

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER

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

Luxembourg, 28 June 2013

To all supervised entities

CIRCULAR CSSF 13/568

Re: Entry into force on 1 July 2013 of Circular CSSF 12/552 on central administration, internal governance and risk management: update of the references in IML/CSSF circulars and details regarding the scope of the annual long form audit report pursuant to Circular CSSF 01/27

Ladies and Gentlemen,

The entry into force of Circular CSSF 12/552 on central administration, internal governance and risk management entails that Circulars IML 95/120, IML 96/126, IML 98/143, CSSF 04/155 and CSSF 05/178 are no longer applicable to credit institutions and investment firms as from 1 July 2013¹. The references to these circulars shall therefore be replaced by a reference to Circular CSSF 12/552.

I. Update of Circulars CSSF 01/42, CSSF 06/240, CSSF 06/273, CSSF 07/290, CSSF 07/301, CSSF 07/307, CSSF 07/326 and CSSF 08/350

1. Circular **CSSF 01/42** ("Mortgage bond banks: rules on real estate valuation") shall be amended as follows:
 - In the last sentence of Chapter VI of the Annexe, the words "laut Rundschreiben IML 98/143 über die interne Kontrolle" shall be replaced by "gemäss den Punkten 116 und 156 des Rundschreibens CSSF 12/552 betreffend Hauptverwaltung, Internal Governance und Risikomanagement".
2. Circular **CSSF 06/240** ("Administrative and accounting organisation; IT outsourcing and details regarding services provided under the status of support PFS, Articles 29-1, 29-2 and 29-3 of the law of 5 April 1993 on the financial sector as amended; amendment of IT outsourcing conditions for branches located abroad) shall be amended as follows:
 - On the front page, fifth indent, the words "Circular CSSF 05/178" shall be replaced by "Circulars CSSF 05/178 and CSSF 12/552".
 - Under item 2.1., the words "or Circular CSSF 12/552" shall be added after the reference to "Circular CSSF 05/178".
 - Under item 5.1.1., the words "(included in Circular CSSF 12/552)" shall be added after the reference to "Circular CSSF 05/178".

¹ Please be reminded that Circulars IML 95/120, IML 96/126, IML 98/143, CSSF 04/155 and CSSF 05/178 are still applicable to professionals of the financial sector other than the credit institutions and investment firms.

3. Circular **CSSF 06/273** defining capital ratios pursuant to Article 56 of the amended law of 5 April 1993 on the financial sector shall be amended as follows:
 - In the second box on page 456, the words "Circulars CSSF 95/120 (central administration), CSSF 96/126 (administrative and accounting organisation), CSSF 98/143 (internal audit) and CSSF 04/155 (the compliance function)" shall be replaced by "Circular CSSF 12/552 on central administration, internal governance and risk management".
4. Circular **CSSF 07/290** defining capital ratios pursuant to Article 56 of the amended law of 5 April 1993 on the financial sector shall be amended as follows:
 - In the box on page 455, the words "Circulars CSSF 95/120 (central administration), CSSF 96/126 (administrative and accounting organisation), CSSF 98/143 (internal audit) and CSSF 04/155 (the compliance function)" shall be replaced by "Circular CSSF 12/552 on central administration, internal governance and risk management".
5. Circular **CSSF 07/301** on the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) shall be amended as follows:
 - In the third paragraph of item I.1 of the Annexe, the words "Circulars IML 95/120, IML 96/126, IML 98/143 and CSSF 04/155" shall be replaced by "Circular CSSF 12/552".
6. Circular **CSSF 07/307** ("MiFID: Conduct of business rules in the financial sector") shall be amended as follows:
 - The last paragraph of item 20 shall be replaced by the following paragraph: "For management companies, Circular CSSF 04/155 (on the compliance function) and Circular IML 98/143 (on internal control and internal audit) remain fully applicable. For credit institutions and investment firms, the provisions of Circular CSSF 12/552 on internal control, including internal control functions, shall apply."
7. Circular **CSSF 07/326** ("Provisions relating to Luxembourg incorporated credit institutions and investment firms established in another Member State by way of branches or exercising their activities in another Member State by free provision of services") shall be amended as follows:
 - Under item 28, the words "Circulars IML 98/143 on internal control and CSSF 04/155 on the compliance function" shall be replaced by "Circular CSSF 12/552 on central administration, internal governance and risk management"
 - Under item 30, the words "point 8 of Circular IML 98/143 on internal control" shall be replaced by "points 116 and 156 of Circular CSSF 12/552 on central administration, internal governance and risk management".
8. Circular **CSSF 08/350** ("Details relating to the amendments introduced by the law of 13 July 2007 on markets in financial instruments to the PFS statuses referred to in articles 29-1, 29-2, 29-3 or 29-4 and designated "support PFS"; Amendment to the prudential supervisory procedures for support PFS") shall be amended as follows:
 - In the last paragraph of the introduction, the words "IML 96/126 and CSSF 05/178" shall be replaced by "IML 96/126, CSSF 05/178 and CSSF 12/552".
 - Under item 1.3.1., the words "IML 96/126 and CSSF 05/178" shall be replaced by "IML 96/126, CSSF 05/178 and CSSF 12/552".

II. Links to Circular CSSF 01/27

9. In the context of a more general review of the future orientation of Circular CSSF 01/27 ("Practical rules concerning the role of *réviseurs d'entreprises* (statutory auditor)"), the CSSF decided not to update Circular CSSF 01/27 for the time being. However, in order to allow the *réviseurs d'entreprises agréés* (approved statutory auditors) to carry out their mission laid down in Circular CSSF 01/27 efficiently, the CSSF would like to specify its expectations as regards the treatment of Circular CSSF 12/552 in the long form audit report. In this respect, the *réviseurs d'entreprises* (statutory auditors) shall, in particular, check the following elements of said circular:

- Chapter 5 of Part II dealing with the administrative, accounting and IT organisation;
- Chapter 6 of Part II on internal control;
- Sub-chapter 7.4 of Part II relating to outsourcing;
- Chapter 3 of Part III on credit risk;
- Chapter 5 of Part III relating to private wealth management.

III. Entry into force

10. This circular enters into force on 1 July 2013

Yours faithfully,

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER

Claude SIMON
Director

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Director

Simone DELCOURT
Director

Jean GUILL
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