

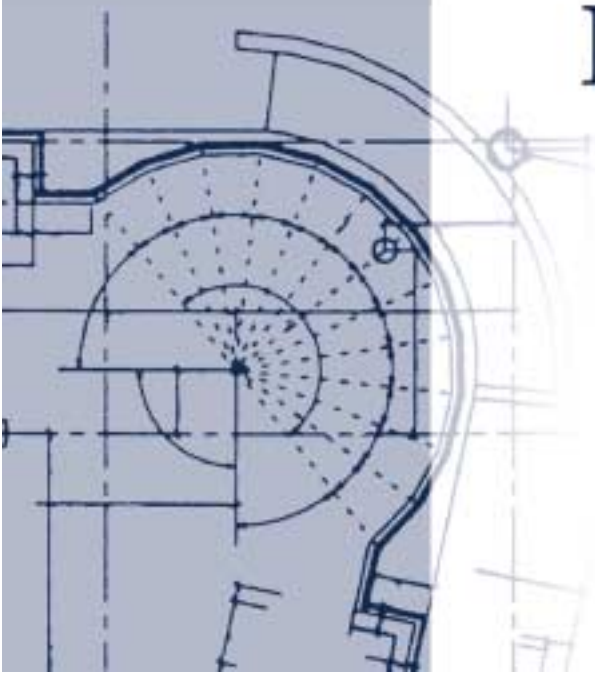
N°23

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CSSF NEWSLETTER

COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER



Banks

Banks' balance sheet total as at 31 October 2002 reports a slight increase

At 31 October 2002, the balance sheet total of the banks established in Luxembourg reached EUR 666.56 billion as compared to EUR 660.71 billion as at 30 September 2002, which is an increase of 0.89%.

Due to the change on the official list of banks (change of statute to PFS of Conrad Hinrich Donner Bank), the number of credit institutions registered on the official list of banks amounts to 179 as at 30 November 2002.

Professionals of the financial sector (PFS)

Decrease in the balance sheet total

According to the data provided as at 31 October 2002, the balance sheet total of all the professionals of the financial sector (147 active businesses at that date as compared to 149 the previous month) registered a decrease of 7.84% as compared to September 2002 (EUR 3.278 billion) and currently amounts to EUR 3.021 billion.

The net profit for all the professionals of the financial sector amounts to EUR 277.62 million as at 31 October 2002.

Distribution of the professionals of the financial sector according to their status (as at 30 November 2002)

Category		Number
Commission agents	COM	15
Financial advisors	COF	9
Brokers	COU	6
Professional custodians of securities or other financial instruments	DEP	3
Distributors of units of investment funds	DIST	45
Domiciliation agents of companies	DOM	37
Private portfolio managers	GF	51
Underwriters	PF	3
Professionals acting for their own account	PIPC	16
Market makers	TM	2
Entity authorised to exercise all the activities as PFS permitted by article 28 of the law of 15 December 2000 on postal services and financial postal services	EPT	1
TOTAL *		146

* the same establishment can appear in several categories at the same time

Undertakings for collective investment

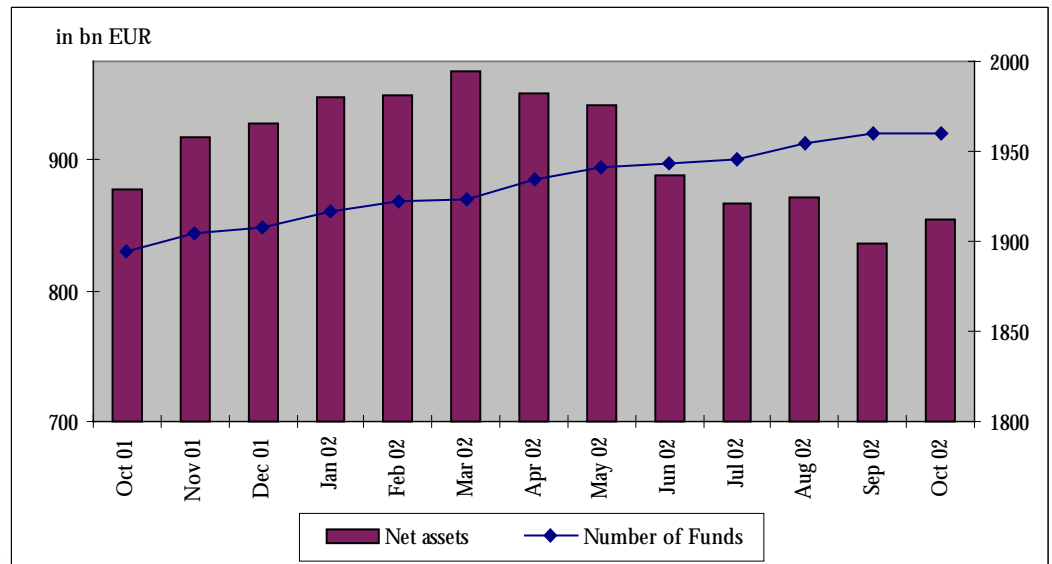
Increase in UCI's total net assets at the end of October 2002

