

## PRESS RELEASE 13/20

### ■ PUBLICATION OF THE ANNUAL REPORT 2012 OF THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER (CSSF)

It might seem surprising in these tumultuous times, but 2012 appears to have been a period of relative calm for the financial centre of Luxembourg, which could be a respite in the eye of the storm.

Indeed, the underlying operational result of the banks established in the financial centre is satisfactory despite the fall in profitability and the different types of Luxembourg undertakings for collective investment, including specialised investment funds and SICARs, pension funds and securitisation vehicles, managed to increase quite substantially the sum of assets entrusted to their management. This good performance of the financial sector as a whole also influenced the development of the three categories of PFS marked again both by the arrival of numerous new players and the disappearance of entities which did not reach the required size.

For the future, the focus is on the implementation of the Banking Union at European level and on the importance to establish Luxembourg as diversified European financial centre with internationally-oriented know-how and mentality.

The 2012 trends for the different financial centre segments may be summarised as follows.

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#### International aspects of supervision

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The year 2012 was, on the one hand, characterised by the intensification of the activities of the European supervisory authorities EBA, ESMA and EIOPA for the purpose of harmonising the regulations and implementing the regulatory and implementing technical standards and, on the other hand, by the decision of the European Council to establish a single supervisory mechanism for banks in the euro area (Banking Union). The cooperation between national authorities within supervisory colleges for banking groups operating on a cross-border basis consumed also a significant amount of the CSSF's resources.

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#### 141 credit institutions

**Balance sheet total: EUR 735.06 billion**

**Net profit: EUR 3,538 million**

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The number of banks decreased by two entities and reached 141 entities as at 31 December 2012. Five banks started their activities during the year whereas six banks ceased their activities and one bank merged with another bank of the financial centre.

The aggregated balance sheet total reached EUR 735.1 billion at the end of 2012, i.e. a decrease of 7.3% compared to 2011. This decrease was shared by 53% of the banks of the financial centre, a majority of which belong to the banking groups established in the euro area. The reductions in activities were in line with a less favourable macroeconomic context in Europe and reflected the necessity for European banks to adapt their balance sheet structure to their capacity to manage and support risks. Moreover, an important part of the drop in the aggregated balance sheet was attributable to two Swiss banking groups which invested, via Luxembourg, large amounts of liquidities in EUR with the European System of Central Banks. On the other hand, the increase in the balance sheet total of certain banks resulted, among others, from the takeover of activities or development of new activities. In the latter case, the banks concerned generally originated from non-EU countries.

Net profit of the Luxembourg banking sector reached EUR 3,538 million (+42.1%). However, this increase should be balanced out. Indeed, this rise is explained only by the mixed result that the Luxembourg banking sector recorded in 2011 in the context of the European sovereign debt crisis. Throughout 2012, the operational income remained in decline and the general expenses continued to increase. Consequently, a loss in profitability of the Luxembourg banking sector was recorded.

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### **318 PFS (109 investment firms, 124 specialised PFS, 85 support PFS)**

**Balance sheet total: investment firms: EUR 3.62 billion; specialised PFS: EUR 9.46 billion; support PFS: EUR 1.01 billion**

**Net profit: investment firms: EUR 319.4 million; specialised PFS: EUR 360.1 million; support PFS: EUR 35.8 million**

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With 22 new entities authorised in 2012 and 26 withdrawals, the number of all categories of PFS decreased in 2012. The net development in the number thus turned negative for the investment firms (-7 entities) and support PFS (-3 entities) whereas the rising trend of the number of specialised PFS was maintained with +6 entities.

The aggregated total balance sheet of investment firms reached EUR 3.62 billion as at 31 December 2012, as against EUR 2.63 billion at the end of 2011. This 37.5% increase is mainly due to the significant increase of the balance sheet total of one investment firm authorised in 2010. The aggregated total balance sheet of specialised PFS slightly increased from EUR 9.42 billion at the end of 2011 to EUR 9.46 billion at the end of 2012 (+0.40%). The same applies to the aggregated balance sheet of support PFS which reached EUR 1.01 billion as at 31 December 2012, compared with EUR 0.91 billion at the end of previous year (+10.7%).

The net results of the investment firms increased by 7.8% over one year which is, in large part, due to the significant increase of the net result of one player whereas a majority of investment firms showed a stable net result as compared to the previous year. The aggregate net result of specialised PFS recorded a moderate growth of 2.0% as most specialised PFS registered either constant net results or slight increases as compared to 2011. However, for support PFS, the net results dropped by 19.1% from EUR 44.3 million to EUR 35.8 million as at 31 December 2012.

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### **5 payment institutions**

### **5 electronic money institutions**

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The number of payment institutions and electronic money institutions registered on the official list slightly increased in an emerging market which seeks its cruising speed. The CSSF noticed a certain interest from several players to establish themselves in Luxembourg to benefit from this market opportunity.

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### **3,841 UCIs**

### **13,420 units**

**Total net assets: EUR 2,383.8 billion**

### **180 management companies**

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In 2012, the UCI sector registered a 13.7% growth in net assets under management, originating for 42.8% from net subscriptions and for 57.2% from the positive performance of financial markets.

The number of UCIs decreased by 0.1% (-4 entities) during the year. Taken separately, the number of specialised investment funds (SIF) however increased by 8.1% (+111 entities). SIFs now represent 38.7% in terms of number of UCIs; in terms of managed assets, their share totals 11.6%. When taking into account umbrella funds, a total of 13,420 economic entities were active on 31 December 2012, which represents a new record.

