Newsletter

No 222 - July 2019

General Secretariat of the CSSF
283, route d'Arlon, L-1150 Luxembourg
Postal address: L-2991 Luxembourg
Tel.: (+352) 26 251-2560
Email: direction@cssf.lu
Website: www.cssf.lu

SUMMARY

WARNINGS

CSSF Warnings

Since the publication of the last Newsletter, the CSSF has published the following warnings:

- Warning concerning the website www.belair-house.co.uk
- Warning concerning the website www.placements-prives.com
- Warning regarding the activities of an entity named S&P Broker
- Warning concerning the website www.lfp-gestion.com
- Warning regarding the activities of an entity named SAP one

Warnings issued by other authorities

- 2 July 2019: Warnings published by the authorities of France (AMF), United Kingdom (FCA) and Belgium (FSMA) regarding the activities of an entity named International Markets Live.

Warnings published by IOSCO

Several warnings have been published on the IOSCO website at:
http://www.iosco.org/investor_protection/?subsection=investor_alerts_portal.

NATIONAL REGULATION

Circular CSSF 19/720 - Exemption from the contingency mechanism

The circular draws the attention of the persons concerned to the guidelines of the European Banking Authority on the conditions to benefit from an exemption from the contingency mechanism under Article 33(6) of Regulation (EU) 2018/389 (RTS on SCA and CSC) (EBA/GL/2018/07). The circular also provides instructions for the submission of an exemption request to the CSSF in line with the guidelines.

Circular CSSF 19/721 - Dematerialisation of requests to the CSSF

The purpose of the circular is to inform the entities listed in the circular of the implementation of the eDesk portal which must be used for some requests to the CSSF in accordance with the applicable legal and regulatory provisions.

Circular CSSF 19/722 - FATF statements

The circular informs the supervised persons and entities of the FATF statements issued during its Plenary of June 2019 concerning (i) jurisdictions whose anti-money laundering and combating the financing of terrorism regime has substantial and strategic deficiencies; (ii) jurisdictions whose anti-money laundering and combating the financing of terrorism regime requires the application of enhanced due diligence measures proportionate to the risks arising from these jurisdictions and (iii) jurisdictions whose anti-money laundering and combating the financing of terrorism regime is not satisfactory.

Circular CSSF-CPDI 19/17 - Survey on the amount of covered deposits

The aim of the circular is to request information on the deposits, in particular covered deposits, of all credit institutions incorporated under Luxembourg law, of POST Luxembourg for its provision of postal financial services and of the branches of credit institutions having their head office in a third country as at 30 June 2019.

CSSF Regulation N° 19-05 - Prohibition in relation to binary options

The CSSF regulation prohibits the marketing, distribution or sale of binary options to retail clients. For further details, please refer to Press release 19/25 of 26 June 2019.

CSSF Regulation N° 19-06 - Restriction in relation to contracts for differences

The CSSF regulation restricts the marketing, distribution or sale of contracts for differences to retail clients. For further details, please refer to Press release 19/26 of 26 June 2019.

CSSF Regulation N° 19-07 - Countercyclical buffer rate

CSSF regulation N° 19-07 on the setting of the countercyclical buffer rate for the third quarter of 2019 sets the countercyclical buffer rate applicable to the relevant exposures located in Luxembourg at 0.25% for the third quarter of 2019. The regulation was published in the Official Journal of the Grand Duchy of Luxembourg (Mémorial A No 448) and entered into force on 1 July 2019.

BANKING REGULATION AND SINGLE SUPERVISORY MECHANISM

Single Supervisory Mechanism (SSM) - European Central Bank (ECB)

Date	Publications	Description
07.06.2019	List of supervised entities (as of 2 May 2019)	The ECB has updated the list containing the name of each supervised entity and supervised group which is directly supervised by the ECB ("significant supervised entity" and "significant supervised group", as defined in Article 2, points (16) and (22) of the SSM Framework Regulation). It has also published the list of entities supervised by a national competent authority (NCA). In Luxembourg, the number of significant institutions at the highest level of consolidation that are directly supervised by the ECB has decreased from 6 to 5 institutions, and the number of less significant institutions has remained unchanged at 64 institutions. Actually, ABLV Bank Luxembourg has been removed from the list of significant institutions and added to the list of less significant institutions and The Bank of New York Mellon (International) Ltd., Luxembourg Branch has been closed.
14.06.2019	Decision (EU) 2019/976 of the ECB of 29 May 2019	Publication of Decision (EU) 2019/976 of the ECB of 29 May 2019 laying down the principles for defining objectives and sharing feedback in joint supervisory

		teams and repealing Decision (EU) 2017/274 (ECB/2019/14).
June 2019	Letters from the Chair of the Supervisory Board to members of the European Parliament	The ECB has released two letters from the Chair of the Supervisory Board to members of the European Parliament in response to written requests relating respectively to bank failures and non-performing loans.

Date	Interviews and speeches	Description
11.06.2019	Andrea Enria: Interview with Delo	Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, conducted by Miha Jenko.
14.06.2019	Andrea Enria: Non-performing loans in the euro area – where do we stand?	Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, at the Conference "EDIS, NPLs, Sovereign Debt and Safe Assets" organised by the Institute for Law and Finance in Frankfurt.
15.06.2019	Pentti Hakkarainen: The future of European banking	Panel intervention by Pentti Hakkarainen, Member of the Supervisory Board of the ECB, to Panel 1 "The Future of European and Global Banking" at the 25th Dubrovnik Economic Conference.
20.06.2019	Andrea Enria: Just a few bad apples? The importance of culture and governance for good banking	Speech by Andrea Enria, Chair of the Supervisory Board of the ECB, at a Conference of the Federation of International Banks in Dublin.
21.06.2019	Andrea Enria: Interview with RTE Morning Ireland	Interview with Andrea Enria, Chair of the Supervisory Board of the ECB, conducted by Petula Martyn.

European Parliament, European Commission and European Council

Date	Regulatory developments	Description
03.06.2019	Eurogroup published 4th monitoring report on risk reduction indicators, prepared by COM, the ECB and the SRB	The aim of the risk reduction monitoring report is to provide an updated assessment of how risks are evolving within the banking union. An overview of all quantitative indicators confirms that, on aggregate, and based on the available data, banks' capital and liquidity positions have improved steadily since the end of 2014 and remained largely stable since last year. Banks' overall leverage has also decreased since the end of 2014. Non-Performing Loans

		(NPLs) on banks' balance sheets have continued to decline.
05.06.2019	Commission Implementing Regulation (EU) 2019/912 of 28 May 2019	**CRD4**: Publication of Commission Implementing Regulation (EU) 2019/912 amending Implementing Regulation (EU) No 650/2014 laying down implementing technical standards with regard to the format, structure, contents list and annual publication date of the information to be disclosed by competent authorities in accordance with Directive 2013/36/EU of the European Parliament and of the Council.
07.06.2019	Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019	**CRR2**: Publication of Regulation (EU) 2019/876 of the European Parliament and of the Council **amending Regulation (EU) No 575/2013** as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, **and Regulation (EU) No 648/2012**.
07.06.2019	Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019	**CRD5**: Publication of Directive (EU) 2019/878 of the European Parliament and of the Council **amending Directive 2013/36/EU** as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.
07.06.2019	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019	**BRRD2**: Publication of Directive (EU) 2019/879 of the European Parliament and of the Council **amending Directive 2014/59/EU** as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.
12.06.2019	European Commission publishes 4th progress report on the reduction of NPLs	**Non-Performing Loans (NPLs)**: In its fourth progress report, the COM has confirmed that NPL levels are continuing their downward trajectory towards pre-crisis levels. The ratio of NPLs in EU banks has come down by more than half since 2014, declining to 3.3% in the third quarter of 2018 and down by 1.1 percentage points year-on-year.
21.06.2019	Commission Delegated Regulation (EU) 2019/1011 of 13 December 2018	**MiFID2**: Publication of Commission Delegated Regulation (EU) 2019/1011 amending Commission Delegated Regulation (EU) 2017/565 as regards certain registration conditions to promote the use of smaller and medium-sized enterprises (SME) growth markets for the purposes of Directive

		2014/65/EU of the European Parliament and of the Council.

European Banking Authority (EBA)

Date	Publications	Description
17.06.2019	EBA updates data on Deposit Guarantee Schemes across the EU	The EBA has published 2018 data relating to two key concepts in the **Deposit Guarantee Schemes Directive (DGSD)**: available financial means and covered deposits. The EBA publishes this data on a yearly basis to enhance the transparency and public accountability of deposit guarantee schemes (DGSs) across the EU.
21.06.2019	EBA publishes an Opinion on the elements of strong customer authentication under PSD2	The Opinion is a response to continued queries from market actors as to which authentication approaches the EBA considers to be compliant with **strong customer authentication (SCA)**. The Opinion also addresses concerns about the preparedness and compliance of some actors in the payments chain with the SCA requirements that apply as of 14 September 2019.
25.06.2019	EBA issues 2020 EU-wide stress test methodology for discussion	The EBA has published the 2020 **EU-wide stress test** draft methodology, templates and template guidance, which will be discussed with the industry. The 2020 exercise will assess EU banks' resilience to an adverse economic shock and inform the 2020 Supervisory Review and Evaluation Process (SREP). The preliminary list of institutions participating in the exercise and the timeline have also been released (see draft methodological note).

Date	Consultations	Description
19.06.2019	EBA consults on draft Guidelines on loan origination and monitoring	The EBA has launched a consultation on its draft **guidelines on loan origination and monitoring**. Learning from the elevated levels of non-performing exposures (NPEs) across the EU in recent years, the draft guidelines aim to ensure that institutions have robust and prudent standards for credit risk taking, management and monitoring, and that newly originated loans are of high credit quality. The consultation runs until **30 September 2019**.
27.06.2019	EBA publishes roadmap for new market and counterparty credit risk approaches and	The EBA has published its roadmap on the **new market and counterparty credit risk approaches** and launched a consultation on eleven draft Regulatory Technical Standards (RTS) on the new

	launches consultation on technical standards on IMA	Internal Model Approach (IMA) under the FRTB (Fundamental Review of the Trading Book) standards along with a data collection exercise on non-modellable risk factors. The consultation runs until **4 October 2019**.

