

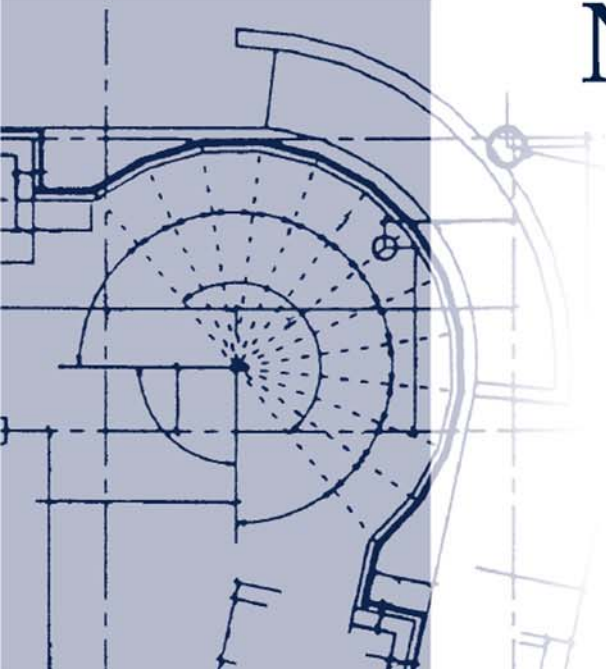
N°28

May 2003



CSSF NEWSLETTER

COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER



Presentation of the CSSF's Annual Report

On 24 April 2003, the CSSF presented its Annual Report 2002 to the press. The full French version of the Report may be downloaded from the CSSF's website under the section "[Publications](#)".

Regulation

Credit derivatives

Based on its Circular 02/62 of 6 December 2003, the CSSF conducted a survey on the exposure of banks to credit derivatives in order to assess the extent of the use of these new credit risk transfer techniques by banks.

The results of this survey reveal that on 31 December 2002, 19 Luxembourg banks held exposures to these types of instruments, representing a total of 559 transactions totalling EUR 14.54 billion. Among these 19 banks, 8 are both credit risk protection buyers and sellers, 6 banks are only sellers and 5 exclusively buyers. It has to be noted that 3 institutions represent 73% of the total amount outstanding and 83% of all the transactions.

In total, Luxembourg banks are net protection sellers, i.e. credit risk buyers, and carried out 535 protection selling transactions amounting to EUR 11.17 billion as compared to 24 protection buying transactions totalling EUR 3.37 billion.

Almost all the transactions are carried out under the form of credit default swaps (98% of all exposures), while less standardised instruments such as total return swaps (1%) or credit spread options (1%) are only marginally used.

Underlying reference entities of transactions carried out by Luxembourg banks are mainly multinational companies rated at least "BBB" as well as OECD countries.

Protections sold generally cover only one reference entity, while protections bought by Luxembourg banks cover in general several exposures. Furthermore, the average size of protection buying transactions (EUR 140 million) greatly exceeds that of selling transactions (EUR 21 million).

87% of transactions are unfunded and thus posted off balance sheet similarly to guarantees. The category of funded instruments posted on the balance sheet (13%) mainly consists of credit-linked notes, which can be seen as a combination of a bond and credit default swap.

Publication of the third consultative document of the Basel Committee

- Publication of the CP3

On 29 April 2003, the Basel Committee released a third consultative paper on the New Capital Accord (<http://www.bis.org/bcbs/cp3full.pdf>), which contains new rules on capital adequacy and is accompanied by an Overview Paper (<http://www.bis.org/bcbs/cp3ov.pdf>) providing a summary of the new regulatory framework and outlining the main changes since the release of the QIS3 Technical Guidance document in October 2002 (<http://www.bis.org/bcbs/qis/qis3tech.pdf>).

The consultation period will end at 31 July 2003. Comments may be sent to the CSSF or directly by e-mail to the Basel Committee at BCBS.Capital@bis.org.

Following the consultation round, the Committee plans to publish the final version of the New Accord at the turn of the year 2003. The member states of the Basel Committee should enforce the new provisions by 31 December 2006.

