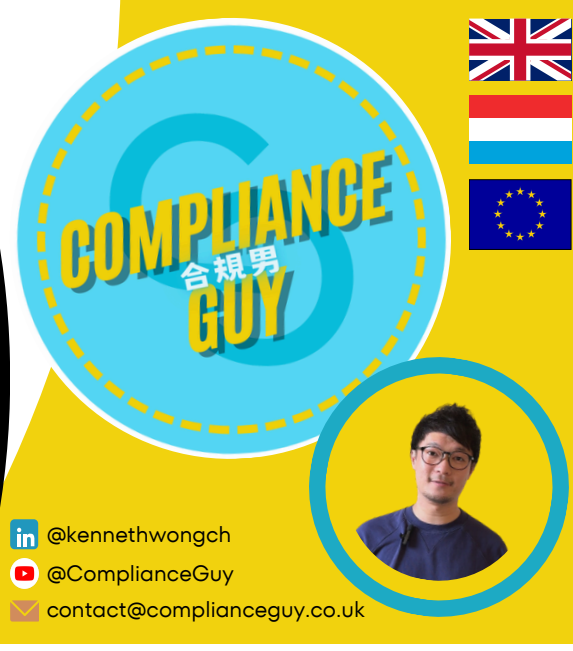


"Same but Different" - Why Luxembourg's New Circular Matters to the UK and EU

CSSF Circular 26/906 - Central administration, internal governance and risk management



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If you operate an Electronic Money Institution (EMI) or Payment Institution (PI) across the EU, you are likely familiar with the "standardised" playing field promised by directives such as the Payment Services Directive 2 (PSD2). However, as any seasoned compliance officer knows, the local "flavour" of regulation can vary wildly from one border to the next.

Enter Circular CSSF 26/906, which comes into effect on 30 June 2026. It is a prime example of the "same but different" regulatory landscape: we are dealing with the same baseline EU rules, but a much more stringent interpretation is landing in Luxembourg.

Whether your EMI is already established in the Grand Duchy or you are a UK-based firm keeping a close eye on European trends, here is the breakdown of what you need to know.

1. What's Changing in Luxembourg? (Say Goodbye to "Letterbox" Entities)

The CSSF is raising the bar on what it means to be truly established in Luxembourg. The days of maintaining a "nominal" presence while running operations from a remote headquarters are coming to an end. Circular 26/906 introduces strict, detailed expectations for central administration, internal governance, and risk management.

What's new?

- **Real Central Administration:** Your decision-making centre *and* your administrative centre must be physically located in Luxembourg.
- **Impact on Key Personnel:** The CSSF now explicitly expects at least two members of the management body (Authorised Managers), along with the heads of your internal control functions and key IT/administrative leads, to be based in Luxembourg.
- **The "Three Lines" Mandate:** You must have independent, well-resourced functions for Compliance, Risk Management, and Internal Audit.

If your current LUX operation relies heavily on "group-level" resources without local leadership, we hope you have already conducted a gap analysis and are busy narrowing those gaps. If your current operating model relies on outsourcing these functions back to a parent company without substantial on-the-ground leadership in Luxembourg, you will need to restructure before the rules take effect on 30 June 2026.

2. The UK Perspective: Different Flag, Similar Vibes

For our UK-based readers, it is easy to look at a CSSF circular and think, "Thanks to Brexit, this isn't our problem." Technically, that's true; you aren't subject to the CSSF's requirements. However, the regulatory "mood" is remarkably similar on both sides of the Channel. The FCA's recent focus on Operational Resilience and "Mind and Management" mirrors the substance requirements in Circular 26/906. How do they compare?

Theme	Luxembourg (CSSF Circular 26/906)	United Kingdom (FCA)
Substance	Strict requirement for the decision-making centre and key personnel to be physically in LUX.	Focus on "Mind and Management"—key decisions must happen in the UK.
Accountability	Mandated formalisation of responsibilities across Management and Supervisory bodies.	SM&CR (Senior Managers Regime) drives individual accountability.
Operational Risk	Mandatory annual ICT and security risk assessments; robust business continuity.	Operational Resilience rules require mapping and setting "impact tolerances."
Audit	Explicit requirement for three distinct, independent control functions.	Expectation of proportionate but highly effective risk and compliance oversight.

3. The Reality of Local "Add-Ons": EU Base vs. LUX Expectations

It is a common pitfall to assume that compliance in one EU state guarantees a pass in another. While the EU sets the floor, local regulators like the CSSF are increasingly adding their own "add-ons".

In Luxembourg, the CSSF has added specific, localised expectations regarding proportionality (linked to headcount and volume), rigorous IT security reporting, and a requirement for the Board to be "actively involved" in risk strategy, rather than just rubber-stamping group policies. This circular makes it clear that they expect premium governance for the privilege of operating in their financial centre.

For any institution operating across the UK/EEA—or planning to do so—the "million-dollar question" remains: where should you land? It is no longer just a simple consideration of tax, labour costs, or jurisdictional branding; it is about where you can realistically meet these rising governance standards.

4. Let's Open the Floor

Circular 26/906 is a clear signal that Luxembourg wants high-quality, substance-heavy firms. Navigating these localised requirements is one of the toughest parts of scaling an EMI today.

We want to hear from you:

- How are you planning to bridge the gap between "Group" policies and these new LUX-specific mandates?
- Are you finding it harder to recruit the required "local" talent for these key roles?
- Does this change how you view Luxembourg as a hub compared to other EU jurisdictions?



Drop us an email or we could arrange our next community roundtable to dive deeper into these strategies



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Regulatory Status: The information contained in this document is correct as of April 30, 2026. Regulatory requirements, including CSSF, FCA and PSR rules, are subject to rapid change and all items discussed are based on current consultation papers and implementation timelines.

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