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The CSSF is paving the way to “Financial Innovation”



While the Luxembourg government continuously adjusts regulation to pave the way for the development of financial technology (the latest addition being the law dated 22 January 2021 amending the law of 6 April 2013 on dematerialised securities and the law of 5 April 1993 on the financial sector (Financial Sector Law), the Luxembourg Financial Regulator – CSSF (*Commission de Surveillance du Secteur Financier*) is on the field, conducting research on “Financial Innovation”, as explained in its latest white paper on the topic released on 8 February 2021. Under this concept, the CSSF includes several developing technology-oriented solutions, namely distributed ledger technologies, virtual/crypto assets, emergence of new payment service providers, use of artificial intelligence, robo-advice, and crowdfunding.

With the implementation of its so called “Innovation Hub”, the CSSF has created a dedicated contact point (innovation@cssf.lu) and a procedure to be followed by market players contemplating to launch a project involving “Financial Innovation”. The invitation also extends to the service providers not supervised by the CSSF but which may provide services to financial industry players.

The need for a specific license or registration will be assessed by the CSSF, based on an overview of the project and detailed additional information provided by the applicant. The CSSF strongly recommends any applicant to seek the assistance of an advisor in the legal qualification of their project.

In particular, the CSSF lays the focus on crypto assets, which are currently the subject of a EU proposal of regulation

(MiCA)¹. Indeed, while the interest in the market of bitcoins and other cryptocurrencies remains limited to a restricted number of investors, due to their high volatility, the emergence of so-called stablecoins, a new sub-category of crypto assets incorporating features aimed at stabilising their value, may stimulate the interest of a larger public and it is the CSSF’s mission to ensure that such development does not impair the integrity of the financial markets and the confidence of investors. In addition, the CSSF refers to robo-advice and artificial intelligence (as stated in its position papers of 27 March 2018 and December 2018), and the current regulatory developments related to crowdfunding.

Due to a permanent dialogue with the relevant market players, the CSSF and more generally the Grand-Duchy are aiming to embrace financial innovation by adopting the future’s and paving financial solutions, while ensuring that the financial markets maintain high standards in terms of safety and transparency.

Do you have a concrete project involving “Financial Innovation” to submit to the CSSF?

For more information, and to stay up to date on this topic, please feel free to reach out to the contacts listed on this article or your usual Luther S.A. contact.

¹ Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Markets in Crypto-assets, and amending Directive (EU) 2019/1937

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