In order to facilitate comprehension of the new document, a note summarising the main changes to the rules presented in the second consultative document CP2 of January 2001 and the QIS3 Technical Guidance of October 2002 may be downloaded from the Internet website (please refer to Document n°20 of 29 April 2003 – [*Le troisième document consultatif du Comité de Bâle*](#) (“The third consultative document of the Basel Committee”) under the sub-section [*Adéquation des fonds propres.*](#))

- Results of the impact study of new rules

The results of the third impact study (Quantitative Impact Study 3) of the Basel Committee has been published on 5 May 2003. In its Circular Letter dated 25 October 2002, the CSSF had invited all the Luxembourg credit institutions to participate in the study.

The CSSF received 18 responses to the questionnaire, covering between 50% and 55% of the balance sheet total and of own funds respectively, as defined on the numerator of the solvency ratio of the 122 Luxembourg-registered credit institutions, which must comply with the solvency ratio according to Luxembourg regulations as of 31 December 2002. Furthermore, a significant number of banks were able to provide data on the so-called more risk-sensitive approaches. Responses are analysed on an individual basis with the institutions concerned and verified regarding their plausibility.

We may already confirm that the results for the Luxembourg financial centre are positive and globally consistent with the Basel Committee’s objectives. Details of the analysis will be published in the second half of May 2003.

Banks

Banks' balance sheet total as at 31 March 2003 practically unchanged compared to 28 February 2003

At 31 March 2003, the balance sheet total of the banks established in Luxembourg reached EUR 663.18 billion as compared to EUR 662.18 billion as at 28 February 2003, which is a slight increase of 0.15 %.

The number of credit institutions registered on the official list of banks at 30 April 2003 remained unchanged (178 entities).

According to provisional figures, employment in credit institutions fell by 0.7% during the first quarter of 2003 from 23,300 as at 31 December 2002 to 23,148 as at 31 March 2003. From March 2002 to March 2003, the number of personnel dropped by 2.2%, i.e. 518 persons.

Professionals of the financial sector (PFS)

Decrease in the balance sheet total

According to the data provided as at 31 March 2003, the balance sheet total of all the professionals of the financial sector (145 active businesses) amounted to EUR 2.158 billion as against EUR 2.449 billion as at 28 February 2003, which represents a decrease of 11.88%.

This reduction in the balance sheet total compared to the previous month mainly originates from some large-sized companies following the slowdown of activities in the financial sector. As for the breakdown in the balance sheet total between the various categories of PFS as at 31 March 2003, the distributors take the top position, followed by the private portfolio managers and the professional custodians of securities.

Staff employed by the other professionals of the financial sector fell from 4,399 people as at 31 December 2002 to 4,379 as at 31 March 2003.

The net profit for all the professionals of the financial sector amounts to EUR 98.43 million at the end of the first quarter of 2003 compared to EUR 40.64 million at the end of the previous month, and compared to EUR 105.87 million as at 31 March 2002. Compared over a period of twelve months, it has to be noted that the net result for all the professionals of the financial sector registers a fall of 7.03% as compared to the first quarter of 2002, despite the substantial growth of their net profit between February 2003 and March 2003.

While the growth in net profit compared to the previous month is mainly due to the positive results of professional custodians of securities and private portfolio managers, the decrease compared to the first quarter of the previous year stems from the unfavourable development of financial markets in general and the sluggishness in stock markets in particular.

With regard to the breakdown of net profits between the different categories of PFS as at 31 March 2003, private portfolio managers take the top position followed by the professional custodians of securities and the distributors of investment fund units/shares.

Distribution of the professionals of the financial sector according to their status (as at 30 April 2003)

Category		Number
Commission agents	COM	16
Financial advisors	COF	9
Brokers	COU	5
Professional custodians of securities or other financial instruments	DEP	3
Distributors of units of investment funds	DIST	45
Domiciliation agents of companies	DOM	35
Private portfolio managers	GF	50
Underwriters	PF	3
Professionals acting for their own account	PIPC	16
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
TOTAL *		143

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

Profit and loss accounts of the credit institutions on 31 March 2003

(press release of 24 April 2003)

Based on provisional figures as at 31 March 2003, the profit and loss accounts of Luxembourg credit institutions reveal gross profits before provisions of EUR 1.120 billion, representing a decrease of 6.7% compared to 31 March 2002 (EUR 1.200 billion).

This decrease recorded during the first quarter of the year mainly stems from the drop in commissions received which was not offset by a fall in general expenses.

The profit and loss accounts as at 31 March 2003 reflect the international political events of the first quarter, which put a particular strain on stock markets.

Due to the wait-and-see policy adopted by investors and the ensuing weak volume of transactions, commissions received fell by 15.6% and reached EUR 598 million as compared to EUR 709 million for the same period last year.