As at 31 October 2002, the total net assets of undertakings for collective investment reached EUR 853.718 billion compared to EUR 835.594 billion as at 30 September 2002. Consequently, the Luxembourg undertakings for collective investment sector has increased by 2.17 % compared to September 2002.

For the month of October 2002, the sector decreases by 8.05 % compared to 31 December 2001 when the total net assets amounted to EUR 928.447 billion. Over the last twelve months, the volume of net assets decreased by 2.68 %.

During the month of October 2002, the net capital investment amounted to EUR 2.271 billion. Compared to 31 December 2001, the net capital investment reaches EUR 50.505 billion.

The number of undertakings for collective investment taken into consideration totals 1,960. A total of 1,201 UCIs have adopted the multiple compartment structure, which represents 7,087 compartments. When adding 759 UCIs with a traditional structure to the previous figure, 7,814 compartments are active in the financial centre.



Second annual conference of the Association of Luxembourg Compliance Officers of the financial Sector (ALCO)

At the second annual conference of ALCO on the comparative development of compliance in Europe, held on 27 November 2002 in Luxembourg, Mr Arthur PHILIPPE, Director of the CSSF, described the status of compliance within the Luxembourg financial sector:

"[...] Referring to our circular 143 gives me the opportunity to specify that we conceive compliance just like we conceive internal control: an omnipresent function present at every level of a production process and including a unit specifically devoted to ex post verifications and constituting the centre of convergence of all the efforts made: in this particular case the compliance officer.

This perception shows that it is crucial to consider the mode of intervention of compliance within the context of the production and control process. The compliance function should not be confined to only rectifying past mistakes or to draw lessons from past failures. These are more particularly the tasks of internal or external audits. Compliance must avoid that a professional of the financial sector sustains any (financial or other) loss due to his failure to respect regulatory requirements in the broadest sense of the term; compliance must hence adopt a proactive approach. Compliance is fundamentally different from internal audit; it does not deprive the latter of any of its tasks and we even think that it falls within the scope of internal audit as regards its efficiency and the level at which it meets the requirements of the managers and regulators.

Now, what are the concrete views that emerge from our survey [questionnaire on certain aspects of compliance sent to players in the financial sector] as regards the level of its integration into corporate governance?

The compliance function should assist and advise the executive committee on the development and devising of an internal code of conduct, on the integration of these rules into the procedures and throughout the implementation of these principles in daily practice.

The compliance function should furthermore endeavour to promote a high level of integrity among the personnel through training and communication.

In this context, the CSSF considers that compliance should be associated directly and indirectly with every decision requiring that compliance with a rule be verified. This should occur at a stage where the decision is not yet finalised and where errors and omissions regarding the compliance with regulations can still be prevented."

Discussion-forum at the Cercle diplomatique

Mrs Danièle BERNA-OST, Secretary-General, and Mr Michel HEINTZ presented the missions and the functioning on a day-to-day basis of the CSSF to the members of the Cercle diplomatique, gathering the principal collaborators of the diplomatic representations in the Grand Duchy, during a discussion-forum held on 5 December 2002 in Luxembourg.

