

# CSSF NEWSLETTER

Commission de Surveillance du Secteur Financier – Monthly Newsletter

## Editorial

With the launch of a monthly Newsletter, the CSSF Executive Committee has decided to create a new means of communicating news to the entire Luxembourg financial community as well as to the public in general.

Published on a monthly basis (around the 10<sup>th</sup> of each month), the “CSSF Newsletter” will encompass the main information relating to the financial centre from a regulatory point of view. Thanks to its periodicity and the hierarchical structure of the information, the newsletter should improve the understanding of the CSSF’s activities in the context of a sound and orderly expansion of the financial sector. The CSSF will of course continue to release communiqués, which will focus on more detailed information.

Considering that the content of the Newsletter will be continuously adapted, it will mainly encompass:

- Monthly statistics of banks, UCIs and PFS;

- Short reports on important international meetings and documents relating to prudential supervision;
- Main changes concerning the legal and regulatory framework;
- CSSF decisions or recommendations as regards general or specific issues;
- Changes in the official lists of supervised entities.

The Newsletter will be sent by e-mail to the national media and upon request to the international media. The newsletter can be accessed and downloaded via the CSSF website: [www.cssf.lu/actualités](http://www.cssf.lu/actualités).

We hope that the Newsletter, the content of which will evolve over time, will help us respond to a real need on the market and find an echo amongst the players in the financial centre.

Jean-Nicolas SCHAUS  
Director General

## ***Banks***

### **Profit and loss accounts of banks established in Luxembourg as at 31 December 2000: net profit of LUF 106.5 billion**

According to the data as at 31 December 2000, the banking income of Luxembourg-registered banks reached LUF 313.3 billion (EUR 7.8 billion), representing an increase of LUF 49.5 billion (EUR 1.2 billion) compared to the same date last year, i.e. a rise of 18.8%.

The interest-rate margin rose by 9.3% compared to 1999; it now represents 46.1% of the banking income and remains the main component.

The Commissions received continues its sharp increase with an annual rise of 32.6%, reaching LUF 125 billion (EUR 3.1 billion) and representing 39.9 % of the banking income. This development reflects the importance of dis-intermediation and the shift from traditional savings to investments into securities.

The two main items of General Expenses, i.e. staff and operating expenses total LUF 123.2 billion (EUR 3.1 billion) at the end of the year, which accounts for an increase of LUF 17.3 billion (EUR 0.4 billion), i.e. a rise of 16.3%. Total General Expenses absorbs 44.5% of the Banking Income.

Gross Income before provisions amounts to LUF 173.9 billion (EUR 4.3 billion), which represents a rise of 22.1% compared to 142.5 billion (EUR 3.5 billion) as at 31 December 1999. The final Net Result for the financial year 2000 will only be known after it has been decided on the amount to be allocated to provisions, but it will probably add up to around LUF 106.5 billion (EUR 2.6 billion), exceeding for the first time the LUF 100 billion (EUR 2.5 billion) mark.

### **Increase of 8.36% of the banks' balance sheet total in 2000**

The balance sheet total for the banks established in Luxembourg reached LUF 26,139 billion (EUR 647.969 billion) as at 31 December 2000 compared to LUF 26,578 billion (EUR 658.851 billion) as at 30 November 2000, which is a decrease of 1.65 %. On a yearly basis, the balance sheet total rose from LUF 24,123 billion (EUR 597.994 billion) to LUF 26,139 billion (EUR 647.969 billion), which is an

increase of 8.36%. It reached its highest level in October this year.