With 180 active entities, the number of management companies authorised pursuant to Chapter 15 of the law of 17 December 2010 relating to UCIs increased by one entity following six new authorisations and five withdrawals mainly due to the reorganisation and restructuring of the activities of the relevant parent companies.

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### **276 SICARs**

**Balance sheet total: EUR 32.91 billion**

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The number of investment companies in risk capital (SICAR) remained stable as compared to the previous year, the 24 new authorisations granted during the year being counterbalanced by 24 withdrawals. Most initiators of SICARs are from France, followed by Switzerland, Germany and Luxembourg. As regards the investment policy, the SICARs prefer private equity.

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### **32 authorised securitisation undertakings**

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The slow but ongoing development of the securitisation activity, at least as regards the part subject to authorisation and supervision, continued with seven new securitisation undertakings authorised in 2012. When taking into account two withdrawals, the number of securitisation undertakings thus increased by five entities over the year.

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### **14 pension funds**

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The pension fund sector stagnated in 2012: following the voluntary liquidation of one pension fund and given that no new pension fund was authorised during the year, the number of authorised pension funds totalled 14 entities on 31 December 2012.

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### **Total employment in the supervised entities: 44,004 people**

**(of which banks: 26,537 people, investment firms: 2,662 people, specialised PFS: 3,046 people, support PFS: 9,016 people, management companies: 2,743 people)**

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Total employment in the financial sector improved by 1.3%, i.e. 576 people. However, depending on the category of financial players, the situation diverges.

Employment in the banking sector decreased by 0.6% in 2012. Part of this decrease resulted from the transfer of investment fund management activities to the PFS sector. Similarly to the transfer of activities recorded in 2011, this transfer did not impact the total number of jobs in the financial sector, but only changed the breakdown between the professionals of the financial sector. Another major factor which explains the decrease in banking employment is the ongoing restructuring and consolidation of activities following mergers and acquisitions. Finally, the seven banks which ceased their activities in 2012 also contributed to the decrease in the banking employment. This decrease was not compensated by the creation of jobs in the five banks which started their activities in Luxembourg in 2012.

The number of jobs in investment firms increased by 10.4% whereas employment in specialised PFS decreased by 2.6%. As explained before for the banking sector, these developments mainly resulted from the transfers of activities between the different categories of professionals of the financial sector which had no impact on the total number of jobs in the financial sector.

The support PFS staff increased by 3.9% due to recruitments.

Management company staff increased by 9.2% in 2012, which however does not correspond to a net creation of new jobs. Indeed, even if new jobs were created in order to strengthen the organisational environment within the management companies, the positive employment development is mainly due to staff reallocation between entities of the financial sector following reorganisations and transfers of activities within the respective groups.

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### **1,493 prospectuses, base prospectuses and other approved documents**

#### **660 supervised issuers**

#### **0.95 million reported transactions in financial instruments**

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The number of files submitted in Luxembourg for the approval of prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market slightly rose compared to 2011 (+3.25%).

The CSSF supervises issuers whose securities are admitted to trading on a regulated market and whose home Member State is Luxembourg for the purposes of the Transparency Law. Their number reached 660, of which 238 Luxembourg issuers. The supervision involves a general follow-up of the regulated information to be published by issuers as well as the financial information enforcement, i.e. the assessment of compliance of the financial information with the relevant reporting framework, namely the applicable accounting standards.

As regards the supervision of markets and market operators, the CSSF received about 0.95 million reports on transactions in financial assets in 2012 which allow the observation of market trends and the identification of possible offences. In the framework of the law on market abuse, the CSSF opened two investigations in relation to insider dealing and/or market manipulation and dealt with 61 requests from foreign authorities.

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### **Public oversight of the audit profession**

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The public oversight of the audit profession covered 68 *cabinets de révision agréés* (approved audit firms) and 219 *réviseurs d'entreprises agréés* (approved statutory auditors) as at 31 December 2012. The oversight also includes 55 third-country auditors and audit firms duly registered in accordance with the law of 18 December 2009 concerning the audit profession.

As regards the missions performed in the framework of statutory audits and other missions exclusively entrusted to them by the law, the *réviseurs d'entreprises agréés* and *cabinets de révision agréés* are subject to a quality assurance review, organised according to the terms laid down by the CSSF in its capacity as supervisory authority.

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### **610 customer complaints**

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Pursuant to its specific competence as regards consumer complaint handling, the CSSF received 610 complaints last year, a majority (62%) of which concerned payment service issues. Complaints related to private banking, though declining, are in second place with a share of 11% of the total number of complaints dealt with by the CSSF.

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## 448 agents

### Operating costs of the CSSF in 2012: EUR 51.2 million

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2012 was marked by the ongoing increase in the CSSF's staff (+42 agents) in order to face the growing workload resulting notably from the introduction of new prudential requirements, the cooperation between supervisory authorities, the active participation in international fora and, in general, the increase in volume and complexity of the financial products. This figure is supplemented by numerous on-site inspections, which became an important pillar of the prudential supervision exercised by the CSSF.

The 2012 Annual Report is available free of charge at the CSSF, L-2991 Luxembourg, email: [direction@cssf.lu](mailto:direction@cssf.lu) on request. It is also available for download at [www.cssf.lu](http://www.cssf.lu). An English version of the report will be published on the website in June 2013.

Luxembourg, 3 May 2013