However, interest margin slightly grew by 1.4% and amounted to EUR 1.112 billion. This increase is mainly due to dividends earned by credit institutions from their subsidiaries.

In total, banking income decreased by 5.2%, falling from EUR 2.077 to EUR 1.969 billion.

As far as operating expenses are concerned, general administrative expenses reached EUR 849 million, decreasing by 3.2%.

Measures of cost control concerned staff costs as well as other operating expenses, which decreased by 2.7% and 3.8% respectively.

As a result, the profitability of the financial centre decreased by 6.7% as regards gross profit before provisions.

Figures in million EUR	31 March 2002	31 March 2003	Variation	
			Volume	%
Interest margin	1 097	1 112	+15	1.4%
Commissions received	709	598	-111	-15.6%
Other net income	272	259	-12	-4.5%
Banking income	2 077	1 969	-108	-5.2%
Staff costs	457	445	-12	-2.7%
Other operating expenses	420	404	-16	-3.8%
Profit before provisions	1 200	1 120	-80	-6.7%

Development of the number of credit institutions from 31 December 2002 to 24 April 2003

- 01.01.2003 Bunadarbanki Islands hf, Luxembourg branch started its activities
- 28.02.2003 split of Crédit Agricole Indosuez Luxembourg into two new companies: Crédit Agricole Investor Services Bank Luxembourg and Crédit Agricole Indosuez Luxembourg
- 31.03.2003 Frankfurter Sparkasse, Luxembourg branch ceased its activities

The number of credit institutions amounted to 178 at 24 April 2003 as compared to 177 at 31 December 2002.

Undertakings for collective investment

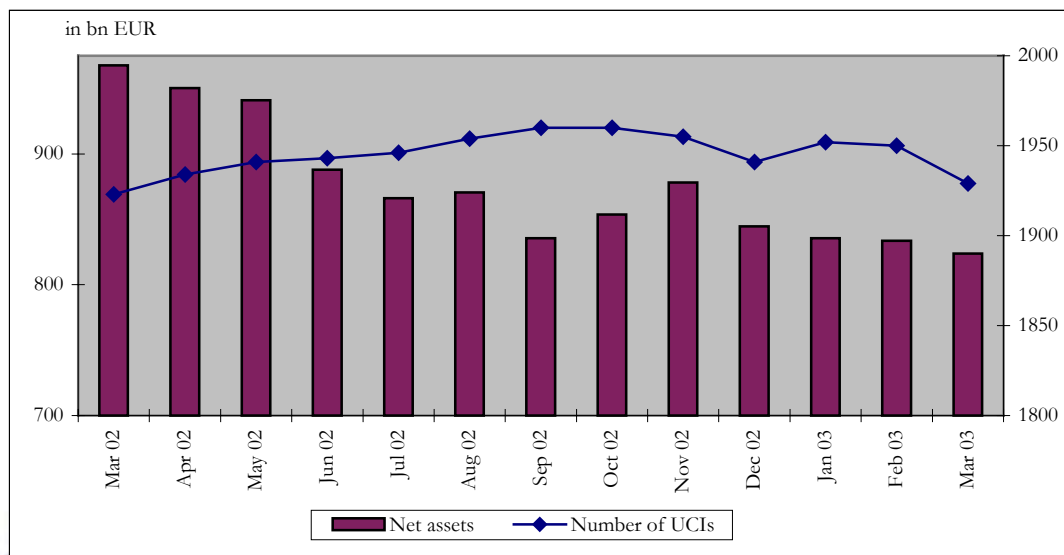
Slight decrease in UCI's total net assets at the end of March 2003

(press release of 28 April 2003)

As at 31 March 2003, the total net assets of undertakings for collective investment reached EUR 823.936 billion compared to EUR 833.530 billion as at 28 February 2003. Consequently, the Luxembourg undertakings for collective investment sector decreased by 1.15% compared to February 2003. The sector decreased by 2.44% in March as compared to 31 December 2002 when the total net assets reached EUR 844.508 billion. Over the last twelve months, the volume of net assets decreased by 14.86%.

During the month of March 2003, the net disinvestment amounted to EUR 3.194 billion. Compared to 31 December 2002, the net capital investment amounts to EUR 9.992 billion.