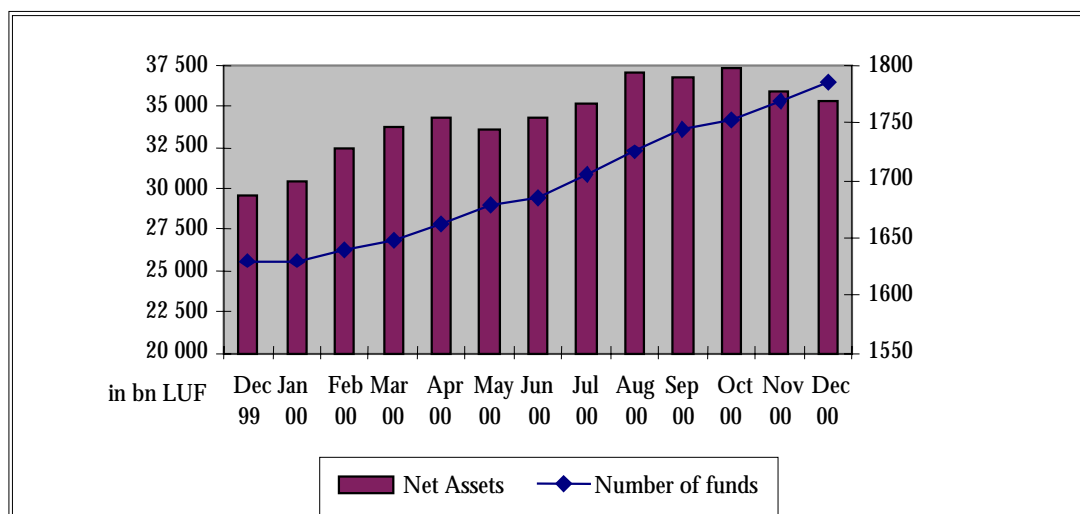
As at 31 December 2000, the number of credit institutions registered on the official list of banks amounted to 202. The number of personnel employed by credit institutions totals 23,040, representing a substantial increase of 1,848 people compared with last year.

## UCI

### Decrease in UCIs' total net assets at the end of December 2000 and increase of 19.07% over the year

As at 31 December 2000, the total net assets for undertakings for collective investment (UCI) reached LUF 35,280.7 billion (EUR 874.6 billion) compared to LUF 35,928.0 billion (EUR 890.6 billion) as at 30 November 2000. The Luxembourg UCI sector has decreased by 1.80% compared to November 2000. This decrease can be explained by a noticeable fall in the financial markets during the month under review. However, the net capital investment (net issues reduced by the net adjusted repurchases taking into account the UCIs that entered into liquidation) has amounted to LUF 359.2 billion (EUR 8.9 billion).

The UCI sector increased by 19.07% compared to 31 December 1999 when the total net assets amounted to LUF 29,630.4 billion (EUR 734.5 billion). It is particularly noteworthy that the net capital investment of LUF 6,782.2 billion (EUR 168.1 billion) for the year 2000 is higher than the variation of total assets over the same period, which is an increase of LUF 5,650.3 billion (EUR 140.1 billion). In other words, the increase of the UCI sector exclusively stems from the net capital investment whereas financial markets and the rise of the US dollar over the last months had an overall negative impact on the development of net assets.



The number of undertakings for collective investment taken into account totals 1,785 compared to 1,768 for the previous month. 1,028 UCIs have adopted the multiple compartment structure, which represents a total of

6,238 compartments. When adding 757 UCIs with a traditional structure to the previous figure, a total of 6,995 compartments are active in the financial centre.

## ***PFS***

### **Net profits of LUF 17 billion**

### **Balance sheet total of LUF 85 billion**

According to the provisional data provided as at 31 December 2000, the professionals of the financial sector generated a net profit of LUF 17 billion (EUR 0.4 billion). The balance sheet total of all the institutions amounts to LUF 85 billion (EUR 2.1 billion). As regards the breakdown of PFS into different categories, the private portfolio managers as well as the professional custodians of securities are the leaders when it comes to both net profits and balance sheet total.

As at 31 January 2001, 122 businesses were registered on the official list of PFS under the supervision of the CSSF.

The strong increase of the sector in terms of employment, which is a sign of dynamic growth, also needs to be stressed. Within one year, the PFS sector has grown from 2,788 to 3,499 employees, which represents a rise of 25%.

