

CHAPTER

V



SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

1. Developments in 2004 of the other professionals of the financial sector (PFS)
2. Prudential supervisory practice

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

1. DEVELOPMENTS IN 2004 OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

With the coming into force of the law of 2 August 2003, amending the law of 5 April 1993 on the financial sector, the entire financial sector now falls under the prudential supervision of the CSSF. The PFS subject to the general provisions of the law of the financial sector, as well as the professionals performing debt recovery and those performing cash-exchange transactions are also subject to the continuous supervision of the CSSF and thus taken into account as far as statistics and official lists are concerned.

The following other professionals of the financial sector fall under the scope of the prudential supervision of the CSSF:

- PFS incorporated under Luxembourg law (the activities performed by these institutions in another EU Member State, by means of a branch or by means of free provision of services, are also subject to the prudential supervision of the CSSF);
- branches of investment firms from non-EU countries;
- branches of PFS other than investment firms originating from the EU or from non-EU countries.

Branches set up in Luxembourg by investment firms originating from another EU Member State fall under the supervision of their home state.

1.1. Development in the number of the other professionals of the financial sector

While the development in the last years was characterised by a stagnation in the number of PFS subject to the continuous supervision of the CSSF, the year 2004 however shows a substantial increase in the number of financial professionals. This growth is mainly attributable to the law of 2 August 2003, which amends the law of 5 April 1993 on the financial sector by subjecting the entire financial sector to the prudential supervision of the CSSF and by introducing new specific categories of PFS.

The number of PFS thus rose from 142 entities as at 31 December 2003 to 166 entities at the end of 2004. The number of undertakings authorised in 2004 increased substantially compared to the number of entities that have been granted authorisation in the previous year. In 2004, forty-three undertakings have indeed been approved as PFS (against eleven in 2003), while nineteen undertakings gave up their PFS status during this period.

Development in the number of PFS

Categories	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Investment firms										
Commission agents				4	7	10	14	15	17	15
(Brokers and commission agents)	14	14	14	/	/	/	/	/	/	/
Private portfolio managers	33	36	34	37	38	46	51	51	48	46
Professionals acting for their own account	18	18	20	15	17	14	17	16	16	16
Distributors of units/shares of investment funds	19	20	18	22	25	35	43	45	47	37
Underwriters				1	2	4	4	3	3	3
(Underwriters and market makers)	3	3	3	/	/	/	/	/	/	/
Professional custodians of securities	3	3	3	1	1	3	4	3	3	3
Registrar and transfer agents									1	8
PFS other than investment firms										
Financial advisors	6	6	7	9	10	9	10	9	9	8
Brokers				10	8	7	6	6	5	4
Market makers				1	2	2	2	2	2	2
Professionals performing cash-exchange transactions										1
Debt recovery										3
Professionals performing credit offering										5
Professionals performing securities lending										1
Administrators of collective savings funds										1

... next page

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

Categories	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
PFS performing a connected or complementary activity of the financial sector										
Domiciliation agents of companies					1	14	32	36	34	31
Client communication agents									2	8
Administrative agents of the financial sector										6
IT systems and communication networks operators of the financial sector								1	1	11
Professionals performing services of setting up and of management of companies										2
Professionals of the financial sector authorised to exercise any activity referred to in section 1 of chapter 2 of Part I of the amended law of 5 April 1993 on the financial sector, with the exception of the categories of PFS also referred to in section 2 of the same chapter										3
Establishments authorised to exercise all the PFS activities permitted by article 28 of the law of 15 December 2000 on postal services and financial postal services							1	1	1	1
Total ¹	78	82	80	83	90	113	145	145	142	166

Notes concerning the registration of PFS on the official list

- This table, just as the official list of PFS published on the CSSF website, includes, under the heading company domiciliation agents, only companies that have been approved exclusively as company domiciliation agents under article 29 of the law of 5 April 1993 on the financial sector as amended. Entities authorised to exercise, in addition to the status of domiciliation agent, another PFS activity covered by chapter 2 of Part 1 of the aforementioned law are included in this category, since approval obtained as other professional of the financial sector implicitly allows the provision of company domiciliation services in accordance with the law of 31 May 1999 on company domiciliation.
- Given the new provisions introduced by the law of 2 August 2003 and the expiry of the compliance deadline of 31 March 2004, the above-mentioned lists include, for the first time on 31 December 2004, the professionals performing debt recovery, the professionals performing cash-exchange transactions and the PFS authorised under the general provisions of the law of 5 April 1993 on the financial sector as amended, whose activities do not fall under a specific PFS category. The latter are registered on the official list as professionals of the financial sector authorised to exercise any activity referred to in section 1 of chapter 2 of Part I of the law of 5 April 1993 on the financial sector as amended, except for the categories of PFS also referred to in section 2 of the same chapter.

