

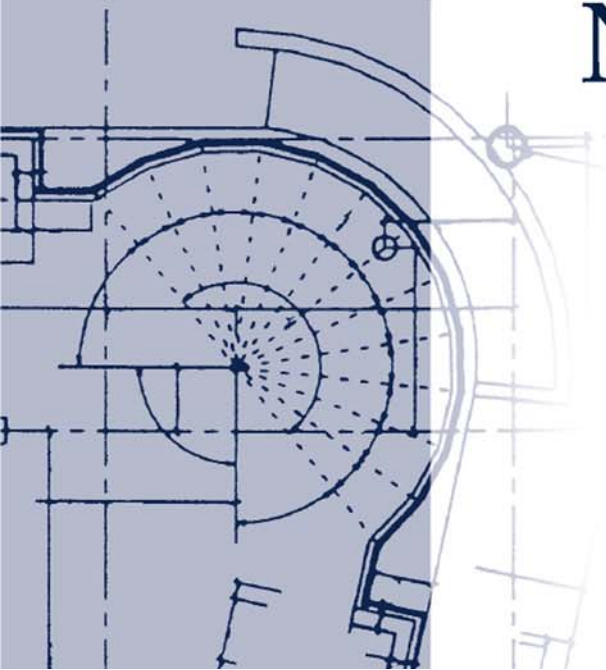
N°36

January 2004



CSSF NEWSLETTER

COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER



Banks

Banks' balance sheet total as at 30 November 2003 reports a slight increase

As at 30 November 2003, the balance sheet total of the banks established in Luxembourg reached EUR 665.10 billion as compared to EUR 660.18 billion as at 31 October 2003, which is a very slight increase of 0.75%.

The number of credit institutions registered on the official list of banks as at 1 January 2004 amounted to 169 entities following the closure of the Luxembourg branches of Banque Fédérative du Crédit Mutuel and WGZ-Bank Westdeutsche Genossenschaftszentrale eG, as well as the takeover by DZ International S.A. of the activities of KHB International S.A. Luxembourg. Furthermore, Bank Corluy, Luxembourg branch has been closed and the PFS Corluy Luxembourg S.A. changed its status to become Bank Corluy Luxembourg S.A.

Professionals of the financial sector (PFS)

Slight increase in the balance sheet total

According to the data provided as at 30 November 2003, the balance sheet total of all the professionals of the financial sector (142 active businesses) amounted to EUR 2.510 billion as against EUR 2.470 billion as at 31 October 2003, which represents an increase of 1.62%.

The net profit for all the professionals of the financial sector amounts to EUR 342.65 million as at 30 November 2003.

Distribution of the professionals of the financial sector according to their status (as at 31 December 2003)

| Category | | Number |
|---|------|------------|
| <i>Investment firms</i> | | |
| Commission agents | COM | 17 |
| Private portfolio managers | GF | 48 |
| Professionals acting for their own account | PIPC | 16 |
| Distributors of units of investment funds | DIST | 47 |
| Underwriters | PF | 3 |
| Professional custodians of securities or other financial instruments | DEP | 3 |
| Registrar and transfer agent | ATR | 1 |
| <i>PFS other than investment firms</i> | | |
| Financial advisors | COF | 9 |
| Brokers | COU | 5 |
| 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 |
| Domiciliation agents of companies | DOM | 34 |
| Client communication agents | ACC | 3 |
| Administrative agent of the financial sector | AA | 1 |
| IT systems and communication networks operator of the financial sector | IT | 1 |
| TOTAL * | | 142 |

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

The financial centre continues its transformation in 2003

(press release of 18 December 2003)

On the occasion of the traditional year-end celebration gathering the personnel of the Commission de Surveillance du Secteur Financier, the Director general, Mr Jean-Nicolas SCHAUS, drew the first conclusions from a year marked by a slight return of growth for the financial sector.

1° One of the most significant events in the **banking sector** is the trend reversal of the ordinary result observed since the end of the first semester. The quarterly banking income was on the increase again during the third quarter. It is very likely that this trend will be confirmed at the end of the year, putting the financial centre in a favourable position in order to benefit from the improvement of the economic and financial situation expected in 2004. Indeed, the cost/income ratio remains stable and still compares favourably with the situation of banks abroad.