The PFS workforce has increased as follows over the last years:

1995: 1,827 employees  
1996: 2,017  
1997: 2,323  
1998: 2,612  
1999: 2,788  
2000: 3,499

## ***Position taken***

The Commission de Surveillance du Secteur Financier wishes to remind those concerned that by 31 December 2000, all the persons carrying out company domiciliation activities should be in compliance with the provisions of the Law of 31 May 1999 relating to the domiciliation of companies. From this deadline onwards, no one shall carry out domiciliation activities without the prior

approval from the Treasury and Budget Minister, except those professionals specifically authorised by the Law of 31 May 1999.

The CSSF consequently invites all those who are active in this field and who have not yet updated their situation to contact as soon as possible its service in order to do so (Tel: 26 25 1 209).

## Legal and regulatory developments in the financial sector in December 2000 and January 2001

### *Legal framework*

#### **Law of 15 December 2000 on postal and financial postal services**

In order to guarantee the fairness of competition with the private sector, the law of 15 December 2000 on postal and financial postal services subjects the Luxembourg Postal and Telecommunications company, when providing financial postal services, to the approval and prudential supervision procedures of the financial sector.

According to the Law, the financial services of the Post and Telecommunications company will be

subject to the prudential supervision of the Commission de Surveillance du Secteur Financier. The supervision will particularly focus on their compliance with legal and regulatory provisions, notably approval requirements, with quantitative and qualitative prudential standards, professional obligations especially on the subject of the fight against money laundering and rules of conduct.

### *Regulatory framework*

#### **CSSF Circular 00/21:**

#### **Complement to IML Circulars 94/112 and BCL 98/153 on measures to fight money laundering and the prevention of the use of the financial sector for money-laundering purposes**

In view of Luxembourg's imminent ratification of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the CSSF clarifies certain rules relating to the fight against the laundering of assets linked to an active or passive act of bribery or embezzlement. Credit institutions, UCIs and the other professionals of the financial sector must therefore pay their utmost attention when entering business relationships or accepting and holding assets belonging directly or indirectly to high-ranking civil

servants of a state or to persons and companies manifestly close to or connected with them. The Circular imposes the following requirements on the undertakings subject to CSSF supervision: the setting up of special acceptance procedures for such customers, including the economic beneficiaries, close monitoring of these business relationships at the highest hierarchical level and the creation of a special function aimed at advising the persons in charge of client relations.

**CSSF Circular 2000/22:  
CSSF Supervision of investment companies on a consolidated basis**

This Circular is modelled on the Circular on the supervision of credit institutions on a consolidated basis and aims at specifying the practical supervision on a

consolidated basis that the CSSF is to carry out on investment companies. This Circular is applicable to around ten investment companies.

**Circular Letter of 1 December 2000  
regarding the survey of financial Internet services**

The CSSF sent a questionnaire to credit institutions and the other professionals of the financial sector to find out how financial players use the Internet. The questionnaire concerns information websites, transactional websites and current projects. This survey aims at

providing the CSSF with a global view on the scope of financial activity taking place *via* the Internet in Luxembourg. The answers that had to be returned to the CSSF before 15 January 2001 are being analysed.

*Other developments*

**Change of the statutes of the Deposit Guarantee Association Luxembourg  
(AGDL, *Association pour la Garantie des Dépôts*)**

The Deposit Guarantee Association Luxembourg (AGDL) adopted a change of its statutes during an extraordinary general meeting on 14 December 2000. This change aimed at bringing the AGDL into compliance with the provisions of the Law of 27 July 2000 transposing Directive 97/9/EC relating to investor-compensation schemes into the Law of 5 April 1993 on the financial sector as amended.

Following this change, the Commission de Surveillance du Secteur Financier

approved the AGDL as investor-compensation scheme, the credit institutions that are members of the Association therefore automatically comply with the Law. Investment firms may fulfil their legal obligation to adhere to an investor-compensation scheme by becoming a member of the AGDL. Further to the deposit guarantee, the AGDL now also offers cover for investment transactions.