Conferences

Meeting of the standing committee of IOSCO

Mr Pierre VAN DE BERG (Department for the supervision of investment activities) represented the CSSF at the meeting of the standing committee of the International Organisation of Securities Commissions (IOSCO) held in Hong Kong during the week starting 18 November 2002, at the invitation of the HKSF.

The main subjects discussed during the meetings of the committee and its various sub-committees were the international accounting standards and the audit function, notably its characteristics such as independence and the supervision of the function.

Regulation

Recent regulatory developments

CSSF Circular 02/77

regarding the protection of investors in case of miscalculation of NAV and the compensation following non-compliance with investment rules applicable to UCIs

The CSSF Circular 02/77 of 27 November 2002 repeals CSSF Circular 2000/8, while maintaining most of its text. Circular 02/77 introduces a simplified procedure which applies when, following a loss sustained by a UCI due to miscalculation of the NAV or non-compliance with investment rules, the amount of the compensation does not exceed EUR 25,000 and the amount to reimburse investors does not exceed EUR 2,500.

CSSF Circular 02/78

Details on the obligation of declaration with respect to money laundering and on the primary offences that could lead to money-laundering offences

The circular aims to clarify the measures that professionals should take when confronted with a suspect situation or transaction. A detailed enumeration of the relevant professional obligations as listed in the circular should help to make professionals aware of the risks they could incur, as well as to reassure them with regard to the way they react when facing such cases.

Furthermore, the circular describes all the primary offences, the subject or proceeds of which could lead to money-laundering offences, i.e.:

- Drug trafficking
- Abduction of minors
- Sexual offences on minors
- Procuring
- Bribing of persons exercising a public function
- Infringements of the law governing arms and munitions
- Crimes and offences committed within the context of conjunction with a criminal association or organisation.

CSSF Circular 02/80

Regarding specific rules applicable to Luxembourg undertakings for collective investment (UCIs) which adopt *alternative* investment strategies

CSSF Circular 02/80 of 5 December 2002 intends to remedy the fact that neither the law of 30 March 1988 on UCIs, nor Circular 91/75 of 21 January 1991 applicable to UCIs, contain any rules specifically directed at UCIs adopting alternative investment strategies. In the past, the CSSF assessed investment restrictions applying to UCIs adopting alternative investment strategies on an individual basis.

Through circular 02/80, the CSSF wishes to clarify the legal and statutory framework applying to UCIs aiming at following similar investment strategies as those adopted by hedge funds or alternative investment funds.

The goal of Circular 02/80 is therefore to define specific rules which apply to Luxembourg UCIs adopting alternative investment strategies.

It underlines the fact that the CSSF pays special attention to the reputation, experience and financial standing of the promoters of the said UCIs and that the professional qualification and experience of the heads of the management or investment managers and advisers are elements of particular importance as regards the UCIs concerned.

The circular notably lays down specific rules relating to short sales, loans, investments in target UCIs, financial derivative instruments and other techniques, securities lending and repurchase transactions.

CSSF Circular 02/81 relating to the practical rules regarding the tasks of external auditors of undertakings for collective investment

CSSF Circular 02/81 lays down rules regarding the scope of the mandate given to external auditors to examine the annual accounting documents and the content of the reports to be prepared in accordance with the law of 30 March 1988 relating to undertakings for collective investment (UCIs) as amended by the law of 17 July 2000. The circular applies to all Luxembourg UCIs.

The circular generally defines the role and tasks of the external auditors regarding the statutory audit of the accounting documents. It stresses that the tasks of the external auditor are not restricted to auditing the accounting documents but also include analysing the functioning of UCIs as well as their procedures.

The report on annual accounts includes the external auditor's report and must be published pursuant to article 85 (1) of the law of 30 March 1988.

The circular introduces the report on the audit of UCIs' activities. This report aims to give an account of observations made by the auditor regarding financial and organisational aspects of the UCI, notably the relations with the central administration, the depository bank and the other intermediaries (managers, transfer agents, distributors, etc).

Financial Conglomerates Directive

On 20 November 2002, the European Parliament adopted the Financial Conglomerates Directive on which a political agreement had been reached in May 2002.

According to Internal Market Commissioner Mr Bolkestein, the rapid adoption of this Directive represents an important step in the implementation of the Financial Services Action Plan aiming at enhancing financial stability and the protection of depositors, investors and insurance policy holders.