This positive note should however be considered in the light of less favourable developments. The balance sheet total stabilised only in June 2003 following a continuous decline that had started in December 2001. As in the previous years, the number of banks decreased and will most probably reach 169 at the end of the year (against 177 banks as at 31 December 2002). Though the mergers resulting from intragroup restructuring at international level are the main cause thereof, it should also be noted that some establishments closed their doors due to insufficient business or profitability. Finally, the deterioration of bank employment is evident. Based on figures as at 30 September 2003, bank employment decreased by some 1000 units in one year. The decrease in employment has thus been speeding up since June 2002.

As regards the financial sector as a whole, the employment trend moves along the same lines, but the fall is less strong. The outsourcing phenomenon of certain functions or activities implies that the reduction in bank employment does not necessarily translate a dead loss of employment, but, at least in part, a transfer of personnel to different entities.

2° The rise in stock markets had a beneficial impact on the total assets of **undertakings for collective investment**, which register an increase of more than 10% compared to 2002. The amount of net capital investment (more than EUR 65 billion) proves that the attractiveness of the Luxembourg fund industry is intact, while the number of undertakings for collective investment and of compartments is on the decline.

The major event witnessed by the sector was the implementation of the Law of 20 December 2002 transposing into national Law the third European Directive on undertakings for collective investment in transferable securities (UCITS). The first management company complying with the Directive obtained its authorisation at the end of the year. Several dozens of funds are already operating under the new legislation. The development prospects for the fund industry are very favourable.

3° The number of entities active in the sector of the **other professionals of the financial sector** subject to the supervision of the CSSF remained stable, down from 144 to 142. This sector was marked by quite intense legislative activity in 2003, aiming at promoting innovation and extending the product range of the financial centre, notably with the coming into force of the Law of 2 August 2003.

The first goal of the Law is to ensure that the entire financial sector is subject to prudential supervision. Going one step further, the Law allows to bring under the scope of the financial sector a certain number of activities, which are not of a financial nature a priori, but which turn into financial activities when carried out in a closely related or complementary manner to a financial activity. These new categories of PFS, which notably take account of the needs generated by specialisation and outsourcing phenomena, include administrative agents of the financial sector, client communication agents, IT systems and communication networks operators of the financial sector, as well as professionals performing services of setting up and management of companies. This new legislation makes Luxembourg one of the first countries to grant a status of supervised professional of the financial sector to companies active in IT and communication and allows to export these services from Luxembourg to the foreign financial sector.

Commenting on the overall development of the financial sector, Mr SCHAUS underlined its ability to adapt and innovate in a difficult environment. The transformation of the financial centre went through a decisive stage in 2003. Though it is still too early to draw final conclusions, the Luxembourg financial sector seems to enter a new stage, characterised by a stabilisation of activities, the preservation of significant added value, but also by the lack of appropriate growth dynamics able to act as driving force behind the Luxembourg economy as a whole, as was the case in the late 1990s. Given this context, the Director general considered that the terms “reason” and “reasonable behaviour” should be the leitmotiv for the year 2004, as far as the analysis of opportunities of the centre, as well as the analysis of the challenges it must take up, are concerned.

Statistics

Undertakings for collective investment

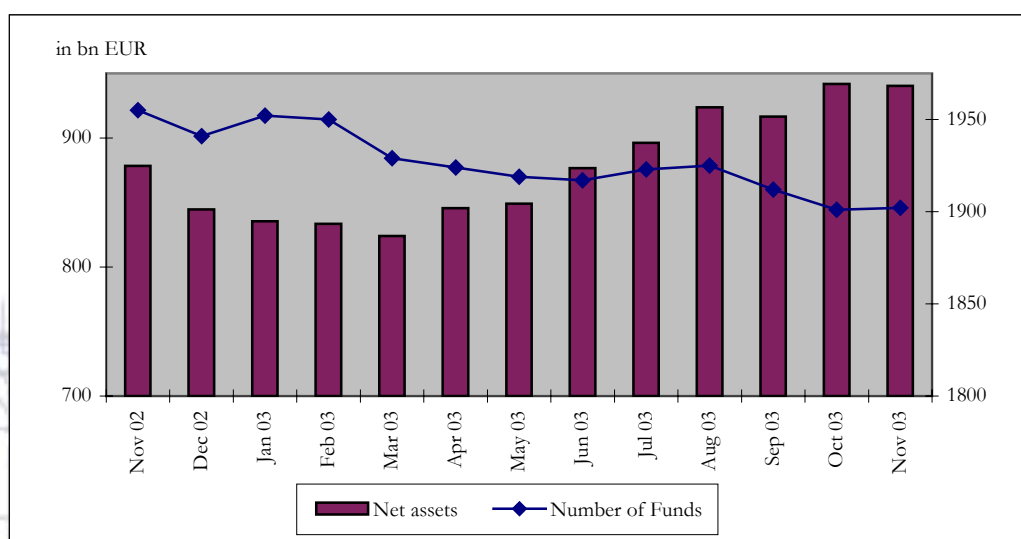
Slight decrease in UCI's total net assets at the end of November 2003