Bank for International Settlement (BIS)

Date	Publication	Description
23.06.2019	BIS publishes report on opportunities and risks of big tech in finance	The BIS report's key takeaways are: (i) the entry of large technology firms ("big techs") into financial services holds the promise of efficiency gains and can enhance financial inclusion; (ii) regulators need to ensure a level playing field between big techs and banks, taking into account big techs' wide customer base, access to information and broad-ranging business models; (iii) big techs' entry presents new and complex trade-offs between financial stability, competition and data protection.

Basel Committee on Banking Supervision (BCBS)

Date	Publications	Description
20.06.2019	BCBS discusses policy and supervisory initiatives and approved implementation reports	The BCBS met in Basel on 19-20 June to discuss a range of policy and supervisory issues, such as the revision of the leverage ratio to allow margin received from a client to offset the exposure amounts of client-cleared derivatives, the set of disclosure requirements to curb leverage ratio window dressing, the report on Pillar 2 supervisory practices and approaches, and the work programme for evaluating the impact of its post-crisis reforms.
21.06.2019	BCBS publishes overview of Pillar 2 supervisory review practices and approaches	The report describes the key concepts of Pillar 2 and the different practices in use across Basel Committee member jurisdictions.
24.06.2019	BCBS publishes literature review on the costs and benefits of bank capital	As part of its work programme for evaluating the impact of its post-crisis reforms, the BCBS has published a working paper reviewing the literature on the costs and benefits of bank capital.
26.06.2019	BCBS finalises revisions to leverage ratio treatment of client cleared derivatives and	The BCBS has released a revised treatment of client cleared derivatives for purposes of the leverage ratio. The Basel Committee also issued a revision to the leverage ratio disclosure requirements with the

	disclosure requirements to address window-dressing	aim of reducing excessive volatility in banks' exposures around key reference dates.

Macroprudential fora
European Systemic Risk Board (ESRB)

Date	Publications	Description
04.06.2019	ESRB publishes report of its Advisory Scientific Committee on regulatory complexity	The Advisory Scientific Committee of the ESRB has published a report discussing how excessive regulatory complexity can contribute to systemic risk as well as possible ways to address the issue, in view of the existing significant complexity and uncertainty in the financial system.
17.06.2019	ESRB publishes report on Exchange-Traded Funds	The Advisory Scientific Committee of the ESRB has published a report presenting the main channels through which Exchange-Traded Funds (ETFs) have the potential to affect systemic risk. ETFs are hybrid investment vehicles that track an index or a basket of assets (typically referred to as "constituent securities") and are continuously traded on liquid secondary markets.
04.07.2019	ESRB publishes minutes of its General Board 34th regular meeting held on 27 June 2019	The General Board of the ESRB has highlighted financial market repricing, as well as balance sheet vulnerabilities of EU financial institutions and indebtedness, as the main risks to financial stability in the European Union in the context of a weaker economic growth outlook. The presence of uncertainties related to geopolitical factors and the rising threat of protectionism and vulnerabilities in emerging markets have led to deterioration in the growth outlook with downside risks looking ahead. This could further heighten vulnerabilities of EU financial institutions and challenge debt sustainability in the public and private sectors.

Countercyclical Capital Buffer (CCyB)

The list of applicable CCyB rates in EU/EEA countries is available on the website of the ESRB. The following countries have announced a CCyB rate different from 0%:

Country	CCyB rate	Application as from
Bulgaria	0.5%*	01/10/2019
	1%*	01/04/2020
Denmark	0.5%	31/03/2019
	1%*	30/09/2019
France	0.25%*	01/07/2019
	0.5%*	02/04/2020
Ireland	1%*	05/07/2019
Iceland	1.75%	15/05/2019
	2%*	01/02/2020
Lithuania	0.5%	31/12/2018
	1%*	30/06/2019
Luxembourg	0.25%*	01/01/2020
Norway	2%	31/12/2017
	2.5%*	31/12/2019
Czech Republic	1.25%	01/01/2019
	1.5%*	01/07/2019
	1.75%*	01/01/2020
	2%*	01/07/2020
Slovakia	1.25%	01/08/2018
	1.5%*	01/08/2019
Sweden	2%	19/03/2017
	2.5%*	19/09/2019
United Kingdom	1%	28/11/2018

Pending CCyB rates are followed by an asterisk (“*”).

The list of applicable CCyB rates in non-EU/EEA countries can be consulted on the website of the Bank of International Settlements.

The Financial Stability Board (FSB)

Date	Publications	Description
04.06.2019	FSB publishes report on market fragmentation	The FSB has published a report on market fragmentation and identified several areas for further work to address it. The report was delivered to G20 Finance Ministers and Central Bank Governors ahead of their meetings in Fukuoka, Japan on 8-9 June.
05.06.2019	FSB welcomes publication of 2019 status report by Task Force on Climate-related Financial Disclosures	The report provides an overview of the extent to which companies in their 2018 reports included information aligned with the core TCFD recommendations published in June 2017.
06.06.2019	FSB publishes report on implications of decentralised financial technologies	The report considers the financial stability, regulatory and governance implications of the use of decentralised financial technologies such as those involving distributed ledgers and online peer-to-peer, or user-matching, platforms. The report was delivered to G20 Finance Ministers and Central Bank Governors ahead of their meetings in Fukuoka, Japan on 8-9 June.
07.06.2019	FSB holds 2019 Roundtable on External Audit	The FSB has held the latest in a series of roundtables on External Audit in Toronto, Canada, on 6-7 June. The objective of the roundtable was to engage in constructive dialogue regarding ways to promote international financial stability by enhancing public confidence in auditors and the quality of audits, especially for systemically important financial institutions.
17.06.2019	FSB publishes compensation progress report	The FSB has published a progress report on the implementation of its principles and standards for sound compensation practices in financial institutions. The report assesses how compensation practices have evolved since the principles and standards were published in 2009.
25.06.2019	FSB Chair reports to G20 Leaders ahead of Osaka Summit	The FSB has published FSB Chair Randal K. Quarles' letter to G20 Leaders ahead of their Summit in Osaka, Japan on 28-29 June, together with a progress report on implementation of the G20 financial regulatory reforms. Key themes include: (i) addressing new and emerging vulnerabilities; (ii) harnessing the benefits of financial innovation while containing risks; (iii) completing implementation of the agreed reforms and ensuring that the reforms work as intended; (iv) promoting an integrated global financial system; (v) strengthening the FSB's outreach and accountability.

Date	Consultations	Description
03.06.2019	FSB publicly consults on resolution-related disclosures and on the operationalisation of bank recovery and resolution	The FSB has published for public consultation two discussion papers that consider measures to improve the resolvability of global systemically important banks (G-SIBs). Responses should be sent by **2 August 2019**.
07.06.2019	FSB publishes consultation on SME financing evaluation	The evaluation examines the effects of the post-crisis financial regulatory reforms on the small and medium-sized enterprise (SME) financing. As part of a broader FSB examination of the effects of the G20 regulatory reforms on financial intermediation, it is motivated by the need to better understand the effects of the reforms on the financing of real economic activity and their contribution to the G20 objective of strong, sustainable, balanced and inclusive economic growth. Responses should be sent by **7 August 2019**.

NEWS OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

Date	Publications	Description
03.06.2019	ESMA publishes a supervisory briefing on pre-trade transparency requirements in commodity derivatives	ESMA has published a Supervisory Briefing to ensure compliance with the MiFIR pre-trade transparency requirements in commodity derivatives.
03.06.2019	ESMA launches a Common Supervisory Action with NCAs on MiFID II appropriateness rules	ESMA is launching a common supervisory action (CSA) which participant national competent authorities (NCAs) will carry out simultaneously, in the second half of 2019.
03.06.2019	ESMA updates MiFID Q&As on transparency issues	ESMA has updated its Questions and Answers (Q&As) regarding transparency issues under the Market in Financial Instruments Directive (MiFID II) and Regulation (MiFIR).
04.06.2019	ESMA publishes updated AIFMD and UCITS Q&As	ESMA has published updated questions and answers documents (Q&A) on the application of the Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for the Collective Investment in Transferable Securities (UCITS) Directive.

05.06.2019	Translations of Guidelines on the application of C6 and C7 of Annex 1 of MiFID II	ESMA has issued the official translations of its Guidelines on the application of C6 and C7 of Annex 1 of MiFID II.
07.06.2019	ESMA integrates latest IFRS updates in its ESEF taxonomy	ESMA has published a draft amendment to the regulatory technical standards (RTS) on the European Single Electronic format (ESEF) to update the core taxonomy to be used for ESEF reporting.
07.06.2019	MIFID II: ESMA issues latest double volume cap data	ESMA has updated its public register with the latest set of double volume cap (DVC) data under MiFID II.
11.06.2019	ESMA to address regulatory concerns over Frequent Batch Auctions	ESMA has published its Final Report on Frequent batch auctions (FBAs). ESMA identified four main characteristics of FBA trading systems through its call for evidence and intends to issue supervisory guidance on pre-trade transparency and on the price determination process of FBAs. The Final Report also includes the feedback received to the call for evidence and presents an analysis of developments in equity trading.
12.06.2019	ESMA issues an additional five positive opinions on national product intervention measures	ESMA has issued five positive opinions on product intervention measures taken by the National Competent Authorities (NCAs) of the Czech Republic, Estonia and Slovakia. ESMA's opinion finds that the proposed measures are justified and proportionate and that it is necessary for NCAs of other Member States to take product intervention measures that are at least as stringent as ESMA's measures.
13.06.2019	ESMA updates register of derivatives to be traded on-venue under MiFIR	ESMA has updated the public register of those derivative contracts that are subject to the trading obligation under MiFIR.
14.06.2019	ESMA updates Q&A on emir data reporting	ESMA has issued an update of its Q&A on practical questions regarding the European Markets Infrastructure Regulation (EMIR).
17.06.2019	ESMA publishes 2018 annual report	ESMA has published its Annual Report, which reviews its achievements against its 2018 priorities and objectives in meeting its mission of enhancing investor protection and promoting stable and orderly financial markets in the European Union.
17.06.2019	ESMA issues positive opinions on product intervention	ESMA has issued eight positive opinions on product intervention measures taken by the National Competent Authorities (NCAs) of Italy, Portugal, Ireland and Luxembourg. ESMA's opinion finds that

