.1 shall be described in a functional scheme of flows by the support PFS.

Where all functions are included within one single software functioning on a single hardware (for example, a banking software package), it is not necessary to detail the internal flows but only the flows entering and coming out of the system.

3.3.3.Network architecture and external connections

The support PFS shall provide a description and/or a scheme of the network architecture comprising the main security elements (DMZ, firewalls, IDS, routers, proxy, etc.).

It shall list the useful connections according to the activities carried out in the financial sector towards or from outside (including with its group, where applicable), by specifying the control it exercises on these accesses. It shall briefly describe the security mechanisms implemented on physical (firewall, router, etc.) as well as on logical (intruder detector, anti-virus, client authentication, communication confidentiality, integrity and non-renouncing the transactions, etc.) and organisational (monitoring log history, configuration of the security equipment, generating keys or authentication certificates of client, monitoring systems, etc.) level.

3.3.4.Business Continuity Plan and Disaster Recovery Plan (BCP/DRP)

The support PFS shall describe the business continuity plan that it set up in case of disaster on its own premises or in case the access to its premises is impossible (group solution, specialised undertaking, regular tests, security measures, etc.).

It shall also describe the broad outline of the emergency plan in place which shall allow normal functioning in case of breakdown of its IT system, including as regards external connections (use of several communication lines providers, line redundancy).

Where the above information has already been provided in the self-assessment questionnaire, the PFS shall only specify the corresponding sections.

4. Relations with affiliated undertakings

The support PFS shall commit itself to ensuring that the intra-group transactions are carried out at arm's length.

The following shall notably be described and commented upon:

- the type of intra-group transactions executed;
- the guarantees issued to the benefit of/received by the affiliated undertakings;
- the prices charged for services provided and received;
- etc.

All the transactions not executed under market conditions shall be reported and detailed.

5. Branches abroad

The support PFS shall provide for each branch:

- an organisation chart;
- a description of the activities;
- a description of the internal control procedures;
- if applicable, the serious deficiencies that the internal audit identified at the branch;
- a description of the administrative and accounting organisation;
- an indication on the existence of procedures regarding compliance with the rules of conduct and prevention of money laundering and terrorist financing;
- explanations on the accounting integration of the branch.

6. Subsidiaries abroad

The support PFS shall provide an annual report or, otherwise the annual accounts of the subsidiaries or majority holdings on a yearly basis.