(press release of 24 December 2003)

As at 30 November 2003, the total net assets of undertakings for collective investment reached EUR 940.272 billion compared to EUR 941.755 billion as at 31 October 2003. Consequently, the Luxembourg undertakings for collective investment sector decreased by 0.16% compared to October 2003. For the month of November 2003, the sector increased by 11.34% compared to 31 December 2002 when the total net assets amounted to EUR 844.508 billion. Over the last twelve months, the volume of net assets increased by 7.06%.

During the month of November 2003, the net capital investment amounted to EUR 6,436 billion. Compared to 31 December 2002, the net capital investment amounts to EUR 70.853 billion.

The number of undertakings for collective investment taken into consideration totals 1,902 as against 1,901 the previous month. A total of 1,188 UCIs have adopted the multiple compartment structure, which represents 6,883 compartments. When adding 714 UCIs with a traditional structure to the previous figure, 7,597 compartments are active in the financial centre.



Creation of an ASSEP under the Luxembourg law concerning pension funds

A tenth pension fund denominated LUXEMBOURG PENSION FUND, constituted under the legal form of an assep has been registered on the official list of pension funds governed by the law of 8 June 1999 creating pension funds in the form of pension savings companies with variable capital (Sepcav) and pension savings associations (assep), as amended.

The LUXEMBOURG PENSION FUND has been created on the initiative of Banque de Luxembourg S.A..

The purpose of the assep is to organise a multi-employer pension fund.

Approval of a liability manager

Following the registration with effect from 19 December 2003 of HEWITT BACON & WOODROW LIMITED, United Kingdom, on the official list of professionals allowed to act as liability managers, the number of liability managers approved by the CSSF amounts to 12 as at 31 December 2003.

Regulation

Recent legislative and regulatory developments

Law of 19 December 2003 – subscription tax

Article 12 of the Law of 19 December 2003 concerning the State budget of income and expenditure (Mémorial A No 184 of 31 December 2003, p. 3685) amends paragraph (3) of Article 108 of the Law of 30 March 1988 relating to undertakings for collective investment as amended and paragraph (3) of Article 129 of the Law of 20 December 2002 concerning undertakings for collective investment.

Under the terms of this Law, certain Luxembourg undertakings for collective investment (UCIs) and compartments will be exempted from the subscription tax as from 1 January 2004.

The UCIs or compartments concerned must cumulatively meet the following four criteria in order to be exempted from the subscription tax:

- the UCI's or the compartment's securities must be reserved for institutional investors;
- the UCI's or the compartment's object must be the collective investment in money market instruments and the placing of deposits with credit institutions;
- the weighted residual portfolio maturity must not exceed 90 days;
- the UCI or the compartment must have obtained the highest possible rating from a recognised rating agency.

Where several classes of securities exist within a UCI or compartment, the exemption only applies to classes whose securities are reserved for institutional investors.

Circular 03/120 **concerning the breakdown of value adjustments by credit institutions as at 31 December 2003**

As in the past, the CSSF conducts a survey of the value adjustments made by credit institutions as at 31 December 2003 in respect of doubtful debts and country risk. The credit institutions should use the electronic file available on the CSSF Internet website (www.cssf.lu/docs/corrections_de_valeur_03.xls) to report their data to the CSSF.

Circular 03/121 **concerning statistics on guaranteed deposits and instruments**

Within the scope of the CSSF's annual exercise to collect data on the basis of the mandate received by the AGDL, the CSSF invited all the credit institutions and investment firms, members of the AGDL, to return to the CSSF the forms containing the necessary data on guaranteed deposits and instruments held by their institution by 31 March 2004.

Circular 03/122 **clarification on the simplified prospectus**

CSSF Circular 03/122 of 19 December 2003, directed at all Luxembourg undertakings for collective investment (UCIs) and those who act in relation to the operation and supervision of these undertakings, provides lines of conduct concerning the content of the simplified prospectus and notably the interpretation of certain elements of information comprised in schedule C of the Law of 20 December 2002 concerning undertakings for collective investment.