## I. New Basle Capital Accord

On 16 January, the Basle Committee on Banking Supervision published for consultative purposes a review of the document "A new capital adequacy framework" dated June 1999. The new proposal encompasses the following documents:

- An *Overview*, specifying the rationale behind this new proposal;
- *The New Basle Capital Accord*, defining the content and structure of the New Accord, i.e. the new rules to be adopted;
- *Seven supporting documents* on specific topics: technical analyses, description of ongoing projects and guidelines as to the implementation of the accord.

The second round of consultation is to end on 31 May 2001 and the final version of the New Accord to be published at the end of the year. The Member States (i.e. the Group of Ten, Switzerland and Luxembourg) are to implement the New Accord in 2004.

### Structure of the New Accord

The New Accord sets out a range of new methods, from the simplest to the most sophisticated, for the measurement of

credit and operational risks. It aims at improving the risk-sensitivity and the establishment of capital requirements more adequately reflecting the risks incurred.

The New Accord rests on three mutually reinforcing pillars, which should help improve the safety and soundness of the financial system.

***First Pillar: minimal capital requirements***

***Second pillar: supervisory review process***

***Third pillar: market discipline***

The Basle Committee insists on the absolute necessity that all three pillars are simultaneously applied and it will actively co-operate with the banking supervisory authorities in order to achieve an efficient implementation of every aspect of the Accord.

The above-mentioned documents, as well as a detailed press release are available on the Bank of International Settlements website [www.bis.org](http://www.bis.org).

## II. The Basle Committee published an important consultative document regarding due diligence on new and existing customers.

On 31 January 2001 the Basle Committee on banking control published a consultative document entitled: "Customer due diligence by banks". This document provides guidelines for banks and supervisory authorities relating to the rules of conduct regarding due diligence on new and existing customers. It is part of the Basle Committee's efforts

to improve the risk management of banks around the world.

National supervisors are responsible for banks setting up minimum standards and internal controls allowing them to perfectly know all the parties with whom they start a business relationship. Banks for their part should develop firm principles and clear procedures in four key areas: customer acceptance, customer



identification, monitoring of high-risk accounts and risk management.

Drawn up by the Working group on cross-border banking, the document should become an international reference in this essential field of risk management. It is noteworthy that the Luxembourg legislative and regulatory framework does

already entirely comply with the proposed principles.

The consultation phase of supervisory authorities and banks will end on 31 March 2001. The CSSF has invited Luxembourg banks to comment on this document, which is also available on the Bank of International Settlements website: [www.bis.org](http://www.bis.org).

### **III. FESCO published two working documents: the first one regarding the European passport for issuers and the second one on the harmonisation of rules of conduct as regards investor protection.**

Within the framework of the Action Plan for the financial services of the European Commission, the Forum of European Securities Commission (FESCO), composed of seventeen European Economic Area (EEA) supervisory authorities of transferable securities, including the Commission de Surveillance du Secteur Financier, finalised two consultative documents with a view to establishing common standards.

The first document "A European Passport for Issuers" should simplify the procedure governing cross-border public

offerings while guaranteeing a high-standard public information.

The second document "Standards and Rules for Harmonising Core Conduct of Business Rules for Investor Protection" has been drawn up in line with the modernisation of the Investment Services Directive (ISD) and complements the working document relating to the categorisation of investors adopted by FESCO on March 2000.

The above mentioned documents are available on the FESCO website: [www.eurofefesco.org](http://www.eurofefesco.org).

### **IV. Introduction of the Cross-border Out-of-Court Settlement Network in the field of financial services.**

A meeting of the national bodies responsible for the out-of-court settlements of disputes in the financial sector was held at the European Commission in Brussels on 31 January 2001. This meeting marked the launch of a network of European co-operation regarding out-of-court settlements of cross-border disputes between consumers and providers of financial services.

The initiative taken by the European Commission aims to establish a database on the out-of-court settlement bodies for disputes in the different Member States in order to assist consumers in exercising

their rights more effectively in day-to-day affairs.

