

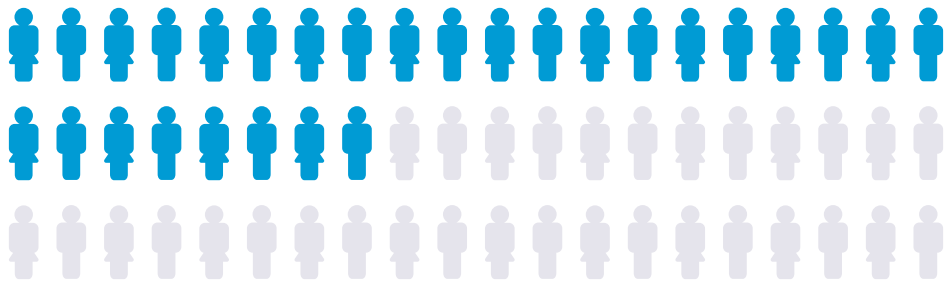
MUTUALISATION OF FUNCTIONS IN THE
**LUXEMBOURG FINANCIAL
SERVICES SECTOR**

SURVEY NOVEMBER 2019



TOTAL RESPONSES

28



INTRODUCTION

The ABBL Digital Banking and FinTech Innovation Cluster, in cooperation with the Working Group “Mutualisation of Functions” of the Luxembourg *Haut Comité de la place financière*, conducted this study amongst ABBL members to explore the functions prone to be mutualised in the financial services sector of Luxembourg.

In the context of the study, mutualisation of functions in finance refers to situations where financial institutions, together with other partners such as technology providers, law firms, consulting companies, pool their resources in order to set up a separate utility or a hub that could provide its services that were previously internal business functions. Examples might be regulation and compliance, payments, cybersecurity. By setting up mutualised service projects, financial institutions can save costs, improve quality of the specific business function in question and focus on core areas of their business.

Key Findings

93% of respondents believe that mutualisation of certain functions between institutions is valuable for the financial services community.

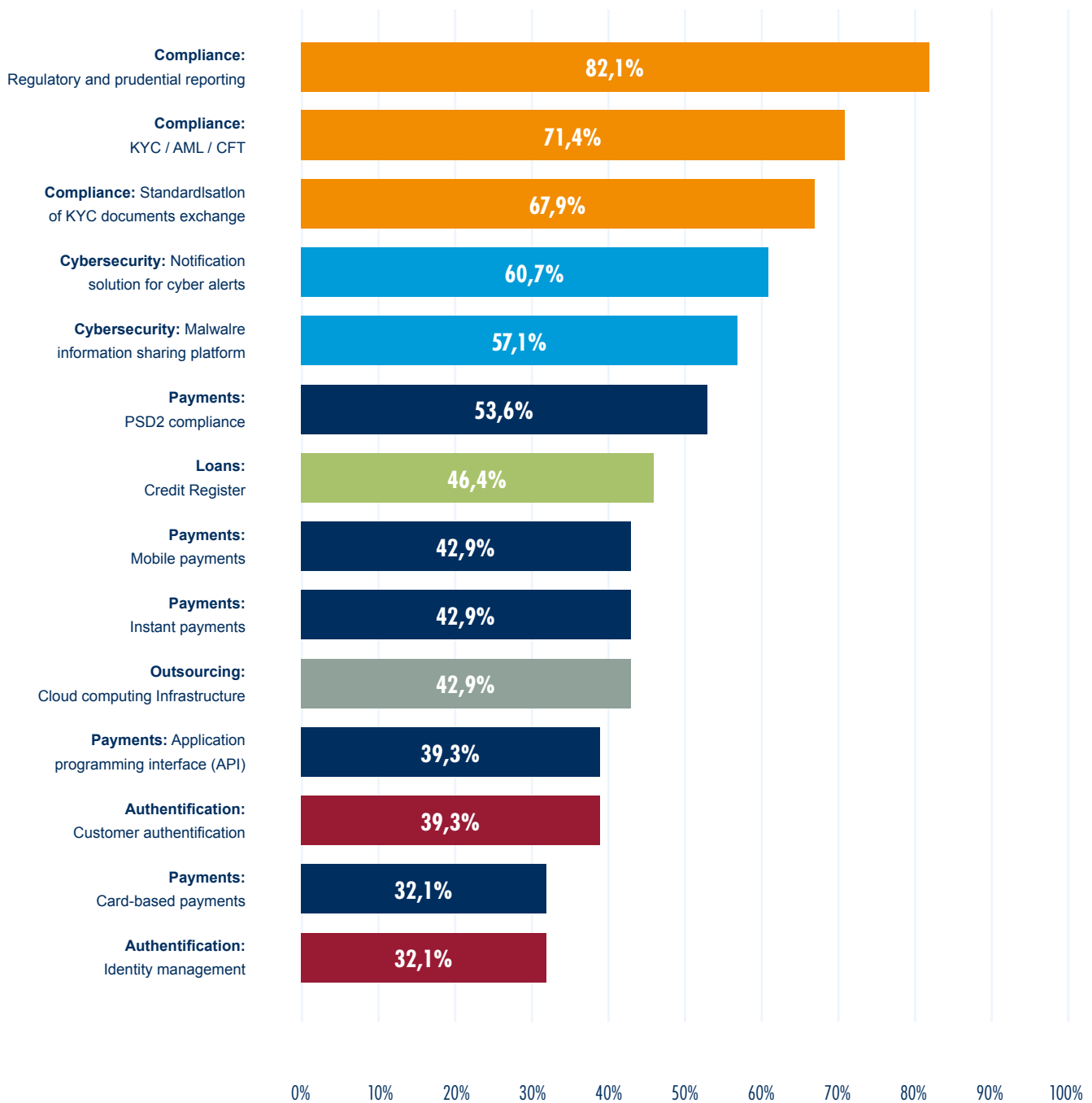
Compliance related functions, such as regulatory and prudential reporting, garnered 82% of vote.

