

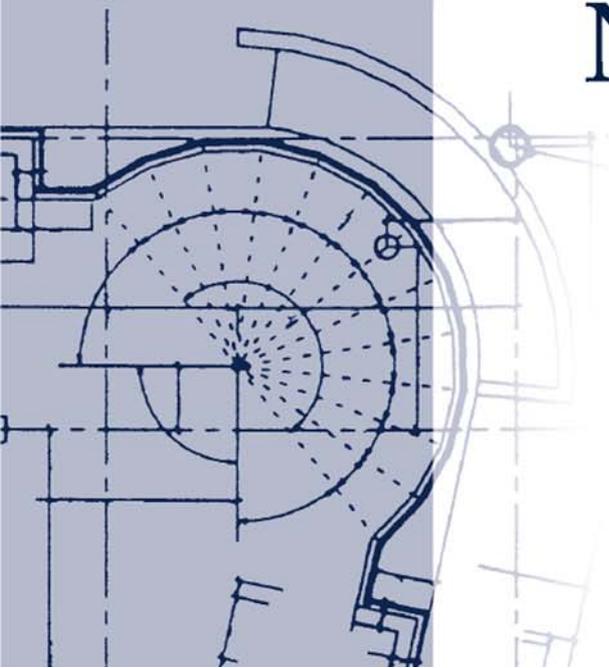
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CSSF NEWSLETTER

COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER



Definitive adoption of the Directive on institutions for occupational retirement provision

On 13 May 2003, the Ecofin Council was able to agree on the text of the Directive on the activities and supervision of institutions for occupational retirement provision (IORPs), adopted on 12 March at second reading by the European Parliament. In October 2000, the Commission had put forward its original proposal. The Directive, a key element of the Commission's Financial Services Action Plan, is due to be implemented by Member States within 24 months of its publication in the Official Journal of the European Union.

The adoption represents a major step towards the creation of a single market for occupational pensions.

The Directive aims at the following.

Ensure a high level of protection for members and beneficiaries of pension funds

IORPs will be subject to detailed rules of operation. Members and beneficiaries will be properly informed of the terms of the scheme, the situation of the institution and their individual rights. Their future and promised benefits will be calculated prudently and be covered by sufficient assets. Member States will be required to give supervisory authorities all the necessary powers to monitor and supervise adequately their IORPs.

Enable institutions to accept sponsorship by and run a pension scheme for a company located in another Member State

At present, occupational pension providers operate for the most part only in the Member State in which they are established.

Mutual recognition of supervisory regimes provided for by the Directive enables IORPs to manage the schemes of firms located in other Member States while applying the prudential rules of the Member State in which it is established (home-country control).

The Directive will nevertheless ensure that the social and labour legislation of the host Member States (i.e. those applicable to the relationship between the sponsoring undertaking and the members) will continue to apply.

Allow IORPs to follow an investment strategy tailored to the characteristics of their pension schemes

IORPs investing on a very long-term basis should be allowed a certain amount of freedom in determining the investment policy which best suits their commitments. The Directive provides a set of principles to guide IORPs in their asset allocation strategy, in line with the "prudent person principle".

Pension funds

This principle provides that assets must be invested in the best interest of members and be widely spread at all times, in order to ensure the security, quality, liquidity and profitability of the portfolio. The Directive also provides that investment in shares and in risk capital should not be unduly restricted. Member States would have the option of subjecting IORPs established within their jurisdiction to more detailed investment rules, but they would not be able to prevent such institutions from investing at least 70% of their technical provisions or portfolio in shares and corporate bonds and at least 30% in currencies other than the currency of their future pension liabilities.

Lastly, the Directive allows host Member States (where the company sponsoring the pension fund is established) to ask home Member States (where the institution is located) to apply certain quantitative rules to assets held by cross-border pension schemes, provided the host Member State concerned applies the same (or stricter) rules to its own domestic funds. These quantitative rules concern investment in assets not admitted to trading on a regulated market, assets issued by the sponsoring company and assets denominated in currencies other than those in which the scheme's liabilities are expressed.

Respect Member States' prerogatives in relation to social protection and pension schemes

Organising social protection and pension schemes is a matter for Member States, in line with the principle of subsidiarity. The choice between pay-as-you-go schemes and funded schemes, the balance between these schemes and the encouragement of particular forms of retirement saving are entirely up to them. The Directive leaves this national prerogative intact. It is designed simply to enable the Internal Market to be exploited to the full, in the interests first and foremost of future pensioners and strictly in accordance with national prerogatives.