The Circular aims to describe three elements of information of the simplified prospectus, namely:

- the UCITS' objectives, the UCITS' investment policy and a brief assessment of the UCITS' risk profile,
- the historical performance of the UCITS,
- the other possible expenses and fees.

The text does not go beyond the rather succinct provisions of schedule C of Directive 2001/107, but allows UCITS to provide further information such as the total expense ratio or the portfolio turnover rate.

CSSF Circular 03/122 also determines the authorisation procedure of the CSSF in relation to the simplified prospectus.

Moreover, UCITS, which, by virtue of the transitional provisions of the Law of 20 December 2002, remain governed by part I of the law of 30 March 1988 relating to UCIs until 13 February 2007 at the latest, are not compelled by the law to publish a simplified prospectus. If any such UCITS nevertheless intends to publish a simplified prospectus, it must meet the requirements imposed by annexe I, schedule C, for the simplified prospectus of UCITS subject to part I of the Law of 20 December 2002.

Circular 03/123 concerning the fight against terrorism

CSSF Circular 03/123 of 29 December 2003 draws the attention of all the supervised persons and entities to the updated list of groups and entities subject to specific restrictive measures taken by the Council within the scope of the fight against terrorism (addition of the entry “Great Islamic Eastern Warriors Front (IBDA-C)”.

International co-operation

CESR published its final recommendation for the preparation of the transition to IFRS standards and its final advice on the prospectus directive

1. On 30 December 2003, CESR (Committee of European Securities Regulators) published its final recommendation on how listed companies can effectively manage the communication of the **impact of transitioning to the new international accounting standards (International Financial Reporting Standards)**.

The European Regulation No 1606/2002 of July 2002 requires European companies whose securities are traded on a regulated market to use, as from 2005, the IFRS standards to prepare their consolidated statements. In order to prepare the transition, CESR had submitted a draft recommendation for consultation in October 2003.

CESR has identified four milestones in the transition process:

- a) the publication of the 2003 annual report
- b) the publication of the 2004 annual report
- c) the publication of interim reports
- d) the publication of 2005 annual financial statements.

The final recommendation reflects the comments made by participants in the consultation. The document is available on the CESR Internet website at www.europefesco.org.

2. On 8 January 2004, CESR submitted its third and final advice on the **prospectus directive** to the European Commission. This advice follows the consultation by CESR with market participants and concerns the following points:

- a) minimum information to be included in any EU prospectus;
- b) information to be included in any EU prospectus as regards historical financial data;
- c) dissemination of advertisements.

At the close of the consultation period, CESR amended a certain number of its initial proposals, notably concerning the creation of a separate schedule for international bodies, accounting principles used to prepare the historical financial information and the dissemination modes of advertisements announcing a transaction.

The responses to the consultation are available for reference on the CESR Internet website.

LIST OF BANKS

New establishment:

Bank Corluy Luxembourg S.A.

Change from PSF into bank (on 1 January 2004).

Withdrawals:

Banque Fédérative du Crédit Mutuel, Luxembourg branch

Withdrawal on 31 December 2003.

WGZ-Bank Westdeutsche Genossenschaftszentrale eG, Luxembourg branch

Withdrawal on 31 December 2003.

KHB International S.A. Luxembourg

Activities taken over by DZ International S.A. on 12 December 2003.

Bank Corluy, Luxembourg branch

Withdrawal on 1 January 2004.

Changes of address:

Commerzbank International S.A.

25, rue Edward Steichen, L-2540 Luxembourg

Erste Europäische Pfandbrief- und Kommunalkreditbank AG

25, rue Edward Steichen, L-2540 Luxembourg

IKB International

12, rue Erasme, L-1468 Luxembourg

Change of name:

HSBC Republic Bank (Luxembourg) S.A. has become on 1 January 2004

HSBC Private Bank (Luxembourg) S.A.

LIST OF PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

New establishment:

E OPPENHEIMER & SON (LUXEMBOURG) LIMITED

Commission agent

9, rue Sainte Zithe, L-2763 Luxembourg

Ministerial authorisation of 15 December 2003.

Withdrawals:

HAVAUX GESTION (LUXEMBOURG) S.A.

Withdrawal on 5 December 2003.

CORLUY LUXEMBOURG S.A.

Withdrawal on 1 January 2004.

Changes of address:

IKB CORPORATELAB S.A.

12, rue Erasme, L-1468 Luxembourg

INTERNATIONAL FINANCIAL DATA SERVICES (LUXEMBOURG) S.A.

47, avenue J.-F. Kennedy, L-1855 Luxembourg

Extensions of status:

KBC CONSEIL-SERVICE S.A.