Know Your Customer (KYC) / Anti-Money Laundering (AML) / Combating the Financing of Terrorism (CFT) (71%), and standardisation of KYC documents exchange (67%) are the most attractive areas to embark on mutualisation, according to surveyed financial institutions.

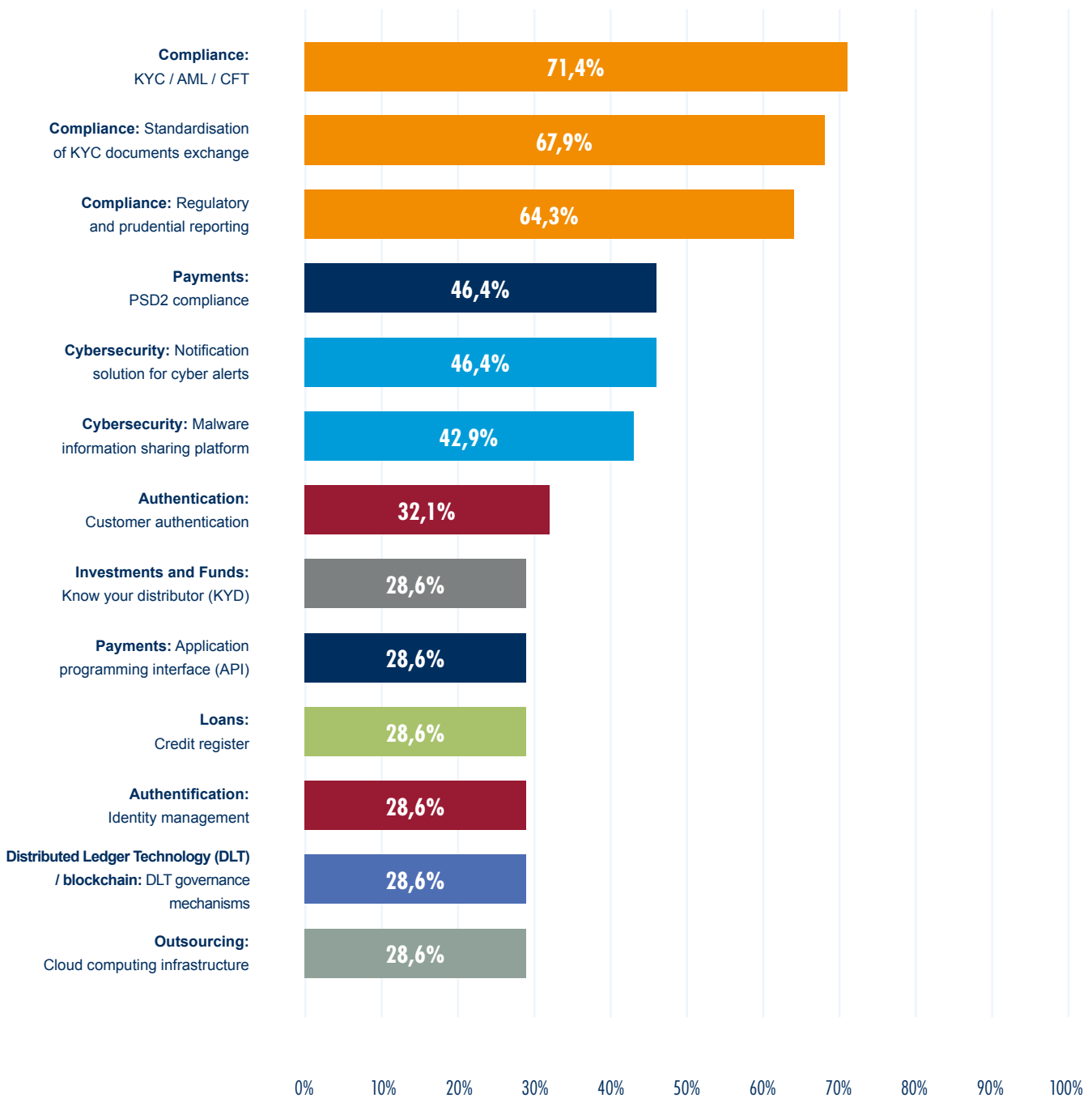
According to the survey, technological (85%) and economic (78%) macro-factors have an overall positive impact on bankers' decision-making process related to joining mutualisation projects.

