

OUTDATED

In case of discrepancies between the French and the English text, the French text shall prevail

Luxembourg, 24 August 2004

To all the credit institutions and
investment firms under
Luxembourg law

CSSF CIRCULAR 04/154

Re: New capital requirements regime

Dear Sir or Madam,

The purpose of this circular is to draw the attention of credit institutions and investment firms under Luxembourg law (hereinafter “institutions”) to:

- the publications of the Basel Committee and those of the European Commission concerning the new capital requirements regime
- the need to set up all the organisational and technical means to meet the requirements relating to the implementation of these provisions.

On 26 June 2004, the Basel Committee published the document “International convergence of Capital Measurement and Capital Standards: A Revised Framework”, which is the final version for the adoption of the new capital requirements regime for banks, commonly known as “Basel II” or “New Basel Accord”.

Moreover, the European Commission has adopted the proposal for the amendment of the Consolidated Banking Directive (2000/12/EC) and the Capital Adequacy Directive (93/6/EEC) to introduce the new capital requirements framework for credit institutions and investment firms and published a non-official version of the adopted proposal on 14 July 2004.

These documents are available on the CSSF website, www.cssf.lu, under “Publications” → “Adéquation des fonds propres”.

According to the above-mentioned texts, the proposed simple and intermediate approaches would be available from 31 December 2006, while the most advanced approaches (i.e. the Advanced Internal Ratings Based Approach for credit risk and the Advanced Measurement Approach for operational risk) would be available only from 31 December 2007.

It is therefore essential that the institutions carry out the tasks provided for by their implementation plan as of today, in order to be able to use an intermediate or advanced approach as from the planned date onwards.

The CSSF invites the institutions:

- to communicate their implementation plan for the new regime (if not already done) to the CSSF
- to contact the CSSF regarding any question on the new regime and the validation of the approaches.

The contact persons of the CSSF for the various parts of the new regime are:

Mrs Joëlle Martiny (26 25 1 352) for the standardised approach for credit risk and credit risk mitigation techniques;

Mr Davy Reinard (26 25 1 302) for internal ratings based approaches;

Mr Ronald Kirsch (26 25 1 308) for the treatment of securitisation;

Mr Patrick Maar (26 25 1 316) for operational risk;

Mr Alain Hoscheid (26 25 1 304) for the new provisions relating to the trading book.

Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Charles KIEFFER
Director

Jean-Nicolas SCHAUS
Director General