	measures by Ireland, Italy, Luxembourg and Portugal	the proposed measures are justified and proportionate and that it is necessary for NCAs of other Member States to take product intervention measures that are at least as stringent as ESMA's measures.
18.06.2019	CSDR Q&As	ESMA has updated its Questions and Answers (Q&As) regarding the implementation of the Central Securities Depository Regulation (CSDR).
19.06.2019	Translations of Guidelines on non-significant benchmarks	ESMA has issued the official translations of its Guidelines on non-significant benchmarks under the Benchmarks Regulation.
20.06.2019	ESMA announces hearing on SFTR reporting	ESMA will hold an open hearing on its consultation paper published on 27 May 2019 on draft Guidelines for the reporting under the Securities Financing Transactions Regulation (SFTR).
20.06.2019	ESMA agrees position limits under MiFID II	ESMA has published three opinions on position limits regarding commodity derivatives under MiFID II/MIFIR.
21.06.2019	MiFID II: ESMA makes available updated results of the annual transparency calculations for equity and equity-like instruments	ESMA has made available updated results of the annual transparency calculations for equity and equity-like instruments.
24.06.2019	ESMA consults on short-termism in financial markets	ESMA has published a questionnaire which aims to gather evidence on potential short-term pressures on corporations stemming from the financial sector. Please refer also to Press release 19/23 of 25 June 2019 available below.
26.06.2019	ESMA issues opinions on product intervention measures by Germany, Spain, Bulgaria, Denmark, Latvia and Greece	ESMA has issued eight positive opinions on product intervention measures taken by the National Competent Authorities (NCAs) of Germany, Spain, Bulgaria, Denmark, Latvia and Greece. ESMA's opinion finds that the proposed measures are justified and proportionate and that it is necessary for NCAs of other Member States to take product intervention measures that are at least as stringent as ESMA's measures.

COMMUNIQUES

ESMA consults on short-termism in financial markets

Press release 19/23 of 25 June 2019

The CSSF informs investors, issuers, UCITS management companies, self-managed UCITS investment companies, AIFMs and the trade associations of financial market participants that the European Securities and Markets Authority (ESMA) has published a questionnaire which aims to gather evidence on potential undue short-term pressures on corporations stemming from the financial sector.

Please find below a link to the survey and an explanatory note providing background information and definitions for each section of the questionnaire as well as useful technical instructions:

https://ec.europa.eu/eusurvey/runner/ESMA-SUS-2019

The questionnaire will be open for five weeks, closing on 29 July 2019.

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Withdrawal from trading and listing on the Luxembourg Stock Exchange of the shares (ISIN LU0982016452) issued by R Fintech Capital S.A.

Press release 19/24 of 26 June 2019

This press release follows “Press release 18/31” published by the CSSF on 3 October 2018 in relation to the suspension from trading of the shares of R Fintech Capital S.A. (formerly known as Touchstone Capital Group S.A. and ZAI Capital Group S.A.; hereinafter the “**Company**”) (ISIN: LU0982016452; the “**Shares**”) on the regulated market of the Luxembourg Stock Exchange.

The CSSF has decided to request the withdrawal of the Shares from trading on the regulated market of the Luxembourg Stock Exchange and from listing on its official list pursuant to Article 22(2) e) of the Law of 11 January 2008 on transparency requirements for issuers (the “**Transparency Law**”) and Article 45(2) 14 of the Law of 30 May 2018 on markets in financial instruments (the “**MiFID Law**”).

The CSSF has taken this decision as a result of the repeated and continued infringements of the Transparency Law by the Company and in order to protect the investors’ interests and to maintain the integrity of the market. The Company has more particularly not complied with its disclosure obligations as regards its financial reports (Articles 3 and 4 of the Transparency Law) and the changes in the major holdings affecting its share capital and voting rights (Articles 8, 9 and 11 of the Transparency Law). The CSSF has further taken into consideration the structural and recurrent operational difficulties of the Company to comply with its legal obligations under the applicable Luxembourg securities laws.

The aforementioned CSSF’s decision is made public in accordance with Article 45(2) 17 and Article 49(1) of the MiFID Law.

It should be noted that the CSSF’s decision is final. It may, however, be challenged before the Luxembourg administrative courts within a period of three months in accordance with the applicable provisions of Luxembourg law.

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Adoption of CSSF Regulation N° 19-05 on binary options

Press release 19/25 of 26 June 2019

The CSSF adopted today CSSF Regulation N° 19-05 of 26 June 2019 that prohibits all firms acting in or from Luxembourg from marketing, distributing or selling binary options to retail clients from 1 July 2019.

The CSSF's rules are in substance the same as the European Securities and Markets Authority's (ESMA) existing EU-wide temporary restrictions on binary options.

The CSSF confirms that all conditions under Article 42 paragraph 2 of Regulation (EU) No 600/2014 on markets in financial instruments are fulfilled. In particular, the CSSF shares the reasoning provided in ESMA's measure on the existence of significant investor protection concerns.

ESMA's opinion (https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1991-_esma_opinion_under_article_432_mifir_lu_bo.pdf) on the proposed product intervention measures relating to binary options provides further details on the measures contained in CSSF Regulation N° 19-05.

The CSSF's rules are permanent and come into force on the 1 July 2019.

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Publication of CSSF Regulation N° 19-06 on contracts for differences

Press release 19/26 of 26 June 2019

The CSSF adopted today CSSF Regulation N° 19-06 of 26 June 2019 that restricts under certain conditions all firms acting in or from Luxembourg to market, distribute or sell contracts for differences (CFDs) to retail clients from 1 August 2019.

The CSSF's rules are in substance the same as the European Securities and Markets Authority's (ESMA) existing EUwide temporary restrictions on CFDs.

The CSSF confirms that all conditions under Article 42, paragraph 2, of Regulation (EU) No 600/2014 on markets in financial instruments are fulfilled. In particular, the CSSF shares the reasoning provided in ESMA's measure on the existence of significant investor protection concerns.

ESMA's opinion (https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1992-_esma_opinion_under_article_432_mifir_lu_cfd.pdfhttps://www.esma.europa.eu/sites/default/files/library/esma-35-43-1992-_esma_opinion_under_article_432_mifir_lu_cfd.pdf) on the proposed product intervention measures relating to CFDs provides further details on the measures contained in CSSF Regulation N° 19-06.

The CSSF's rules are permanent and come into force on the 1 August 2019.

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Communication regarding the EMIR interactive form for the notifications by financial counterparties and non-financial counterparties exceeding the clearing threshold

Press release 19/27 of 27 June 2019

In order to simplify the notifications by financial counterparties and non-financial counterparties exceeding the clearing threshold that need to be provided to the CSSF in accordance with Article 4a and 10 of Regulation (EU) No 648/2012 (hereafter "EMIR") as amended by Regulation (EU) 2019/834 (hereafter "EMIR REFIT"), a dedicated interactive form has been developed by the CSSF.

Starting from **27 June 2019**, all new notifications will have to be provided using the interactive form available on the CSSF website https://emirctn.apps.cssf.lu/.

Financial counterparties and non-financial counterparties having already provided their notifications to the CSSF via email prior to 27 June 2019 are not required to resubmit the notification using the interactive form, except if in the meantime the information is no longer up to date.

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Communication regarding PRIIPs assessment

Press release 19/28 of 1 July 2019

Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products ("PRIIPs") (hereinafter "Regulation 1286/2014") has been in application since 1 January 2018.

Regulation 1286/2014 lays down uniform rules on the format and content of the key information document ("KID") to be drawn up by PRIIP manufacturers and on the provision of the KID to retail investors by PRIIP manufacturers and those selling, or advising on, those products.

As securities or partnership interests issued by Luxembourg regulated investment funds are likely to qualify as PRIIPs, the CSSF would like to obtain an overview of the impact of Regulation 1286/2014 on Luxembourg-regulated investment funds.

The CSSF therefore requires all SIFs, Part II UCIs and SICARs to complete an online assessment available on the eDesk portal as specified in Circular CSSF 19/721 - Dematerialisation of requests to the CSSF.

All information related to user account creation and authentication are detailed on the eDesk portal available at https://www.cssf.lu/edesk.

The CSSF requires completion of the online assessment by 31 October 2019 at the latest.

This assessment replaces the previously published document entitled "Self-assessment confirmation on exclusive professional investor status for the purposes of Regulation EU No 1286/2014 on PRIIPs". SIFs, Part II UCIs and SICARs which have already provided the CSSF with the previously published self-assessment are not exempted from this requirement to send the new document, duly completed, to the CSSF as the new document contains further questions about various issues.

Please note that access to the online assessment will initially be limited to central administrations. Access rights will be given to Management Companies by the end of July 2019 and to other entities/persons at a later stage.

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Dissolution and judicial liquidation: ABLV Bank Luxembourg S.A. - Appointment of liquidators

Press release 19/29 of 2 July 2019

In accordance with point (1) of Article 129(1) of the Law of 18 December 2015 on the failure of credit institutions and certain investment firms, the Luxembourg *Tribunal d'arrondissement* (District Court) dealing with commercial matters, ordered, on 2 July 2019, the dissolution and winding up of the credit institution incorporated under Luxembourg law ABLV Bank Luxembourg S.A.

This winding up follows the suspension of payments of ABLV Bank Luxembourg since 19 February 2018.

In the same judgement, the Luxembourg *Tribunal d'Arrondissement* (District Court) has appointed Me Alain RUKAVINA, attorney-at-law (*avocat à la Cour*), and the *société à responsabilité limitée* (limited liability company), DELOITTE Tax & Consulting SARL, represented by Mr Eric COLLARD, as liquidators and Ms Nadine WALCH, vice-president of the Luxembourg *Tribunal d'Arrondissement* (District Court), as official receiver (*juge-commissaire*).

In accordance with Article 129(7) of the Law of 18 December 2015 on the failure of credit institutions and certain investment firms, this judgement has also determined the winding up method regarding the institution.