¹ The total is not equal to the arithmetic sum of all the categories mentioned because an institution can be included in several categories.

The table outlining the development in the number of PFS by categories over the years reveals the boom of the statuses created by the law of 2 August 2003 during 2004.

IT systems and communication networks operators of the financial sector show a substantial growth of ten entities, followed by the registrar and transfer agents (plus seven entities compared to the previous year), the client communication agents and the administrative agents of the financial sector, showing an increase of six entities. It has to be noted that the number of professionals performing credit offering totals five entities as at 31 December 2004.

The positive development of these categories during 2004 bears once again witness to the diversification of the activities of the Luxembourg financial centre and notably to the progressive development of new interesting openings for the future development of the financial sector.

Save for the PFS that are newly subject to the prudential supervision and for the entities authorised in 2004 under a newly created PFS category, the number of entities belonging to the traditional categories of PFS including commission agents, private portfolio managers, but mostly distributors of units/shares of investment funds, decreased slightly however during the past year (minus ten entities compared to the end of December 2003). The fact that several distributors of units/shares of investment funds abandoned their PFS status to form a management company in accordance with chapter 13 of the law of 20 December 2002 concerning undertakings for collective investment partly explains the substantial fall in the number of this category.

A decrease in numbers, although weak, was also recorded for the category of domiciliation agents of companies, actually confirming the negative trend of 2003. In this context, it must be stressed that the activity of domiciliation agent of companies still presents opportunities, but that many entities do not offer only domiciliation services anymore. Given that the undertakings concerned are authorised to also perform another PFS activity, they are registered under that category in the official table and not under the category of domiciliation agents of companies.

As at 31 December 2004, no authorisation has been granted as yet in two categories introduced by the law of 2 August 2003, i.e. the professionals performing money transfer services and the management companies of non-coordinated UCIs.

Breakdown of PFS by geographic origin

Categories	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	26	29	27	25	24	21	22	22	18	21
France	9	11	10	10	10	11	14	13	9	12
United Kingdom	8	9	10	9	8	8	9	10	11	8
Switzerland	6	5	6	4	4	7	11	10	10	10
Luxembourg	8	8	11	12	17	22	31	31	32	48
Germany	8	6	6	6	7	11	11	10	10	10
United States	5	6	3	4	3	4	8	8	8	11
Netherlands	1	2	2	3	3	7	12	15	15	18
Others	7	6	5	10	14	22	27	26	29	28 ²
Total	78	82	80	83	90	113	145	145	142	166

² Including Italy (4 entities), Sweden (2 entities), Denmark (3 entities).

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

The number of PFS originating from Luxembourg increased considerably in 2004, from 32 entities at the end of 2003 to 48 entities as at 31 December 2004, thereby remaining by far in the majority.

This positive development is mainly due to the fact that most of the PFS newly subject to the supervision of the CSSF are of Luxembourg origin. Furthermore, many companies authorised in 2004 to perform an activity pertaining to the PFS categories defined by the law of 2 August 2003 and more specifically the client communication agents are of Luxembourg origin.

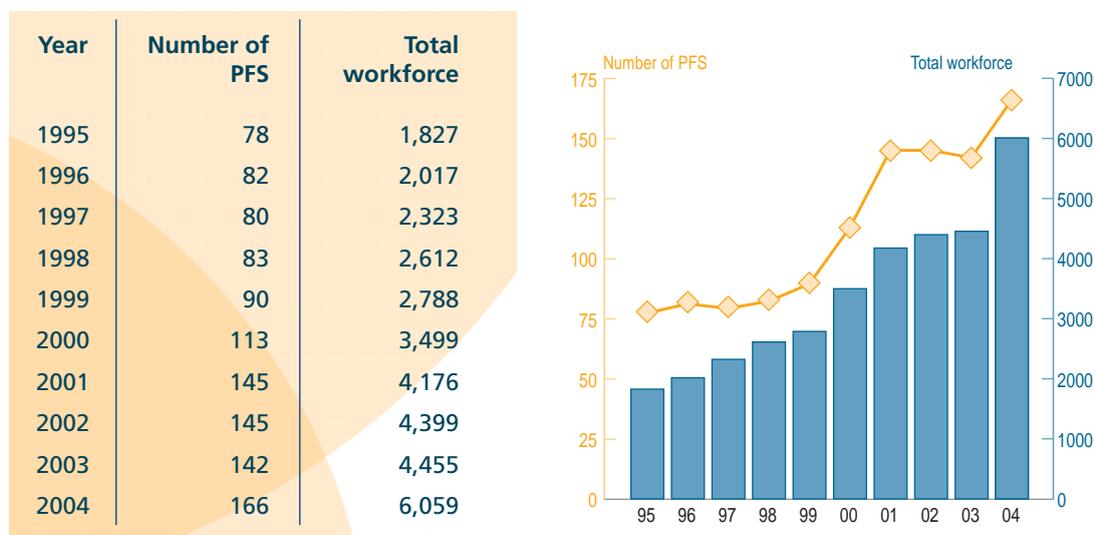
The number of PFS from Belgium, France, the Netherlands and the United States increased by three entities each, a development which bears witness to the attractiveness of the Luxembourg financial centre at international level.