The number of undertakings for collective investment taken into consideration totals 1,929 as against 1,950 the previous month. A total of 1,196 UCIs have adopted the multiple compartment structure, which represents 6,698 compartments. When adding 733 UCIs with a traditional structure to the previous figure, 7,731 compartments are active in the financial centre.

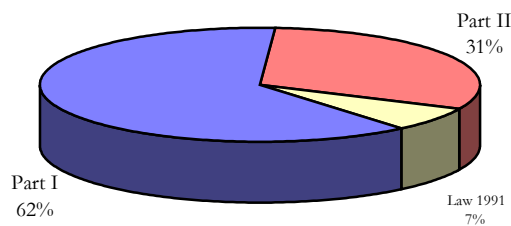


Quarterly statistics on the undertakings for collective investment industry-situation as at 31 March 2003

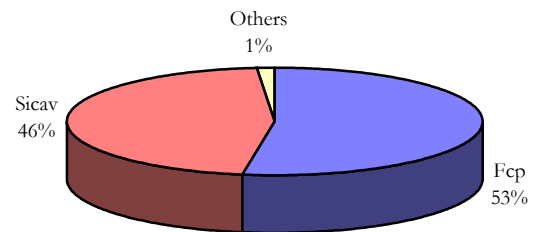
Every three months, in addition to the monthly statistics, the CSSF newsletter provides more detailed information on the investment fund sector, in particular regarding the origin of the promoters and the investment policy of the UCIs.

Number of UCIs

Distribution of the number of UCI's acc. to law and part applicable



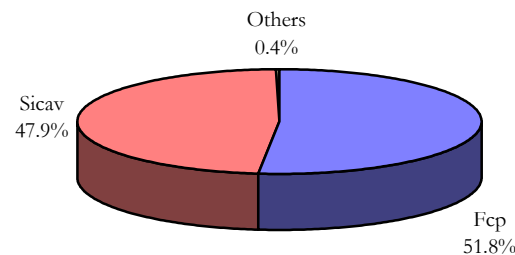
Distribution of the number of UCI's acc. to their legal status



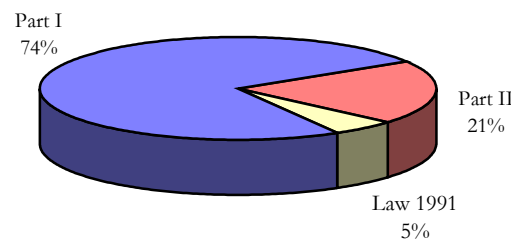
Law, part \ legal form	Fcp		Others	Total
	633	546	8	1,187
Part II	287	302	17	606
Institutional UCIs	86	48	2	136
Total	1,006	896	27	1,929

Net assets of the UCIs

Distribution of the net assets of the UCI's acc. to their legal status



Distribution of the net assets of the UCI's acc. to law and part applicable

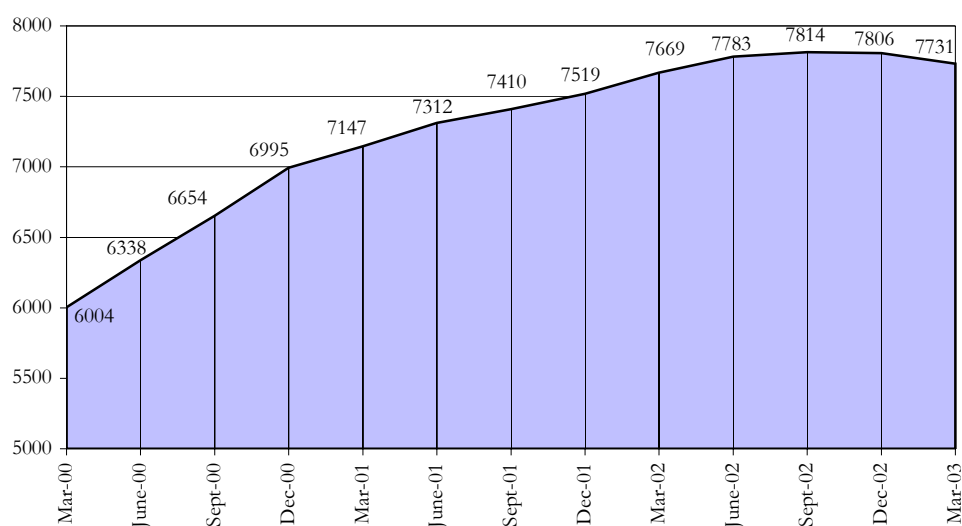


Law, part \ legal form	Fcp	Sicav	Others	Total
Part I	280.117	333.341	1.187	614.645
Part II	117.518	49.820	1.739	169.077
Institutional UCIs	28.886	11.183	0.145	40.214
Total	426.521	394.344	3.071	823.936