The Commission believes that this database encourages a closer relationship between the bodies concerned and allows a more active co-operation as regards cross-border dispute settlements.

As at 31 January 2001, 36 bodies have signed the memorandum of understanding.

As for Luxembourg, it is the Commission de Surveillance du Secteur Financier, the national body in charge of out-of-court settlements of disputes relating to the financial sector, that will participate in the co-operation network.



## Changes on the official lists of supervised establishments during January 2001

### LIST OF BANKS

#### NEW ESTABLISHMENT:

FREIE INTERNATIONALE SPARKASSE  
S.A.  
13, avenue de la Porte-Neuve  
B.P. 614  
L-2016 LUXEMBOURG

#### WITHDRAWALS:

DIE SPARKASSE IN BREMEN, Bremen  
(Germany)  
Luxembourg branch  
13, avenue de la Porte-Neuve  
B.P. 614  
L-2016 LUXEMBOURG

INDUSTRIAL BANK OF KOREA EUROPE  
S.A.  
29, avenue de la Porte-Neuve  
L-2227 LUXEMBOURG

#### CHANGE OF STATUS:

CITIBANK (Luxembourg) S.A, has become  
CITIBANK INTERNATIONAL PLC, London  
(United-Kingdom), Luxembourg Branch

#### CHANGE OF NAME:

CASSA DI RISPAMIO IN BOLGNA, Bologna  
(Italy), Luxembourg branch, has become  
CARDINE BANCA SPA, Bologna (Italy),  
Luxembourg branch

CREGELUX – CREDIT GENERAL DU  
LUXEMBOURG S.A., has become  
BGL – MEES PIERSON TRUST (Luxembourg)  
S.A.

UNIBANK S.A., has become  
NORDEA BANK S.A.

### LIST OF PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

#### NEW ESTABLISHMENTS:

##### At 08.01.01:

COMPANIES & TRUSTS PROMOTION S.A.  
19, rue du Kirchberg  
L-1858 Luxembourg  
Status as domiciliation agent of companies

FIRST TRUST S.A.  
73, Côte d'Eich  
L-1450 Luxembourg  
Status as domiciliation agent of companies

HALSEY GROUP S.A.R.L.  
4, boulevard Royal  
L-2449 Luxembourg  
Status as domiciliation agent of companies

GLOBAL INVESTORS S.A.  
55, rue des Scillas  
L-2529 Luxembourg-Howald  
Status as private portfolio manager and  
distributor of units of investment funds  
authorised to accept and effect payments.

##### At 15.01.01:

ING TRUST (LUXEMBOURG) S.A.  
8, boulevard Joseph II  
L-1840 Luxembourg  
Status as financial advisor and domiciliation agent  
of companies

##### At 18.01.01:

ASCENDO S.A.  
9, rue St. Hubert  
L-1744 Luxembourg  
Status as domiciliation agent of companies

INFIGEST S.A.  
21-25, allée Scheffer  
L-2520 Luxembourg  
Status as domiciliation agent of companies

##### At 26.01.01:

SUXESKEY S.A.  
10-12, rue de Medernach  
L-7619 Larochette  
Status as domiciliation agent of companies

WITHDRAWALS: none

## 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 and the official list of undertakings for collective investment which fall under the law of 19 July 1991, during the month of **December 2000**.

### Registrations

A.A.ADVISORS MULTI-MANAGER FUNDS, 46, avenue J-F Kennedy, L-1855 Luxembourg-Kirchberg

A.R.T. - ABSOLUTE RETURN TARGET FUND, 20, boulevard E.Servais, L-2535 Luxembourg

ACTIVEST LUX CONTISTARCONTROL 03/2006, 4, rue A.Weicker, L-2721 Luxembourg-Kirchberg