Statistics

Banks

Banks' balance sheet total as at 31 May 2003 reports a decrease

At 31 May 2003, the balance sheet total of the banks established in Luxembourg reached EUR 653.51 billion as compared to EUR 661.71 billion as at 30 April 2003, which is a slight decrease of 1.2 %.

Following the closure of the branch Volksbank Saar-West eG, the number of credit institutions registered on the official list amounts to 175 as at 30 June 2003.

Professionals of the financial sector (PFS)

Decrease in the balance sheet total

According to the data provided as at 31 May 2003, the balance sheet total of all the professionals of the financial sector (143 active businesses) amounted to EUR 2.334 billion as against EUR 2.429 billion as at 30 April 2003, which represents a decrease of 3.92%.

The net profit for all the professionals of the financial sector amounts to EUR 133.02 million (143 active businesses) as at 31 May 2003 against EUR 194.84 million (145 active businesses) as at 31 May 2002.

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

Category		Number
Commission agents	COM	15
Financial advisors	COF	9
Brokers	COU	5
Professional custodians of securities or other financial instruments	DEP	3
Distributors of units of investment funds	DIST	46
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 *		141

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

Undertakings for collective investment

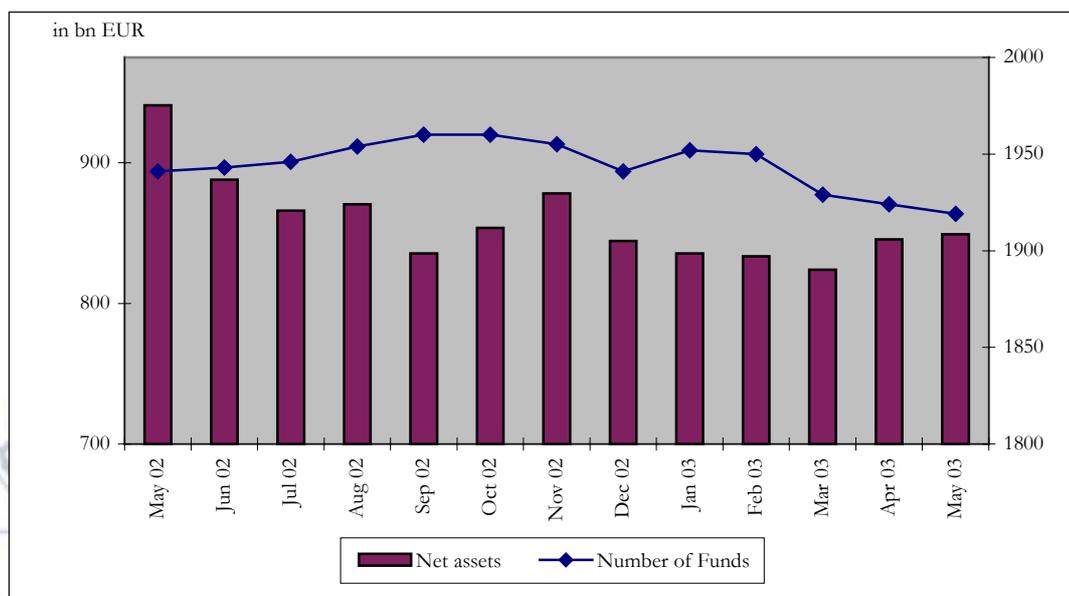
Slight increase in UCI's total net assets at the end of May 2003

(press release of 2 July 2003)

As at 31 May 2003, the total net assets of undertakings for collective investment reached EUR 849.093 billion compared to EUR 845.525 billion as at 30 April 2003. Consequently, the Luxembourg undertakings for collective investment sector increased by 0.42% compared to April 2003. The sector increased by 0.54% in May 2003 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 9.76%.

During the month of May 2003, the net capital investment amounted to EUR 3.625 billion. However, this net capital investment did not have a significant impact on total assets insofar as the major stock and financial markets have only slightly increased during the month of May 2003 and the value of almost all currencies – the euro excluded – in which the net assets of UCIs or compartments are expressed, fell against the euro, notably that of the US dollar. Compared to 31 December 2002, the net capital investment amounts to EUR 19.417 billion.

The number of undertakings for collective investment taken into consideration totals 1,919 as against 1,924 the previous month. A total of 1,194 UCIs have adopted the multiple compartment structure, which represents 6,925 compartments. When adding 725 UCIs with a traditional structure to the previous figure, 7,650 compartments are active in the financial centre.



Recent legislative and regulatory developments

The Law on trusts and fiduciary agreements as passed on 3 July 2003

The law, as passed on 3 July 2003, approves The Hague Convention of 1 July 1985 on the law applicable to trusts and on their recognition, introduces a new regulation for fiduciary agreements and amends the Law of 25 September 1905 on the registration of rights in rem in immovable property.