Origin of the promoters of Luxembourg UCIs

	Net assets (in bn EUR)	in %
Switzerland	202.717	24.6%
United States	149.432	18.1%
Germany	136.831	16.6%
Italy	92.574	11.2%
Belgium	72.405	8.8%
United Kingdom	45.736	5.6%
France	41.027	5.0%
Japan	21.501	2.6%
Netherlands	16.294	2.0%
Sweden	13.660	1.7%
Others	31.759	3.8%
Total	823.936	100.0%

Development in the number of funds and active sub-funds



Investment policy of the Luxembourg UCIs

	Net assets (in bn EUR)
Fixed income transferable securities	400.716
Variable yield transferable securities	210.146
Mixed transferable securities	58.782
High risk capital	0.479
Unlisted transferable securities	2.168
Leveraged funds	2.196
Other open-ended UCIs	57.011
Money market instruments and liquid assets	79.650
Cash	8.786
Real estate	2.560
Futures and/or options	1.442
Other securities	0.000
Total	823.936

LIST OF BANKS

Change of name:

Natexis Banques Populaires (Luxembourg) has become on 2 April 2003
Natexis Luxembourg S.A.

Landesbank Rheinland-Pfalz International S.A. has become on 2 April 2003
LRI Landesbank Rheinland-Pfalz International S.A.

Banca Popolare di Verona International S.A. has become on 2 April 2003
Banco Popolare di Verona e Novara (Luxembourg) S.A.

Crédit Européen S.A. has become on 22 April 2003
ING Luxembourg S.A.

LIST OF PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

Withdrawals:

DEGROOF, THIERRY, PORTABELLA & ASSOCIES S.A.

The PFS authorised as private portfolio manager and distributor of investment fund units/shares not authorised to accept or effect payments merged with Banque Degroof Luxembourg S.A. on 20 April 2003.

EUROBLIG, COMPAGNIE LUXEMBOURGEOISE D'INTERMEDIATION

Ministerial withdrawal of authorisation on 29 April 2003

Change of address:

INTERTRUST DOM S.A.

59, boulevard Royal, L-2449 Luxembourg

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 March 2003**

Registrations

- AIG MULTILABEL SICAV, 69, route d'Esch, L-1470 Luxembourg
- ANNIVERSARY IV, 58, boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg
- BOAZ PRIVATE EQUITY HOLDINGS, 50, avenue J-F Kennedy, L-1855 Luxembourg-Kirchberg
- BULL FUND, 4, boulevard Royal, L-2449 Luxembourg
- COMPAM FUND, 28, avenue Monterey, L-2163 Luxembourg
- CRONOS INVEST, 7, boulevard Joseph II, L-1840 Luxembourg
- DEKA-WORLDGARANT 6/2008, 5, rue des Labours, L-1912 Luxembourg

- DEXIA SELECT, 69, route d'Esch, L-1470 Luxembourg
- EURO-GATE, 39, allée Scheffer, L-2520 Luxembourg
- GLOBAL CHALLENGE FUND, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- HAC-FONDS, 4, rue Thomas Edison, L-1445 Luxembourg-Strassen
- LRI-CORPORATEFONDS, 1C, Parc d'activité Syrdall, L-5365 Munsbach
- M.A.R.S. FUND, 20, boulevard Emmanuel Servais, L-2535 Luxembourg
- MORGAN STANLEY EUROZONE OFFICE FUND, 33, boulevard du Prince Henri, L-1724 Luxembourg
- UNIPROTECT: EUROPA, 308, route d'Esch, L-1471 Luxembourg
- WORLD OPPORTUNITY FUND, 2, boulevard Konrad Adenauer, L-1115 Luxembourg