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Global situation of undertakings for collective investment at the end of May 2019

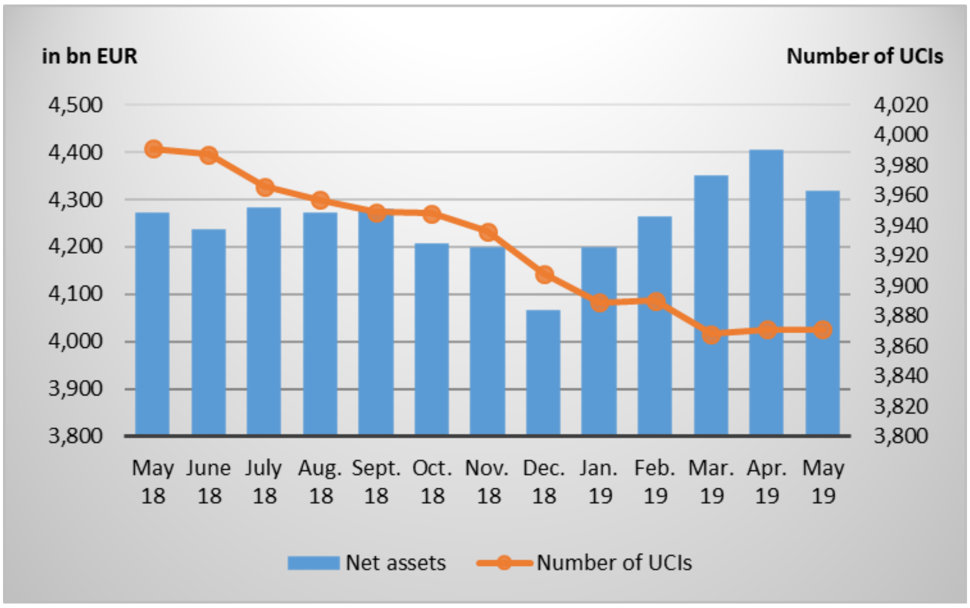
Press release 19/30 of 3 July 2019

I. Overall situation

As at 31 May 2019, total net assets of undertakings for collective investment, including UCIs subject to the 2010 Law, specialised investment funds and SICARs, amounted to EUR 4,317.970 billion compared to EUR 4,404.936 billion as at 30 April 2019, i.e. a 1.97% decrease over one month. Over the last twelve months, the volume of net assets rose by 1.10%.

The Luxembourg UCI industry thus registered a negative variation amounting to EUR 86.966 billion during the month of May. This decrease represents the sum of negative net issues of EUR 4.048 billion (-0.09%) and the negative development in financial markets amounting to EUR 82.918 billion (-1.88%).

The development of undertakings for collective investment is as follows:



The number of undertakings for collective investment (UCIs) taken into consideration totalled 3,871 as against 3,871 in the previous month. A total of 2,517 entities adopted an umbrella structure, which represented 13,548 sub-funds. When adding the 1,354 entities with a traditional structure to that figure, a total of 14,902 fund units were active in the financial centre.

As regards, on the one hand, the impact of financial markets on the main categories of undertakings for collective investment and, on the other hand, the net capital investment in these UCIs, the following can be said about May.

The trade tensions between China and the United States and the signs of the global growth slowdown overshadowed the financial markets, resulting in falling prices for almost all equity UCI categories.

As regards developed countries, the category of European equity UCIs also recorded a negative performance in a context of mitigated macroeconomic figures in the euro area, the risk of a no-deal Brexit and the threat of US customs duties on the European automotive industry. In light of the risks related to Sino-American trade tensions and signs of growth slowdown in the United States, the category of US equity UCIs also ended the month in negative territory. The trade tensions, the mitigated leading indicators in Japan and the appreciation of the JPY in its quality as 'safe haven', explain the losses registered in the Japanese equity UCIs.

As regards emerging countries, Sino-American trade tensions led to an overall fall in prices of the categories of Asian and Latin American equity UCIs. The positive development on the Russian stock exchange has, more or less, offset the negative performance of other Eastern European stock exchanges, so that the category of Eastern European equity UCIs remained almost unchanged.

In May, equity UCI categories registered an overall negative net capital investment.

Development of equity UCIs during the month of May 2019*

	Market variation in %	Net issues in %
Global market equities	-4.17%	-0.12%
European equities	-4.62%	-1.54%
US equities	-5.28%	-1.36%
Japanese equities	-4.38%	-2.07%
Eastern European equities	0.03%	-2.93%
Asian equities	-6.26%	-2.32%
Latin American equities	-0.55%	-0.40%
Other equities	-5.03%	-1.13%

** Variation in % of Net Assets in EUR as compared to the previous month*

As regards the bond markets of developed countries, the government bond yields of high-rated countries, in view of their status of 'safe haven', decreased on both sides of the Atlantic as a result mainly of uncertainties with respect to international trade and signs of a global growth slowdown, whereas risk premiums of corporate bonds increased. All in all, the EUR-denominated and USD-denominated bond UCIs ended the month in positive territory.

As for emerging markets, the category of emerging market bond UCIs stagnated during the month under review, due to a drop in yields of some segments of the emerging countries, on the one hand, and trade tensions and the depreciation of the main emerging currencies, on the other.

In May, fixed-income UCIs registered an overall positive net capital investment.

Development of fixed-income UCIs during the month of May 2019*

	Market variation in %	Net issues in %
EUR money market	-0.04%	2.36%
USD money market	0.66%	-1.03%
Global market money market	-1.40%	1.86%
EUR-denominated bonds	0.36%	1.16%
USD-denominated bonds	1.25%	0.47%
Global market bonds	0.09%	1.51%
Emerging market bonds	0.04%	-1.83%
High Yield bonds	-0.96%	-0.64%
Others	0.00%	1.72%

** Variation in % of Net Assets in EUR as compared to the previous month*

The development of net assets of diversified Luxembourg UCIs and of funds of funds is illustrated in the table below:

Development of diversified UCIs and funds of funds during the month of May 2019*

	Market variation in %	Net issues in %
Diversified UCIs	-2.00%	-0.35%
Funds of funds	-1.59%	0.14%

** Variation in % of Net Assets in EUR as compared to the previous month*

II. Breakdown of the number and net assets of UCIs

	PART I UCITS		PART II UCIs		SIFs		SUB-TOTAL (without SICARs)		SICARs		TOTAL	
	NUMBER	NET ASSETS (in bn €)	NUMBER	NET ASSETS (in bn €)	NUMBER	NET ASSETS (in bn €)	NUMBER	NET ASSETS (in bn €)	NUMBER	NET ASSETS (in bn €)	NUMBER	NET ASSETS (in bn €)
31/12/2016	1,869	3,116.104 €	353	160.578 €	1,639	424.394 €	3,861	3,701.076 €	283	40.254 €	4,144	3,741.330 €
31/01/2017	1,869	3,138.701 €	351	160.967 €	1,623	427.236 €	3,843	3,726.904 €	283	40.483 €	4,126	3,767.387 €
28/02/2017	1,880	3,217.837 €	351	164.858 €	1,617	436.203 €	3,848	3,818.898 €	282	41.419 €	4,130	3,860.317 €
31/03/2017	1,895	3,257.773 €	346	165.780 €	1,618	440.288 €	3,859	3,863.841 €	280	42.186 €	4,139	3,906.027 €
30/04/2017	1,892	3,286.525 €	342	164.471 €	1,613	444.874 €	3,847	3,895.870 €	282	42.037 €	4,129	3,937.907 €
31/05/2017	1,895	3,297.803 €	342	162.813 €	1,620	453.326 €	3,857	3,913.943 €	285	42.923 €	4,142	3,956.366 €
30/06/2017	1,887	3,288.338 €	338	160.634 €	1,618	451.703 €	3,843	3,900.675 €	287	42.923 €	4,130	3,943.598 €
31/07/2017	1,885	3,307.103 €	338	159.097 €	1,619	448.554 €	3,842	3,914.754 €	291	42.827 €	4,133	3,957.581 €
31/08/2017	1,876	3,328.865 €	337	156.448 €	1,615	458.911 €	3,828	3,944.224 €	290	43.104 €	4,118	3,987.328 €
30/09/2017	1,880	3,380.943 €	332	154.308 €	1,608	459.079 €	3,820	3,994.330 €	290	42.810 €	4,110	4,037.140 €
31/10/2017	1,871	3,470.456 €	325	155.929 €	1,612	466.213 €	3,808	4,092.598 €	290	43.097 €	4,098	4,135.695 €
30/11/2017	1,864	3,469.422 €	325	155.343 €	1,591	465.954 €	3,780	4,090.719 €	288	45.080 €	4,068	4,135.799 €
31/12/2017	1,859	3,486.445 €	323	154.189 €	1,576	472.415 €	3,758	4,113.049 €	286	46.565 €	4,044	4,159.614 €
31/01/2018	1,852	3,539.403 €	320	155.272 €	1,573	473.290 €	3,745	4,167.965 €	285	46.065 €	4,030	4,214.030 €
28/02/2018	1,854	3,513.980 €	316	152.309 €	1,560	475.916 €	3,730	4,142.205 €	284	45.118 €	4,014	4,187.323 €
31/03/2018	1,846	3,473.243 €	314	150.078 €	1,552	480.516 €	3,712	4,103.837 €	284	45.061 €	3,996	4,148.898 €
30/04/2018	1,843	3,549.467 €	309	146.350 €	1,554	485.963 €	3,706	4,181.780 €	284	45.752 €	3,990	4,227.532 €
31/05/2018	1,842	3,581.805 €	307	149.109 €	1,558	492.594 €	3,707	4,223.508 €	284	47.517 €	3,991	4,271.025 €
30/06/2018	1,843	3,541.974 €	304	147.522 €	1,557	497.610 €	3,704	4,187.106 €	283	49.976 €	3,987	4,237.082 €
31/07/2018	1,841	3,582.463 €	301	147.933 €	1,545	501.062 €	3,687	4,231.458 €	279	51.006 €	3,966	4,282.464 €
31/08/2018	1,835	3,569.217 €	298	147.147 €	1,547	505.174 €	3,680	4,221.538 €	277	50.850 €	3,957	4,272.388 €
30/09/2018	1,829	3,574.040 €	296	147.628 €	1,548	506.883 €	3,673	4,228.551 €	276	51.211 €	3,949	4,279.762 €
31/10/2018	1,831	3,496.913 €	295	144.373 €	1,547	512.693 €	3,673	4,153.979 €	275	53.325 €	3,948	4,207.304 €
30/11/2018	1,822	3,481.710 €	296	143.169 €	1,542	513.821 €	3,660	4,138.700 €	276	53.632 €	3,936	4,192.332 €
31/12/2018	1,810	3,360.468 €	295	134.463 €	1,529	514.185 €	3,634	4,009.116 €	274	55.528 €	3,908	4,064.644 €
31/01/2019	1,806	3,486.240 €	292	136.557 €	1,519	521.731 €	3,617	4,144.528 €	272	55.195 €	3,889	4,199.723 €
28/02/2019	1,809	3,542.800 €	293	138.280 €	1,517	527.161 €	3,619	4,208.241 €	271	54.413 €	3,890	4,262.654 €
31/03/2019	1,805	3,613.235 €	291	139.963 €	1,503	540.532 €	3,599	4,293.730 €	269	56.719 €	3,868	4,350.449 €
30/04/2019	1,806	3,658.046 €	291	140.918 €	1,506	548.744 €	3,603	4,347.708 €	268	57.228 €	3,871	4,404.936 €
31/05/2019	1,812	3,569.113 €	290	139.489 €	1,504	551.476 €	3,606	4,260.078 €	265	57.892 €	3,871	4,317.970 €