The Law modernises the Luxembourg fiduciary instrument by reforming, inter alia, the current legal framework governing fiduciary contracts agreed with credit institutions on the basis of the Grand-Ducal Regulation of 19 July 1983. The reform thus aims, firstly, to harmonise the trust and the fiduciary instrument and secondly, to adapt the fiduciary agreement regime by extending the list of professionals able to act as fiduciaries.

Indeed, under the 1983 Grand-Ducal Regulation, only credit institutions are allowed to act as fiduciaries. While ensuring that only professionals subject to supervision may act as fiduciaries and thereby guaranteeing the protection of the *fiduciants'* interests and those of the third party beneficiaries, the Law extends the scope of persons allowed to act as fiduciaries within a regulated fiduciary agreement to credit institutions, investment firms, SICAVs or SICAFs, securitisation companies, management companies of FCPs or securitisation funds, pension funds, insurance or reinsurance undertakings and national and international public organisations operating within the financial sector.

Grand-Ducal Regulation of 19 July 1983 on fiduciary agreements is repealed.

CSSF Circular 03/104 supplementing CSSF Circulars 00/16, 01/31, 01/37, 01/48, 02/66, 02/73, 03/86, 03/93 and IML 94/112 concerning the fight against money laundering and the prevention of the use of the financial sector for money-laundering purposes

CSSF Circular 03/104 of 1st July 2003 draws the attention of the persons and undertakings under the supervision of the CSSF to the updated list of non-cooperative countries and territories (NCCTs), which was published by the Financial Action Task Force (FATF) on 20 June 2003 and which now comprises the following jurisdictions: Cook Islands, Egypt, Guatemala, Indonesia, Myanmar, Nauru, Nigeria, Philippines and Ukraine.

FATF removed St. Vincent and the Grenadines from the list following the legislative and regulatory efforts made by this jurisdiction as regards the fight against money laundering.

Directive concerning the prospectus to be published when securities are offered to the public or admitted to trading

Following the Common Position adopted by the Council in March 2003 based on the political agreement reached by the Economics and Finance Ministers on 5 November 2002, the European Parliament voted to approve at second reading twenty-one amendments relating to the prospectus Directive on 2 July 2003.

Two of the major amendments are of particular importance for the Luxembourg market:

- the option for issuers of non-equity securities with a denomination per unit of at least 1,000 EUR to choose their supervisory authority, and
- the option for independent administrative authorities to delegate certain functions to other entities for a period of eight years. An assessment by the Commission of national practices in this field after five years will determine if this provision should be reviewed.

The amendments result from a compromise between the political groups, the Council and the Commission, allowing the Directive to be adopted as soon as possible.

Publications of the third consultation paper

In the context of the ongoing review of capital requirements for banks and investment firms, the European Commission has published its third consultation paper (CP3) as well as the analysis of the European results from the Third Quantitative Impact Study (QIS3).

These documents may be downloaded from the following Internet address:

http://europa.eu.int/comm/internal_market/regcapital/index_en.htm

The consultation document describes the Commission's current position with regard to the new capital requirements framework, due to come into force at the end of 2006 at the same time as the New Basel Accord. The paper is drawn up in the form of a European Directive with the following characteristics: the articles containing the general rules and principles form the body text (first strand), while the annexes contain the more technical and explanatory parts (second strand).

An explanatory document, aimed to provide an outline of the Commission's proposals and their motivation, accompanies the main document.

Responses to the third consultation paper may be sent to the CSSF or directly to the European Commission, to the address indicated in the explanatory document. The consultation period will end at 22 October 2003.

For further information please do not hesitate to contact Mrs Joëlle Martiny (tel.: +352 26 25 1-352) or Mr Davy Reinard (+352 26 25 1-302).

LIST OF BANKS

Withdrawal:

Volksbank Saar-West eG, branch, closure on 30 June 2003

Changes of name:

Landesbank Schleswig-Holstein International S.A., has become on 1st June 2003
HSB Nordbank Interantional S.A.

Landesbank Schleswig-Holstein Girozentrale, branch, has become on 1st June 2003
HSB Nordbank A.G. branch

Bunadarbanki Islands hf, Luxembourg Branch, has become on 1st June 2003
Kaupthing Bunadarbanki, Luxembourg Branch

Change of address:

Banque pour l'Europe
European Bank and Business Center
6A route de Trèves, L-2633 Senningerberg

LIST OF PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

New establishment:

LGT TRUST & CONSULTING S.A., domiciliation agent of companies
3, boulevard Prince Henri, L-1724 Luxembourg
Ministerial authorisation of 11 June 2003.