The Directive, which concerns the supervision of large financial groups carrying out cross-sectoral and often cross-border activities, must be translated into national law within eighteen months of its publication in the Official Journal of the European Communities.

Proposal for an Investment Services Directive (ISD)

On 19 November 2002, the European Commission adopted a new proposal for an investment Services Directive (ISD) aiming at further harmonising national rules on a EU scale, providing investment firms with a “single passport” to be used within the EU and protecting investors seeking the provision of services from investment firms in Europe.

The Directive intends to clarify and widen the list of financial instruments that can be traded on regulated markets and between investment firms. It further aims to broaden the range of investment services by notably including investment advisers. Moreover, financial research and analysis are explicitly acknowledged as ancillary services an investment firm may provide.

The full texts of above-mentioned Directives can be downloaded from the EU website at www.europa.eu.int.

New EU capital requirements framework

In the context of the ongoing review of capital requirements for banks and investment firms, the services of the European Commission have published a Working Document, which can be downloaded at www.europa.eu.int/comm/internal_market/en/finances/capitaladequacy/index.htm

The objective of the document is to describe the Commission’s current position with regard to the new EU capital requirements framework, which should come into effect at the end of 2006, at the same time as the new Basel Capital Accord.

The Working Document, which is accompanied by a Cover Document designed to provide explanations and guidance, will form the basis of a period of enhanced dialogue (“Structured Dialogue”) with the financial sector. At the EU level, this dialogue will be carried out directly by the Commission services. At the national level, it will be co-ordinated by the relevant supervisory authorities. The period of the Structured Dialogue will run until the end of January 2003.

LIST OF BANKS

Withdrawals:

on 1 November 2002

Dexia Nordic Private Bank, following its merger with Dexia BIL

on 30 November 2002

Conrad Hinrich Donner Bank, Luxembourg branch

Change of name:

Europäische Hypothekenbank S.A. has become

EUROHYPO Europäische Hypothekenbank S.A. on 20 November 2002

Changes of address:

Banco di Brescia, Luxembourg branch

47, boulevard du Prince Henri, L-1724 LUXEMBOURG

Banco Mercantil de São Paulo International S.A.

3B, boulevard du Prince Henri, L-1724 LUXEMBOURG

DekaBank Deutsche Girozentrale Luxembourg S.A.

38, rue J.-F. Kennedy, L-1955 LUXEMBOURG

LIST OF PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

New establishment:

COMPAGNIE DE GESTION PRIVEE, Brussels (Belgium),

Luxembourg branch

29, Cité Millewee, L-8064 Bertrange

authorisation of 11 November 2002

Withdrawal:

EUROPÄISCHES WERTPAPIEREMISSIONS- UND HANDELSHAUS S.A.

abridged "EuWeSa"

on 6 November 2002

Change of address:

EURINVEST PARTNERS S.A.

3, rue de Kahler, L-8369 Hivange

FUND ADMINISTRATION SERVICES &

TECHNOLOGY NETWORK (LUXEMBOURG) S.A.

abridged "FASTNET"

31-33, avenue Pasteur, L-2310 Luxembourg

TIMING CONSULT S.A.

38E, route de Trèves, L-6793 Grevenmacher

LIST OF LIABILITY MANAGERS

Withdrawal:

BARNETT WADDINGHAM S.A.

on 12 November 2002

LIST OF UNERTAKINGS FOR COLLECTIVE INVESTMENT (UCI)

Registrations on and withdrawals from the official list of the Luxembourg undertakings for collective investment which fall under the law of 30 March 1988 and the official list of undertakings for collective investment which fall under the law of 19 July 1991, during the **month of October 2002**