During the month under review, the following 14 undertakings for collective investment have been registered on the official list:

1) UCITS Part I 2010 Law:

- AIA INVESTMENT FUNDS, 16, boulevard d'Avranches, L-1160 Luxembourg
- BANKIA AM INTERNATIONAL FUNDS SICAV, 2-4, rue Eugène Ruppert, L-2453 Luxembourg
- CENTRICA, 5, rue Jean Monnet, L-2180 Luxembourg
- CONVERGENCE LUX, 106, route d'Arlon, L-8210 Mamer
- DAIWA GLOBAL FUNDS, 106, route d'Arlon, L-8210 Mamer
- DEUTSCHE AKTIEN SYSTEMATIC INVEST, 1C, rue Gabriel Lippmann, L-5365 Munsbach
- DWS CONCEPT DJE RESPONSIBLE INVEST, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- KYRON UCITS SICAV, 5, allée Scheffer, L-2520 Luxembourg
- STOREBRAND SICAV, 6, rue Lou Hemmer, L-1748 Senningerberg
- WORLD IMPACT SICAV, 44, rue de la Vallée, L-2661 Luxembourg

2) UCIs Part II 2010 Law:

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3) SIFs:

- AZ ESKATOS, 35, avenue Monterey, L-2163 Luxembourg
- HINES EUROPEAN REAL ESTATE OPPORTUNITIES MUTUAL FUND FCP SIF, 35F, avenue J-F Kennedy, L-1855 Luxembourg
- HORIZON FUND, 28-32, place de la Gare, L-1616 Luxembourg
- INSTITUTIONAL SOLUTIONS FUND FCP-SIF, 8, avenue de la Liberté, L-1930 Luxembourg

4) SICARs:

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The following 14 undertakings for collective investment have been deregistered from the official list during the month under review:

1) UCITS Part I 2010 Law:

- C WORLDWIDE GROWTH, 1, rue Schiller, L-2519 Luxembourg
- CAPITAL INTERNATIONAL PORTFOLIOS, 6C, route de Trèves, L-2633 Senningerberg
- TRENDCONCEPT FUND MULTI ASSET ALLOCATOR, 1C, rue Gabriel Lippmann, L-5365 Munsbach
- UNIEURORENTA CORPORATES DEUTSCHLAND 2019, 308, route d'Esch, L-1471 Luxembourg

2) UCIs Part II 2010 Law:

- PERMAL MULTI-MANAGER FUNDS (LUX), 20, rue de la Poste, L-2346 Luxembourg

3) SIFs:

- AQUILA GAM FUND S.A., 5, Heienhaff, L-1736 Senningerberg
- DMC FUND FCP SIF, 15, rue du Fort Bourbon, L-1249 Luxembourg
- EUROPEAN REAL ESTATE OPPORTUNITIES FUND, 15, boulevard Friedrich Wilhelm Raiffeisen, L-2411 Luxembourg
- PRADERA CENTRAL & EASTERN FUND, 11-13, boulevard de la Foire, L-1528 Luxembourg
- SATURNE SICAV, 12, rue Eugène Ruppert, L-2453 Luxembourg
- WMC GEM SYSTEMATIC EQUITY FUND, 287-289, route d'Arlon, L-1150 Luxembourg
- **SICARs:**
- EDMOND DE ROTHSCHILD PRIVATE EQUITY CHINA S.C.A., SICAR, 20, boulevard Emmanuel Servais, L-2535 Luxembourg
- ORLANDO ITALY SPECIAL SITUATIONS SICAR (SCA), 16, rue Jean l'Aveugle, L-1148 Luxembourg
- TRILANTIC CAPITAL PARTNERS IV (EUROPE) S.C.A., SICAR, 20, rue de la Poste, L-2346 Luxembourg

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Presentation of the CSSF Annual Report 2018

Press release 19/31 of 4 July 2019

In response to the developments in the financial sector, the Commission de Surveillance du Secteur Financier (CSSF) continues to work for the protection of consumers and investors and the resilience of the Luxembourg financial sector as well as its compliance with the laws and regulations. On the occasion of the publication of its 2018 Annual Report, the Executive Committee revealed key figures of the financial centre, as well as major events that marked the different areas of supervision over the past year. The directors of the CSSF also spoke about the challenges that their teams faced and the initiatives and means implemented to meet these challenges. Finally, this event was the opportunity to discuss the future of prudential supervision in the context of a changing industry.

A healthy financial sector

As regards the **banking sector**, the CSSF highlights the good quality of assets, the strong capitalisation of the supervised institutions and an appropriate liquidity situation. Even though the banking sector recorded a sustained activity – the balance sheet increased by 3% in 2018 compared to the previous year – some significant trends appeared. The number of banks dropped marginally (-4 entities). An increasing number of banks change into branches, a trend which should continue in the coming years. Their net result slightly decreased by 3.2%. This loss in **profitability** is linked to the ongoing rise in general expenses, as a result of the need for significant technological investments, on the one hand, and greater regulatory pressure with which the banks must comply, on the other.

A similar situation was observed with respect to the other players of the financial centre, in particular investment funds, PFS and payment or electronic money institutions. The profitability of the supervised entities remains, thus, one of the main focus points for the CSSF.

In the field of **investment funds**, Luxembourg secured its leadership at European level with respect to UCITS. This sector remains a mainstay of the Luxembourg economy. The number of authorised management companies of investment funds rose from 306 in 2017 to 314 in 2018. The total number of undertakings for collective investment registered on the official list slightly fell to 3,908, whereas the number of sub-funds slightly increased to 14,898. The total net assets of Luxembourg UCIs dropped by 2.3% to EUR 4,065 billion at the end of 2018 compared to 2017, due to a negative market effect which was greater than the positive inflow of new capital.

Positive results were also recorded for **payment institutions**, the number of which grew by one entity and the balance sheet of which by 37.65% to EUR 819 million. Similarly, the number of **electronic money institutions** increased by one entity and the balance sheet by 40.65% to EUR 1.3 billion. +40.65 % à EUR 1.3 milliards).

The CSSF: between continuity and constant adaptations

The CSSF continued to pay particular attention to the **resilience of the financial system**, compliance with the laws and regulations in force and governance issues. Claude Wampach, Director, in charge of banking supervision points out: "*As regards financial stability, one of our focal points remains the situation of the real estate market in Luxembourg*". In view of the sharp rise in prices of real estate in the Grand Duchy (+9.3% in 2018) and the lower standards for granting credits, the household debt is on the rise. For Claude Wampach, "*The role of the CSSF as the macroprudential authority is to ensure, together with its partners within the Systemic Risk Board, that this risk is contained*".

The CSSF continues to be particularly watchful towards the **non-compliance** risk and the related legal and reputational risks. The number of off-site inspections, i.e. the controls carried out based on standardised data submitted by the supervised entities, as well as on-site controls (carried out at the premises) was enhanced. These controls revealed that non-compliance is mainly linked to the absence of appropriate governance or of a clear definition of risk appetite by the board of directors and the management's failure to implement the principles of governance, as well as to internal control and compliance functions which are inappropriate or sometimes too dependent on the management.

As regards **governance**, 2018 was also marked by the publication of Circular CSSF 18/698 on the authorisation and organisation of Luxembourg investment fund managers. The text also includes specific provisions with respect to the fight against money laundering and terrorist financing. Marco Zwick, Director, in charge of the supervision of the investment fund industry and specialised professionals of the financial sector, stresses: "*This circular represents a major step forward, in the sense that it codifies the CSSF's administrative practices, compiles the rules in force for the whole investment fund industry and allows Luxembourg to stay ahead of other European countries. Thus, the text was welcomed by the players of the financial centre*".

The fast and ongoing development of technology creates **new types of services** impacting all the activities of the financial sector, as well as more complex operational models. Françoise Kauthen, member of the Executive Committee, explains: "*On the one hand, we observe that these trends expose the traditional players to new threats, like rising cybercrime. On the other hand, we notice that the risks related to these models also include known conventional hazards, like money laundering*". The increasing use of technology by the supervised entities, about 260 requests for advice or authorisation of off-site IT projects were dealt with, in addition to the growing number of on-site inspections. Considering these figures, the CSSF focusses more on material IT systems according to a risk-based approach. Knowledge sharing and dialogue with new players allow further understanding of IT risks. Thus, the CSSF shared its considerations on the use of artificial intelligence in a white paper.

With respect to **cryptoassets**, the CSSF intends to continue and accelerate its reflection process regarding the regulation of some players concerned. It has three objectives: protect consumers, in particular, from risks inherent to IT system security, allow new players to provide services in an adapted and clear regulatory framework and anticipate new FATF recommendations.

"new ways of working"

In order to assist the financial sector in a context of growing regulatory requirements, as well as products and services which are more and more innovative and complex, the CSSF **increased its staff** and launched an important reflection on the modernisation of its work methods. Almost 200 agents were recruited these last two years. The staff number reached 845 as at 31 December 2018.

The use of the **latest generation of technological tools** has been extended in keeping with the implementation of the CSSF 4.0 strategy. They will allow the CSSF to reproduce proactively, via a portal, information that the supervised entities can update. Moreover, the application of control algorithms will enhance the granular update of risks reported via the regular reporting already in place. Finally, the CSSF envisages to apply machine learning methods to the authorisation process.

In the framework of the **review of the organisation of its work and collaboration methods**, the CSSF applies, among others, the Lean Management methodology in order to optimise its internal organisational processes, such as the interaction with the financial centre. Jean-Pierre Faber, member of the Executive Committee and in charge, among others, of the realisation of these projects, states: "*The Moonlight building, an extension of our head office, inaugurated after the press conference, is already the forerunner of the CSSF's 'new ways of working'*".