Withdrawals:

LISSA-LUXEMBOURG INVESTMENT STRATEGIES S.A.
Withdrawal on 13 June 2003.

COGENT INVESTMENT OPERATIONS LUXEMBOURG S.A.
Merger by acquisition with the PFS BNP Paribas Fund Services, on 19 June 2003.

BNP PARIBAS FUND ADMINISTRATION S.A., in abbreviated form "BPFA"
Merger with the companies of the BNP Paribas group on 26 June 2003

Changes of address:

CMI ASSET MANAGEMENT (LUXEMBOURG) S.A.
23, route d'Arlon, L-8009 Luxembourg

INTERNATIONAL FINANCIAL DATA SERVICES (LUXEMBOURG) S.A.
5, rue du Kiem, L-1857 Luxembourg

Extensions of status:

KREDIETRUST LUXEMBOURG S.A.

Status as private portfolio manager extended to that of distributor of units/shares of investment funds allowed to accept and effect payments, on 26 June 2003.

ALTERNATIVE DEALERS S.A.

Status as private portfolio manager extended to that of distributor of units/shares of investment funds not allowed to accept and effect payments, on 26 June 2003.

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, the law of 20 December 2002 and the law of 19 July 1991, during the **month of May 2003**

Registrations

- ABATON SICAV, 8, avenue de la Liberté, L-1930 Luxembourg
- ADIG EUROPA INVEST 5/2008, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- ADIG EUROPA INVEST 6/2008, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- CARNEGIE FUND III, 5, place de la Gare, L-1616 Luxembourg
- DIT-ABSOLUTE RETURN ALLOCATION PLUS, 6A, route de Trèves, L-2633 Senningerberg
- DIT-ABSOLUTE RETURN ALLOCATION, 6A, route de Trèves, L-2633 Senningerberg
- LION INVESTMENT FUND, 2, rue Nicolas Bové, L-1253 Luxembourg
- STELLARIS, 11-13, avenue Emile Reuter, L-2420 Luxembourg
- UBS MFP SICAV, 291, route d'Arlon, L-1150 Luxembourg
- UNICO AI, 308, route d'Esch, L-1471 Luxembourg
- UNIEUROKAPITAL CORPORATES, 308, route d'Esch, L-1471 Luxembourg
- UNIPROTECT: EUROPA II, 308, route d'Esch, L-1471 Luxembourg

Withdrawals

- A.L.S.A.-SYSTEM EUROPA 5/2003, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- AXA PREMIUM, 49, avenue J-F Kennedy, L-1855 Luxembourg
- CAIXA CATALUNYA FONCLIQUE'T, 20, boulevard Emmanuel Servais, L-2535 Luxembourg
- CSAM INTERNATIONAL FUND, 5, rue Jean Monnet, L-2180 Luxembourg
- DBI-LUX KMU RENDITEPLUS, 6A, route de Trèves, L-2633 Senningerberg
- DIT-LUX BONDSELECT CAN\$, 6A, route de Trèves, L-2633 Senningerberg
- DIT-LUX INTERNATIONALER RENTENFONDS AF, 6A, route de Trèves, L-2633 Senningerberg
- DIT-LUX ÜBERSEEISCHE RENTEN "K", 6A, route de Trèves, L-2633 Senningerberg
- DIT-LUX US\$ RENTEN 2005, 6A, route de Trèves, L-2633 Senningerberg
- EIGER FUND, 291, route d'Arlon, L-1150 Luxembourg
- FIVE STARS, 11, rue Aldringen, L-1118 Luxembourg
- H & A LUX TRAC, 21, avenue de la Liberté, L-1931 Luxembourg
- HSBC ASSET MANAGEMENT SICAV, 39, allée Scheffer, L-2520 Luxembourg
- IHSV GLOBAL RENT-PLUS (LUX), 6, avenue Emile Reuter, L-2420 Luxembourg
- MONTEREY TRUST, 50, avenue J-F Kennedy, L-1855 Luxembourg
- THIRD MILLENNIUM GLOBAL FUND, 19-21, boulevard du Prince Henri, L-1724 Luxembourg
- ZEIT-WERTFONDS HVB CASH PLUS, 4, rue Alphonse Weicker, L-2721 Luxembourg

Financial centre

Main updated figures regarding the financial centre:

Number of banks: **175** (30 June 2003)

Balance sheet total: **EUR 653.514 billion** (31 May 2003)

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

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

Number of UCIs: **1,917** (10 July 2003)

Total net assets: **EUR 849.093 billion** (31 May 2003)

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

Number of PFS: **141** (30 June 2003)

Balance sheet total: **EUR 2.334 billion** (31 May 2003)

Net profit: **EUR 133.02 million** (31 May 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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