Status as financial advisor extended to that of **financial advisor and distributor of units/shares of investment funds authorised to accept and effect payments** (on 18 December 2003).

EUROPEAN FUND SERVICES S.A.

Status as commission agent, distributor of units/shares of investment funds and domiciliation agent of companies, extended to **commission agent, distributor of units/shares of investment funds, domiciliation agent of companies, registrar and transfer agent, IT systems and communication networks operator of the financial sector, client communication agent and administrative agent of the financial sector** (on 18 December 2003).

LIST OF PENSION FUNDS

New fund (asep):

LUXEMBOURG PENSION FUND

14, boulevard Royal, L-2449 Luxembourg
Authorisation of 31 December 2003.

LIST OF LIABILITY MANAGERS

New manager:

HEWITT BACON & WOODROW LIMITED

Prospect House, Abbey View, St. Albans
Hertfordshire AL1 2QU, United Kingdom
Registration on the list on 19 December 2003.

LIST OF UNDERTAKINGS 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, the law of 20 December 2002 and the law of 19 July 1991, during the **month of November 2003**

Registrations

- CENTRAL EUROPEAN BOND FUND, 69, route d'Esch, L-1470 Luxembourg
- CREDIT SUISSE FUND (LUX), 5, rue Jean Monnet, L-2180 Luxembourg
- DEKA-WORLDGARANT 2/2009, 5, rue des Labours, L-1912 Luxembourg
- MULTI-MANAGER SOLUTIONS, 5, Heienhaff, L-1736 Senningerberg
- NIELSEN SICAV, 11, rue Aldringen, L-1118 Luxembourg
- RESPONSABILITY GLOBAL MICROFINANCE FUND, 5, rue Jean Monnet, L-2180 Luxembourg
- SELLA CAPITAL MANAGEMENT, 4, boulevard Royal, L-2449 Luxembourg
- SGAM ALTERNATIVE DISCOVERY FUND, 11a, boulevard du Prince Henri, L-1724 Luxembourg
- SYMPHONIA INVESTMENT FUND, 11a, boulevard du Prince Henri, L-1724 Luxembourg
- ZENITH GLOBAL FUND, 4, boulevard Royal, L-2449 Luxembourg

Withdrawals

- CBG SICAV, 39, allée Scheffer, L-2520 Luxembourg
- CDC EURO INVESTMENT OPEN, 69, route d'Esch, L-1470 Luxembourg
- FOKUS FUND, 6A, Circuit de la Foire Internationale, L-1347 Luxembourg
- GLOBAL CHALLENGE FUND, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- H & A LUX FIMEX FONDS, 21, avenue de la Liberté, L-1931 Luxembourg
- J.P. MORGAN FRENCH FRANC LIQUID FUND, 14, boulevard Royal, L-2449 Luxembourg
- MPC COMPETENCE SICAV, 4, rue Thomas Edison, L-1445 Luxembourg-Strassen
- OUDHEUSDEN CRYSTAL FUND SICAV, 52, route d'Esch, L-1470 Luxembourg
- TD WATERHOUSE INVESTMENT SERIES, 39, allée Scheffer, L-2520 Luxembourg

Financial centre

Main updated figures regarding the financial centre:

Number of banks: **169** (1 January 2004)

Balance sheet total: **EUR 665.101 billion** (30 November 2003)

Profit before provisions: **EUR 3.084 billion** (30 September 2003)

Employment: **22,598 people** (30 September 2003)

Number of UCIs: **1,871** (12 January 2004)

Total net assets: **EUR 940.272 billion** (30 November 2003)

Number of pension funds: **10** (31 December 2003)

Number of management companies: **1** (31 December 2003)
(Chapter 13 of the Law of 20 December 2002)

Number of PFS: **142** (31 December 2003)

Balance sheet total: **EUR 2.510 billion** (30 November 2003)

Net profit: **EUR 342.65 million** (30 November 2003)

Employment: **4,307 people** (30 September 2003)

Total employment in the supervised establishments: **27,699 people** (31 Dec. 2002)

Total employment in the supervised establishments: **27,073 people** (30 June 2003)

Total employment in the supervised establishments: **26,905 people** (30 Sept. 2003)

CSSF Newsletter

Design and editing : Secrétariat général de la CSSF

110, route d'Arlon

L-2991 LUXEMBOURG

Tel. : (+352) 26 251 237 / 327

E-mail : direction@cssf.lu

Website : www.cssf.lu