Withdrawals

- ABN AMRO PROFIL FUNDS: EUROPA, 46, avenue J-F Kennedy, L-1855 Luxembourg-Kirchberg
- ALLIANZ PIMCO ADVISORY, 6A, route de Trèves, L-2633 Senningerberg
- ALLIANZ PIMCO REGIONAL, 6A, route de Trèves, L-2633 Senningerberg
- BNP INTER FUTURES, 5, rue Jean Monnet, L-2180 Luxembourg-Kirchberg
- CAPITAL GESTION, 14, boulevard Royal, L-2449 Luxembourg
- DEKALUX-EUROPAPROTECT 3/2003, 5, rue des Labours, L-1912 Luxembourg
- DH GLOBAL INVESTMENT, 39, allée Scheffer, L-2520 Luxembourg
- DWS EUROPA CHALLENGE 2003, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- EURO DERIVATE, 4, rue Jean Monnet, L-2180 Luxembourg-Kirchberg
- EUROWÄHRUNGSGARANT 3/2003, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- GLOBAL GROWTH, 1-7, rue Nina et Julien Lefèvre, L-1952 Luxembourg
- GLOBAL STRATEGIC ALPHA TRUST, 112, route d'Arlon, L-1150 Luxembourg
- LEVEN INTERNATIONAL FUND, 11-13, avenue Emile Reuter, L-2420 Luxembourg
- MOBILINVEST, 14, boulevard Royal, L-2449 Luxembourg
- NEW GLOBAL EMERGING MARKETS, 4, rue Alphonse Weicker, L-2721 Luxembourg-Kirchberg
- OAK INVEST, 14, boulevard Royal, L-2449 Luxembourg
- PECAP, 14, boulevard Royal, L-2449 Luxembourg
- PRUMERICA GLOBAL INVESTMENT MATRIX SERIES, 49, avenue J-F Kennedy, L-1855
- REIG GLOBAL FUND, 20, boulevard Emmanuel Servais, L-2535 Luxembourg
- SELECTIVE INVESTMENT FUND, 20, boulevard Emmanuel Servais, L-2535 Luxembourg
- SMH-OPTIPLUS (LUX), 291, route d'Arlon, L-1150 Luxembourg
- SMH-OPTIRENT (LUX), 291, route d'Arlon, L-1150 Luxembourg
- UNI 93/96 (LUX)-LIQUID-, 308, route d'Esch, L-1471 Luxembourg
- UNICO I-TRACKER -> MSCI® EUROPE CONSUMER DISCRETIONARY, 308, route d'Esch, L-1471
- UNICO I-TRACKER -> MSCI® EUROPE CONSUMER STAPLES, 308, route d'Esch, L-1471 Luxembourg
- UNICO I-TRACKER -> MSCI® EUROPE ENERGY, 308, route d'Esch, L-1471 Luxembourg
- UNICO I-TRACKER -> MSCI® EUROPE HEALTH CARE, 308, route d'Esch, L-1471 Luxembourg
- UNICO I-TRACKER -> MSCI® EUROPE TELECOMMUNICATION SERVICES, 308, route d'Esch, L-1471
- UNICO INVEST -> EUROPA, 308, route d'Esch, L-1471 Luxembourg
- UNICO INVEST -> INTERNATIONAL, 308, route d'Esch, L-1471 Luxembourg
- UNICO INVEST -> USA, 308, route d'Esch, L-1471 Luxembourg
- UNICO PFADFINDER, 308, route d'Esch, L-1471 Luxembourg
- UNICO WORLD OF -> COMMUNICATIONS, 308, route d'Esch, L-1471 Luxembourg
- UNICONTROL1: EUROTOP100, 308, route d'Esch, L-1471 Luxembourg
- UNIDOLLARBOND "XL", 308, route d'Esch, L-1471 Luxembourg
- UNIEM LATEINAMERIKA, 308, route d'Esch, L-1471 Luxembourg
- UNISTARTUP, 308, route d'Esch, L-1471 Luxembourg

Financial centre

Main updated figures regarding the financial centre:

Number of banks: **178** (30 April 2003)

Balance sheet total: **EUR 663.178 billion** (31 March 2003)

Profit before provisions: **EUR 1.133 billion** (31 March 2003)

Employment: **23,148 people** (31 March 2003)

Number of UCIs: **1,930** (12 May 2003)

Total net assets: **EUR 823.926 billion** (31 March 2003)

Number of pension funds: **8** (30 April 2003)

Number of PFS: **143** (30 April 2003)

Balance sheet total: **EUR 2.158 billion** (31 March 2003)

Net profit: **EUR 98.43 million** (31 March 2003)

Employment: **4,379 people** (31 March 2003)

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

Total employment in the supervised establishments: **27,527 people** (31 March 2003)

CSSF Newsletter

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