A challenge: the dual digital and ecological transition

Claude Marx, Director General of the CSSF, highlights: "*With respect to digitalisation, there are two certainties: The first is that there will be a deep transformation in the business areas of the Luxembourg financial sector. The second is that computers will not replace human beings.*" Human intelligence will have to control artificial intelligence and not the opposite. The clients of financial institutions, as well as the regulator, will never fully trust robotics. But, we should not fear **digitalisation**. On the contrary, if used intelligently, it will contribute to build a financial system that is more efficient, cheaper, less vulnerable and more inclusive. "*However, the digital transition will also lead to changes of some employee profiles necessary for the financial centre, and not all existing profiles will be converted into professions of tomorrow. Consequently, there will be, at first, a negative impact on employment in the financial sector which is and will remain one of the driving forces of the Luxembourg economy in the coming years*". Another collateral impact of digitalisation will be the decrease in tax revenue generated by the financial sector which will have to be offset by other income sources.

Ecological transformation has become urgent due to climate change and the environmental damage which must be quickly thwarted. This transformation must be part of the realisation of the COP21 goals, on the one hand, and the 17 UN Sustainable Development Goals, on the other. In March 2018, the European Commission presented an ambitious strategy regarding sustainable finance. According to Claude Marx: "*The transition to a low-carbon economy cannot be achieved without private sector financing*". The relevant roadmap includes a unified classification system for 'sustainable' investments, EU labels, the obligation for asset managers and institutional investors to take into account sustainability in the investment process, the integration of sustainability in the prudential requirements and the disclosure of non-financial information on climate. He concluded: "*The Grand Duchy, with some EUR 4,500 billion of assets under management, should aspire to have at least 10% of these assets invested in short-term sustainable investments and become the leader in this area*".

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Profit and loss account of credit institutions as at 31 March 2019

Press release 19/32 of 11 July 2019

The CSSF estimates profit before provisions of the Luxembourg banking sector at EUR 1,012.7 million for the first quarter of 2019. Compared to the previous year, profit before provisions thus significantly dropped by 20.8%.

The deterioration in banks' profitability found its origins at the level of income (-2.6%) and fees (+11.4%).

As regards income, net interest income fell by 4.4%. Not taking into account the negative impact linked to a bank's portfolio restructuring, net interest income significantly increased. This increase, experienced by 57% of banks, results from the growth in business volume and the improvement in the average return on assets. Despite the positive development of businesses related to asset management and custody on behalf of private and institutional customers, **net fee and commission income** slightly decreased (-1.3%).

General expenses continued their steep rise (+11.4%). This rise is linked to **other general expenses** (+11.7%) as well as to **staff costs** (+11.0%).

The sustained increase of general expenses was the main reason for the negative development of profit before provisions in most of the credit institutions. Consequently, the banks' profitability deteriorated year-on-year, as evidenced by the cost-to-income ratio which rose from 57% to 65% at the end of the first quarter of 2019.

Profit and loss account as at 31 March 2019

Items in million EUR	*March 2018*	*March 2019*	*Variation in %*
Net interest income	1,336.5	1,277.8	-4.4%
Net fee and commission income	1,333.0	1,315.9	-1.3%
Other net income[1]	280.6	280.3	-0.1%
Banking income	**2,950.1**	**2,874.0**	**-2.6%**
Staff costs	812.8	902.5	11.0%
Other general expenses	858.8	958.8	11.7%
General expenses	**1,671.6**	**1,861.3**	**11.4%**
Profit before provisions	*1,278.5*	*1,012.7*	*-20.8%*

[1] Including dividends received.

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Mandatory notification for UK firms in the context of Brexit

Press release 19/33 of 15 July 2019

Following the press release 19/18 regarding the publication of the laws of 8 April 2019 on Brexit (the "**Brexit Laws**"), the CSSF would like to remind that firms that are currently authorised under CRD, MiFID II, PSD 2 or EMD in the UK ("**UK firms**") will be considered as "third-country firms" and will lose the benefit from their existing passporting rights under the relevant EU Directives from the date the UK leaves the EU without concluding a withdrawal agreement based on Article 50(2) of the Treaty on European Union ("**hard Brexit**"). The CSSF would like to stress that the provision of regulated services in Luxembourg without a proper authorisation is illegal and thus subject to sanctions.

UK firms should by now have taken the necessary steps to prepare and anticipate the consequences of a possible hard Brexit.

UK firms that intend to continue their business and conclude **new contracts** in Luxembourg following a hard Brexit are required to submit an application for an authorisation to the CSSF **as soon as possible**. UK firms should be mindful that the granting of an authorisation can take up to 12 months following the reception of a complete application file and that UK firms that have not received the necessary authorisation are required to cease all business as of the date of a hard Brexit.

With respect to **existing activities**, to ensure the orderly functioning and the stability of the financial markets or the protection of depositors, investors and consumers, the Brexit laws empower the CSSF to allow UK firms that are currently providing financial services in Luxembourg under the EU passport to continue their activities for a limited period after the occurrence of a hard Brexit (the "**transitional regime**"). The transitional regime is limited in scope as it applies only to the scenario of a hard Brexit and only to contracts that have entered into force before Brexit ("**existing contracts**") as well as to contracts concluded after Brexit with close links to existing contracts ("**closely-related contracts**").

The CSSF has decided to set the transitional period at 12-months following the date of a hard Brexit. UK firms that are planning to continue to serve existing contracts in Luxembourg under the transitional regime will be **required to notify** the CSSF accordingly. A dedicated notification portal will be opened on the CSSF website in the coming weeks. The CSSF will inform the public in due course. Notifications will have to be made no later than **15 September 2019**.

The CSSF will assess each notification received and inform UK firms individually as to whether they can benefit or not from the transitional regime. For the purpose of the assessment, the CSSF will verify that the conditions of the Brexit laws are met, in particular, that a UK firm has duly passported its services to Luxembourg in the past and that the information on their activities is coherent and sufficiently detailed.

Any additional questions can be addressed to brexit@cssf.lu.

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Mandatory notification for undertakings for collective investment and their managers in the context of Brexit

Press release 19/34 of 15 July 2019

This press release follows up on the CSSF press release 19/18 regarding the publication of the laws of 8 April 2019 on Brexit.

There is a risk that the United Kingdom will be leaving the European Union in an non-coordinated manner on 31 October 2019, without concluding a withdrawal agreement based on Article 50(2) of the

Treaty on European Union ("**hard Brexit**"), with the consequence that the United Kingdom shall be considered as a third country as of the date of the hard Brexit.

The Luxembourg legislator has adopted two laws with the objective to address certain potential consequences of such an exit in relation to the undertakings for collective management ("UCIs") sector, taking into account investor protection considerations as well as the ordinary functioning and the stability of financial markets (the "**Brexit Laws**").

The CSSF would like to remind that UCIs and/or their managers established in the United Kingdom that are currently authorised entities under Directive 2009/65/EC ("**UCITS Directive**") and/or Directive 2011/61/EU, ("**AIFM Directive**") respectively, will be considered as "third-country entities" and will lose the benefit from passporting rights under the relevant EU Directives as from the date of the hard Brexit.

Given the political developments, impacted entities should by now have taken the necessary steps to prepare and anticipate the consequences of a possible hard Brexit.

All impacted entities will be required to notify the CSSF of their intention and way forward to continue to provide services in Luxembourg after the occurrence of a hard Brexit. A dedicated notification portal will be opened on the CSSF website in the coming weeks. The CSSF will inform the public in due course. Notifications will have to be made no later than by 15 September 2019.

These entities will then be required to submit to the CSSF, as soon as possible but no later than by 31 October 2019, the corresponding application for authorisation, or, as the case may be, the corresponding notification or information on any action taken otherwise, depending on the nature of the activities they intend to pursue after the occurrence of a hard Brexit and/or the steps undertaken to address the loss of passporting rights.

On the basis of the information submitted and in order to ensure the continuity of existing contracts and the protection of UCI investors, the CSSF may, on a case-by-case basis, grant impacted UCIs and/or their manager, the possibility to continue their activities in Luxembourg for a limited period after the occurrence of a hard Brexit (the "**transitional regime**"). Impacted UCIs and/or their managers will then be informed of the granting of the transitional regime within 10 business days of the submission of the required information.

The transitional regime may only be granted under the condition that the Brexit notification and the subsequent application(s) and/or notification(s) have been submitted within the established timeframe. The CSSF has decided to set the transitional period to 12 months following the date of a hard Brexit.

Entities that are currently authorised in the United Kingdom under both the UCITS Directive and the AIFM Directive will be required to proceed with a Brexit notification for both licenses.

Entities that have already submitted an application for authorisation with the CSSF in anticipation of a hard Brexit are required to submit a Brexit notification to the CSSF.

The CSSF will, in due course, communicate additional information regarding any notification requirements applicable in relation to the possibility granted to UCIs to rectify any Brexit related investment breaches under the transition provisions applicable under the Brexit Laws.

Any additional questions can also be addressed to brexitopc@cssf.lu.

WITHDRAWALS DECIDED BY THE CSSF

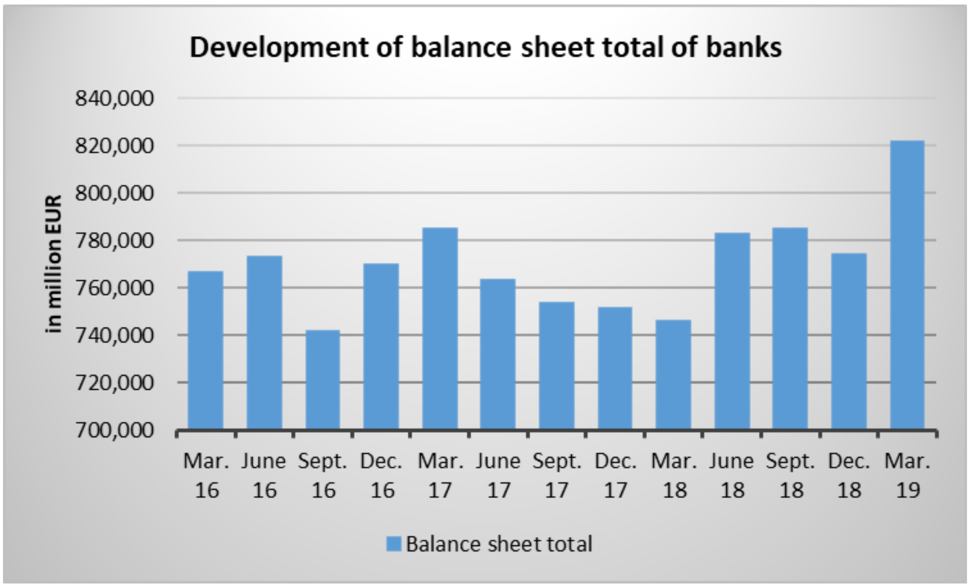
Following the CSSF's decision to withdraw the specialised investment fund EMVEST PRO ALIA FUND from the official list of specialised investment funds, the VIth Chamber of the Luxembourg *Tribunal d'arrondissement* (District Court), dealing with commercial matters, per judgement on 20 June 2019, pronounced the dissolution and ordered the liquidation of EMVEST PRO ALIA FUND. The same judgement has appointed Mr Laurent Lucas as official receiver (*juge-commissaire*) and Mr Christian Steinmetz as liquidator.