Registrations

- ADIG EUROPA INVEST 1/2008, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- ADIG EUROPA INVEST 2/2008, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- ADIG EUROPA ZINSPLUS 10/2007, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- ADIG WELT ZINSPLUS 12/2007, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- AEGEAN FUNDS, 69, route d'Esch, L-1470 Luxembourg
- AXA EURO BOND INCOME, 6, avenue Emile Reuter, L-2420 Luxembourg
- DRESPA PREMIUM, 2, place Dargent, L-1413 Luxembourg
- FIDAM, 14, boulevard Royal, L-2449 Luxembourg
- GECAM ADVISER FUND, 14, boulevard Royal, L-2449 Luxembourg
- H & A LUX GLOCAP, 21, avenue de la Liberté, L-1931 Luxembourg
- HIRT FONDS, 4, rue Thomas Edison, L-1455 Luxembourg-Strassen
- INVESTMENT VARIO POOL, 4, rue Thomas Edison, L-1445 Luxembourg-Strassen
- LEND LEASE SICAV, 33, boulevard du Prince Henri, L-1724 Luxembourg
- MAINFIRST, 50, avenue J-F Kennedy, L-1855 Luxembourg
- THE LIQUIDITYPLUS FUND, 11, rue Aldringen, L-1118 Luxembourg
- TOKYO-MITSUBISHI MONEY MARKET FUND, 287-289, route d'Arlon, L-1150 Luxembourg
- UBS LUXEMBOURG DIVERSIFIED SICAV, 291, route d'Arlon, L-1150 Luxembourg
- XAVEX FCP, 69, route d'Esch, L-1470 Luxembourg

Withdrawals

- A.L.S.A.-SYSTEM D 10/2002, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- CAPITAL INVEST CONVERGING EUROPE UMBRELLA FUND, 47, boulevard Royal, L-2449 Luxembourg
- CERA-FINANCE, 50, avenue J-F Kennedy, L-1855 Luxembourg-Kirchberg
- F&C EMERGING MARKETS UMBRELLA FUND, 33, boulevard du Prince Henri, L-1724 Luxembourg
- F&C NEW ECONOMY, 33, boulevard du Prince Henri, L-1724 Luxembourg
- FIRST INVESTMENT FUND S.I.C.A.V., 33, boulevard du Prince Henri, L-1724 Luxembourg
- H & A LUX RAPTOR I, 21, avenue de la Liberté, L-1931 Luxembourg
- INVESCO EUROPEAN WARRANT FUND, 69, route d'Esch, L-1470 Luxembourg
- INVESCO GT US SMALL COMPANIES FUND, 69, route d'Esch, L-1470 Luxembourg
- LAMPEBANK INVESTMENT FUND, 1C, Parc d'activité Syrdall, L-5365 Munsbach
- MULTIWERT FUND, 14, boulevard Royal, L-2449 Luxembourg
- PICTET GLOBAL SECTOR FUND, 1, boulevard Royal, L-2449 Luxembourg
- ROSENBERG US SMALL CAP FUND, 13, rue Goethe, L-1637 Luxembourg
- SABRE DREAM FUND, 1-7, rue Nina et Julien Lefèvre, L-1952 Luxembourg
- SEB INVEST SELECT AMERICA, 6A, Circuit de la Foire Internationale, L-1347 Luxembourg-Kirchberg
- THE SHAKESPEARE FUND, 1B, Parc d'activité Syrdall, L-5365 Munsbach
- UNIINTERNET, 308, route d'Esch, L-1471 Luxembourg
- YURORANDO INCOME FUND, 49, avenue J-F Kennedy, L-1855 Luxembourg-Kirchberg

Financial centre

Main updated figures regarding the financial centre:

Number of banks: **179** (30 November 2002)

Balance sheet total: **EUR 666.558 billion** (31 October 2002)

Profit before reserves: **EUR 3.159 billion** (30 September 2002)

Employment: **23,592 people** (30 September 2002)

Number of UCIs: **1,962** (10 December 2002)

Total net assets: **EUR 853.718 billion** (31 October 2002)

Number of pension funds: **5** (30 November 2002)

Number of PFS: **146** (30 November 2002)

Balance sheet total: **EUR 3.02 billion** (31 October 2002)

Net profit: **EUR 277.62 million** (31 October 2002)

Employment: **4,377 people** (30 September 2002)

Total employment in the supervised establishments: **28,030 people** (31 March 2002)

Total employment in the supervised establishments: **28,006 people** (30 June 2002)

Total employment in the supervised establishments: **27,969 people** (30 September 2002)

CSSF Newsletter

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