The ABBL thanks all its members for taking part in the survey. The outcomes of the study will be conveyed to regulators and major decision makers in Luxembourg, with a strong belief that this will positively contribute to making the national financial sector robust, agile, compliant, innovative, and competitive in the global financial marketplace.

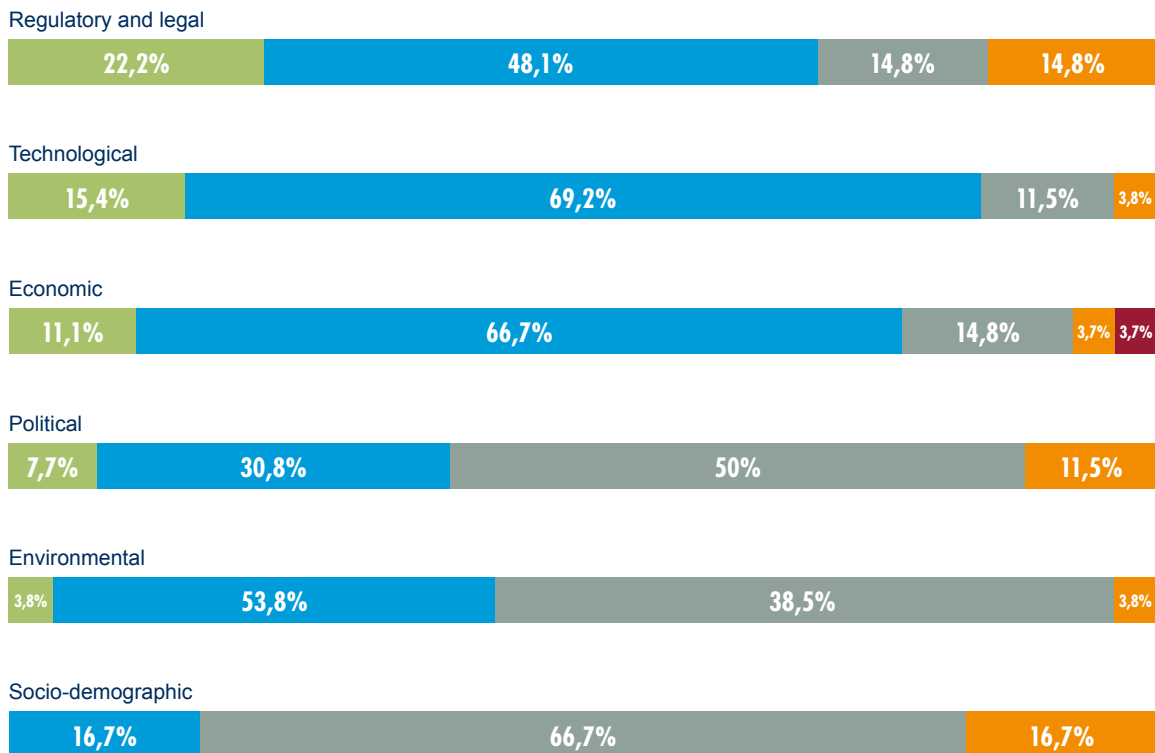
Financial institution in Luxembourg would be interested in mutualisation with other financial institutions in the following fields:



Mutualisation area that constitute competitive advantage for Luxembourg and have potential to be successfully extended abroad:



Impact of macro-factors (global, EU, and national levels) on institution's participation engagement in mutualisation projects in the financial sector of Luxembourg



Impact of business environment factors on institution's existing participation engagement in mutualisation projects in the financial sector of Luxembourg

Supervisors / regulators



Headquarters and Group members



Clients



Professional associations



Software / IT suppliers



Consultants / Think tanks



FinTech firms



Competitors



BigTech firms



Universities, research institutes



Government and public agencies



Law firms



Impact of project-related factors on institution's existing participation engagement in mutualisation projects in the financial sector of Luxembourg

IT infrastructure



Finance / budget / costs



Project partners



Existing mutualisation of functions with HQs and Group members



Internal leadership and organisational culture



Project staff / competences / skills



Project partners' commitment



Size of the market for the eventual mutualisation project



Aligning interests of project partners



Business planning



Internal structure and procedures



Technology / intellectual property



Existence of alternative competing solutions in the market



Internal communication



Marketing



Strongly positive | Positive | Neutral | Negative | Strongly negative

6

Suggested approaches to how professional associations could be of help to institution's participation in mutualisation projects in Luxembourg

- Federate, coordinate and facilitate initiatives of members with regard to mutualisation

- Select, drive, promote and support such projects

- Define standards and codes of conduct

- Lobby for mutualisation projects vis-à-vis regulators

7

Missions that regulators and government agencies should have with regard to mutualisation projects in the financial sector of Luxembourg

- Enable, promote and support mutualisation initiatives contributing to the development of national competitive advantages

- Put in place a regulatory framework and taxation regime that would create opportunities for mutualisation of functions in finance

- Consider being centres of documentation and stakeholders of such initiatives

CONTACT



Marc Hemmerling
hemmerling@abbl.lu



Andrey Martavoy
martovoy@abbl.lu