A decision to withdraw the undertaking for collective investment WORLD PERFORMANCE PORTFOLIOS from the official list of undertakings for collective investment was taken by the CSSF on 1 July 2019.

STATISTICS

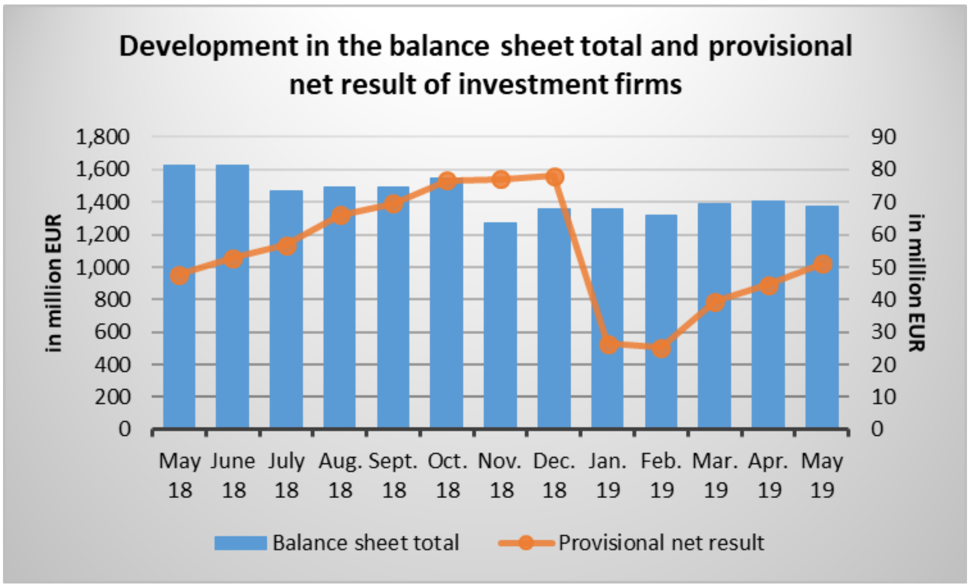
Banks

Increase in the balance sheet total as at 31 March 2019



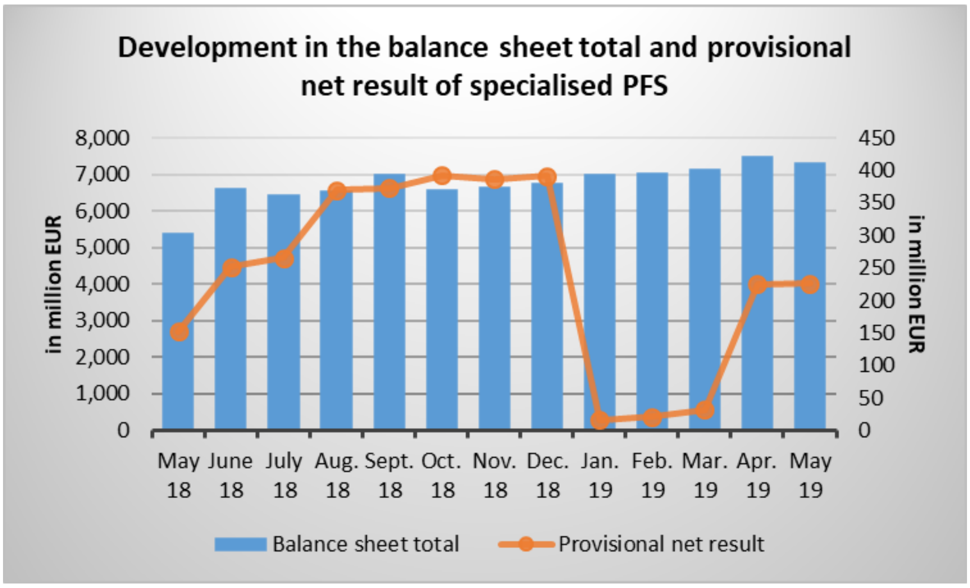
Investment firms

Decrease in the balance sheet total as at 31 May 2019



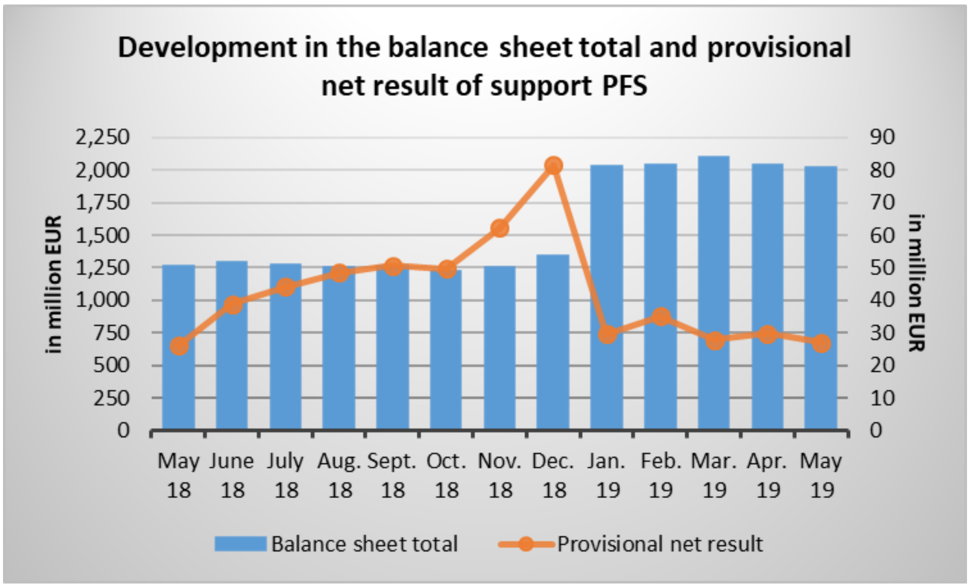
Specialised PFS

Decrease in the balance sheet total as at 31 May 2019



Support PFS

Decrease in the balance sheet total as at 31 May 2019



Pension funds

As at 15 July 2019, **12 pension funds** in the form of pension savings companies with variable capital (SEPCAVs) and pension savings associations (ASSEPs) were registered on the official list of pension funds subject to the Law of 13 July 2005.

On the same date, the number of professionals authorised to act as **liability managers** for pension funds subject to the Law of 13 July 2005 amounted to **18**.

Securitisation undertakings

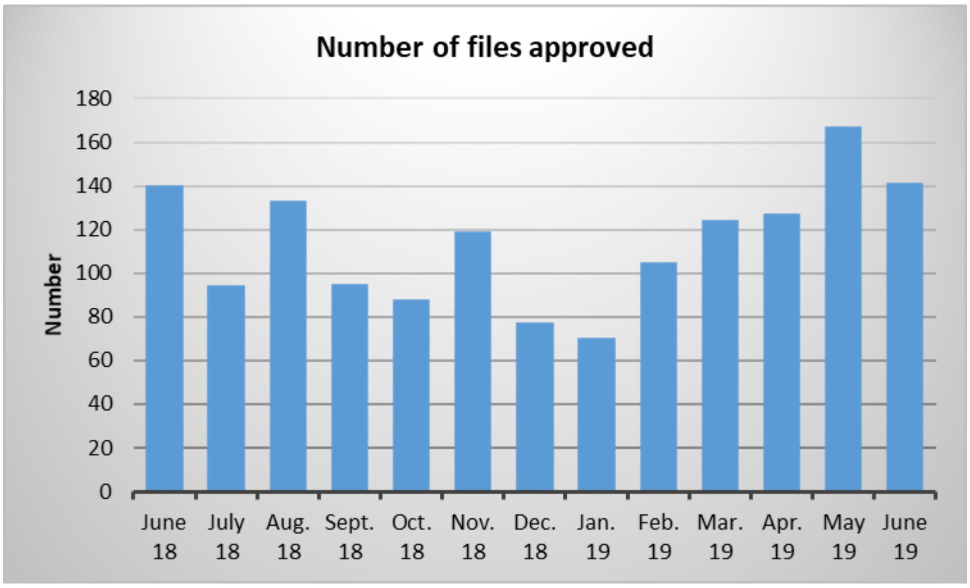
The number of securitisation undertakings authorised by the CSSF in accordance with the Law of 22 March 2004 on securitisation amounted to **32 entities** as at 9 July 2019.

Public oversight of the audit profession

The public oversight of the audit profession covered **60 *cabinets de révision agréés*** (approved audit firms) and **317 *réviseurs d'entreprises agréés*** (approved statutory auditors) as at 30 June 2019. The oversight also included **24 third-country auditors and audit firms** duly registered in accordance with the Law of 23 July 2016 concerning the audit profession.