AETRADIRECT FUNDS, 39, allée Scheffer, L-2520 Luxembourg

BANTLEON EUR-DYNAMIC, 50, avenue J-F Kennedy, L-1855 Luxembourg-Kirchberg

BETA LUX SELECTION, 41, boulevard du Prince Henri, L-1724 Luxembourg

BFG RESPONSIBILITY BONDS, 6B, route de Trèves, L-2633 Senningerberg

BFG RESPONSIBILITY EQUITIES, 6B, route de Trèves, L-2633 Senningerberg

BFG SELECT AMERICA, 6B, route de Trèves, L-2633 Senningerberg

BO FUND II, 39, allée Scheffer, L-2520 Luxembourg

CROWN PREMIUM PRIVATE EQUITY TECHNOLOGY VENTURES, 14, boulevard Royal, L-2449 Luxembourg

EPICON BEST FONDS SICAV, 4, rue Thomas Edison, L-1445 Luxembourg-Strassen

EXCELLE SICAV, 47, boulevard Royal, L-2449 Luxembourg

FIVE STARS, 11, rue Aldringen, L-1118 Luxembourg

FT ABS-PLUS LUX, 283, route d'Arlon, L-1150 Luxembourg

GIP INVESTWORLD, 69, route d'Esch, L-1470 Luxembourg

GLOBAL FUND-STRATEGIE OP, 4, rue Jean Monnet, L-2180 Luxembourg-Kirchberg

INVESCO SERIES, 69, route d'Esch, L-1470 Luxembourg

KOMFORT PORTFOLIO, 4, rue Alphonse Weicker, L-2721 Luxembourg-Kirchberg

LUX-SMALL & MID CAPS, 1, place de Metz, L-1930 Luxembourg

LV 1871 SELECT, 4, rue Alphonse Weicker, L-2721 Luxembourg-Kirchberg

MAFFEI MULTI INVEST, 4, rue Jean Monnet, L-2180 Luxembourg-Kirchberg

OPPENHEIM PORTFOLIO B, 4, rue Jean Monnet, L-2180 Luxembourg-Kirchberg

PRADERA EUROPEAN RETAIL FUND, 69, route d'Esch, L-1470 Luxembourg

SGAM ALTERNATIVE DIVERSIFIED FUND, 11-13, avenue Emile Reuter, L-2420 Luxembourg

WALSER PORTFOLIO, 1-7, rue Nina et Julien Lefèvre, L-1952 Luxembourg

WESTPROFIL, 30, boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg

### WITHDRAWALS :

EUROPA KONZEPT 2000, 2, boulevard Konrad Adenauer, L-1115 Luxembourg

EUROSUEZ (LUXEMBOURG) S.C.A., 39, allée Scheffer, L-2520 Luxembourg

FLEMING GUARANTEED FUND, 6H, route de Trèves, L-2633 Senningerberg

FLEMING U.S. DISCOVERY FUND (II), 6H, route de Trèves, L-2633 Senningerberg

GLOBAL INCOME FUND, 47, boulevard Royal, L-2449 Luxembourg

GLOBAL SERIES FUND II, 47, boulevard Royal, L-2449 Luxembourg

H & A LUX EM, 21, avenue de la Liberté, L-1931 Luxembourg

KB FIXOBLI, 11, rue Aldringen, L-1118 Luxembourg

PAN ASIA SPECIAL OPPORTUNITIES FUND 1999, 69, route d'Esch, L-1470 Luxembourg

THE EUROPEAN STRATEGIC INVESTMENTS FUND, 20, boulevard Emmanuel Servais, L-2535 Luxembourg

# Financial Centre

The main updated figures regarding the financial centre as at **31 December 2000:**

Number of banks: **202**

Balance sheet total: **EUR 647.969 billion**

Net profit: **EUR 2.640 billion**

Employment: **23,040 people**

Number of UCIs: **1,785**

Total net assets: **EUR 874.6 billion**

Number of PFS: **122**

Balance sheet total: **EUR 2.109 billion**

Net result: **EUR 428.9 million**

Employment: **3,499 people**

Total employment in the supervised establishments: **26,539 people**

## **CSSF Newsletter**

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