Prospectuses for securities in the event of an offer to the public or admission to trading on a regulated market (Part II and Part III, Chapter 1 of the Law on prospectuses for securities)

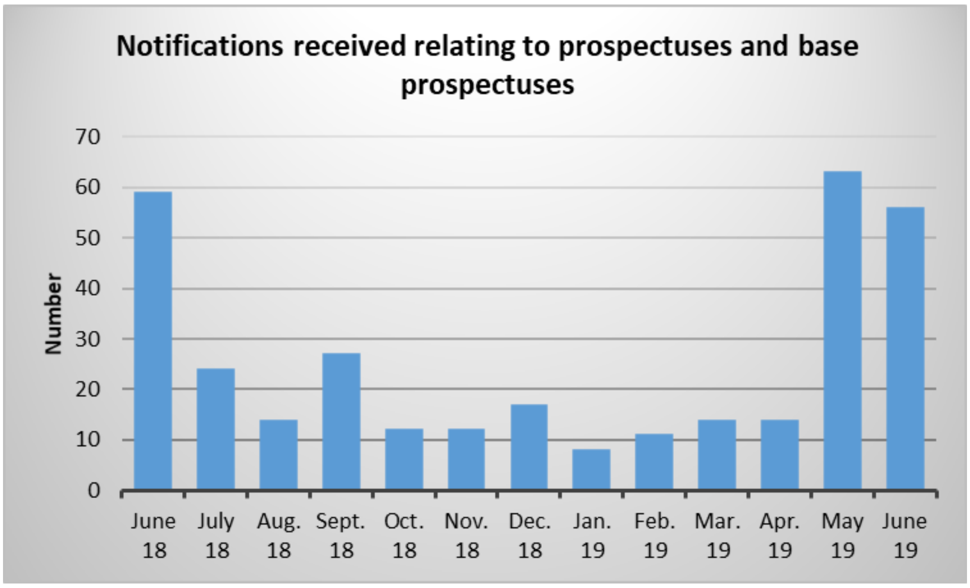
CSSF approvals



In June 2019, the CSSF approved a total of 141 documents pursuant to the Prospectus Law, which break down as follows:

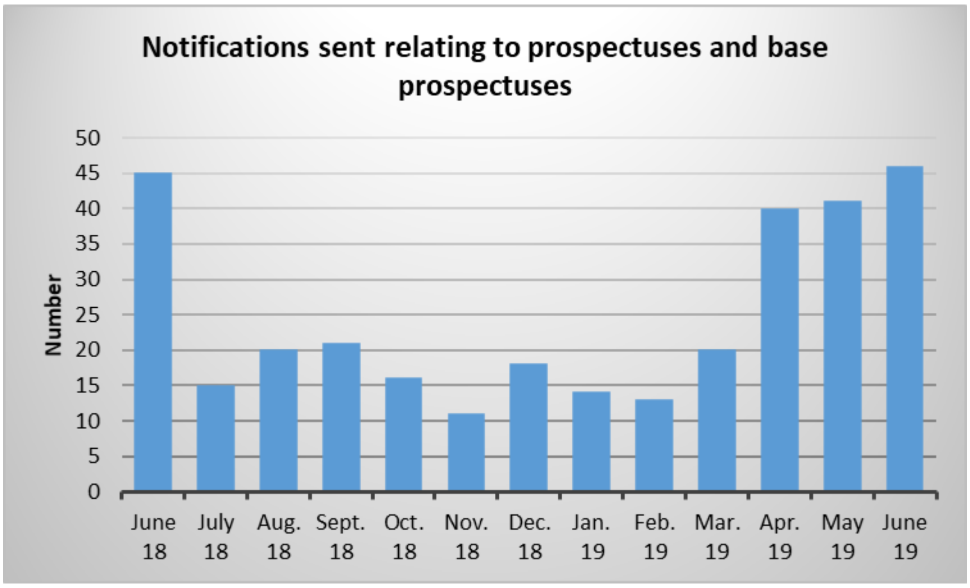
base prospectuses:	67	(47.52 %)
other prospectuses:	21	(14.89 %)
registration documents:	3	(2.13 %)
supplements:	50	(35.46 %)

Notifications received by the CSSF from competent authorities of other EEA Member States



In June 2019, the CSSF received 56 notifications relating to prospectuses and base prospectuses and 54 notifications relating to supplements from competent authorities of other EEA Member States.

Notifications sent by the CSSF to competent authorities of other EEA Member States



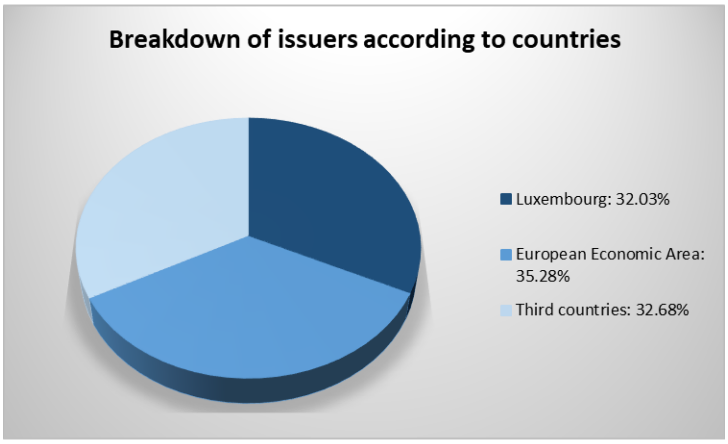
In June 2019, the CSSF sent 46 notifications relating to prospectuses and base prospectuses and 42 notifications relating to supplements to the competent authorities of other EEA Member States[2].

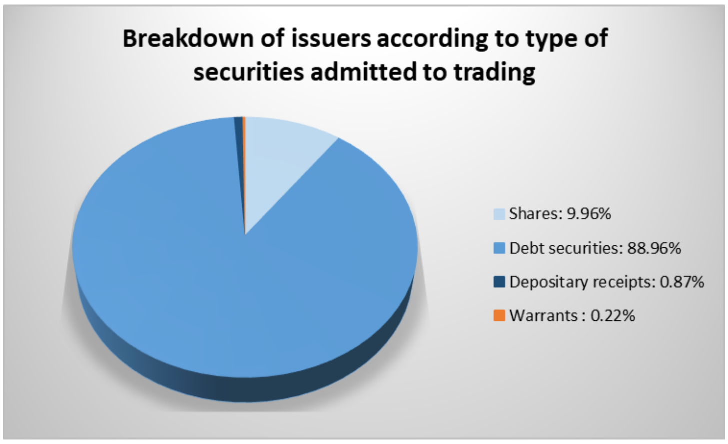
[2] These figures reflect the number of prospectuses, base prospectuses and supplements for which the CSSF sent one or several notifications. Where notifications have been sent at different dates and/or in several Member States, only the first notification is included in the statistical calculations. Each document notified in one or several Member States is thus only counted once.

Issuers of securities whose home Member State is Luxembourg pursuant to the Law of 11 January 2008 on transparency requirements for issuers (the "Transparency Law")

Since 11 June 2019, two issuers have chosen Luxembourg as home Member State for the purposes of the Transparency Law. Moreover, nine issuers were **deregistered** from the list due to the fact that they no longer fall within the scope of the Transparency Law.

As at 9 July 2019, **462 issuers** subject to the supervision of the CSSF were included in the list of issuers whose home Member State is Luxembourg pursuant to the Transparency Law.





HUMAN RESOURCES

In order to increase its staff, the CSSF hired 13 employees on 1 July 2019 and counts, following the departure of four employees, 883 agents (473 men and 410 women). They have been assigned to the following departments:

Executive Board secretariat

Isolina DOS SANTOS

General secretariat

Paul WILWERTZ

UCI departments

Céline COLOT
Johnny KARIER
Christophe KIEFFER

Supervision of banks

Sarah KATHKE

Personnel, administration and finance

Michaël DELIGNE
Eldina KOZAR
Marina MARTINS
Line PROSPERT
Nora RIES

Information systems of the CSSF (IT)

Ayayi Martial AYITE
Steve KETTMANN

FINANCIAL CENTRE

Main updated figures regarding the financial centre

			Annual comparison
Banks	Number (15/07/2019)	132	↘ 7 entities
	Balance sheet total (31/03/2019)	EUR 821.791 bn	↗ EUR 75.685 bn
	Profit before provisions (31/03/2019)	EUR 1.012 bn	↘ EUR 266 m
Payment institutions	Number (15/07/2019)	11	↗ 1 entity
Electronic money institutions	Number (15/07/2019)	8	↗ 3 entities
UCIs	Number (11/07/2019)	Part I 2010 Law: 1,799	↘ 47 entities
		Part II 2010 Law: 287	↘ 16 entities
		SIFs: 1,503	↘ 54 entities
		TOTAL: 3,589	↘ 117 entities
	Number (09/07/2019)	SICARs: 266	↘ 17 entities
	Total net assets (31/05/2019)	EUR 4,317.970 bn	↗ EUR 46.945 bn
Management companies (Chapter 15)	Number (30/06/2019)	207	↗ 2 entities
	Balance sheet total (31/03/2019)[3]	EUR 14.849 bn	↗ EUR 424 m
Management companies (Chapter 16)	Number (30/06/2019)	165	↘ 3 entities
AIFMs	Number (11/07/2019)	254	↗ 20 entities
Pension funds	Number (15/07/2019)	12	↘ 1 entity
Authorised securitisation undertakings	Number (09/07/2019)	32	↗ 1 entity
Investment firms	Number (15/07/2019)	98 of which 5 branches	↘ 1 entity
	Balance sheet total (31/05/2019)	EUR 1.374 bn	↘ EUR 249 m
	Provisional net profit (31/05/2019)	EUR 51.08 m	↗ EUR 3.27 m
Specialised PFS	Number (15/07/2019)	107	↘ 3 entities
	Balance sheet total (31/05/2019)	EUR 7.326 bn	↗ EUR 1.938 bn
	Provisional net profit (31/05/2019)	EUR 225.647 m	↗ EUR 73.11 m
Support PFS	Number (15/07/2019)	75	↘ 2 entities
	Balance sheet total (31/05/2019)	EUR 2.026 bn	↗ EUR 757 m
	Provisional net profit (31/05/2019)	EUR 26.93 m	↗ EUR 0.95 m
Issuers of securities whose home Member State is Luxembourg pursuant to the Transparency Law	Number (09/07/2019)	462	↘ 84 entities
Public oversight of the audit profession	Number (30/06/2019)	60 *cabinets de révision agréés*	↗ 1 entity
		317 *réviseurs d'entreprises agréés*	↗ 12 people
		24 third-country auditors and audit firms	↘ 7 entities
Employment (31/03/2019)	Banks	26,629 people	↗ 298 people
	Management companies (Chapter 15)[3]	4,807 people	↗ 347 people
	Investment firms	2,479 people	↗ 402 people
	Specialised PFS	4,650 people	↗ 379 people
	Support PFS	10,196 people	↗ 49 people
	Total	48,761 people	↗ 1,475 people[4]

[3] Preliminary figures

[4] This development does not mean a net creation or loss of jobs, but includes the transfer of existing jobs from the non-financial sector to the financial sector and vice versa.