1.2. Development in employment of the other professionals of the financial sector

The number of PFS active in the financial centre having stagnated during the last few years, although employment rose slightly, the year 2004 was however characterised by a considerable increase in the number of PFS (plus 24 entities), as well as in the number of persons employed.

Total staff has indeed substantially risen over a period of twelve months, up from 4,455 persons as at 31 December 2003 to 6,059 persons at the end of December 2004, representing an annual growth of 36%. This positive development can be mainly explained by the high number of newly approved undertakings in 2004, including several professionals with a high number of employees.

Summary of employment per year and compared to the development in the number of PFS



Analysis of employment in 2004 as far as the development in number is concerned, although revealing continuous growth during the whole year, can however be subdivided into two sub-periods.

During the first three quarters, total PSF employment has continuously risen, from 4,776 persons as at 31 March 2004 to 4,928 persons as at 30 June 2004, totalling 4,984 persons as at 30 September 2004. This growth is mostly due to the positive development in the number of PFS approved during this period and, to a lesser extent, to the increase in staff employed by several undertakings active as registrar and transfer agent and distributor of units/shares of investment funds.

The last quarter of 2004 however is marked by a stronger increase in total employment, totalling 6,059 persons as at 31 December 2004 against 4,984 persons at the end of September, i.e. a rise of 21.57%. The stronger growth notably results from the institutions that were approved during the last quarter, more specifically two entities with a high number of employees and active as distributor of units/shares of investment funds and administrative agent of the financial sector respectively.

1.3. Changes in 2004 in the official list of PFS

1.3.1. PFS under Luxembourg law authorised in 2004

- **Investment firms**

According to chapter 2, section 2 of Part I of the law of 5 April 1993 on the financial sector as amended, the following are considered as investment firms: companies acting on a professional basis as commission agent (article 24A), private portfolio manager (article 24B), professional acting for his own account (article 24C), distributor of units/shares of investment funds (article 24D), underwriter (article 24E), professional custodian of securities or other financial instruments (article 24F) or registrar and transfer agent (article 24G). An application for authorisation can concern one or more categories.

The following undertakings were approved as investment firms in 2004:

Name of PFS	Category
CFD Luxembourg	Private portfolio manager
Continental Fund Services S.A.	Registrar and transfer agent ³
IAM Strategic S.A.	Private portfolio manager
Insinger Fund Administration (Luxembourg) S.A.	Registrar and transfer agent
Meespierson Intertrust (Luxembourg) S.A.	Professional acting for his own account ⁴

In 2004, five entities were approved as investment firms, including two entities active as registrar and transfer agent. Two entities have applied for authorisation as private portfolio manager, while one company has opted for the status of professional acting for his own account.

It has to be noted that one entity was authorised in addition as financial advisor, while one entity has adopted the supplementary status of domiciliation agent of companies. These institutions are listed indeed on the official table of PFS other than investment firms and on the table of PFS performing an activity connected or complementary to an activity of the financial sector respectively.

³ Also refer to the table of PFS other than investment firms.

⁴ Also refer to the table of PFS performing an activity connected or complementary to the financial sector.

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

- **PFS other than investment firms**

According to the provisions of articles 25 to 28-8 of the law of 5 April 1993 on the financial sector as amended, financial advisors (article 25), brokers (article 26), market makers (article 27), operators of payment or securities settlement systems (article 28-1), persons performing cash-exchange transactions (article 28-2), debt recovery (article 28-3), professionals performing credit offering (article 28-4), professionals performing securities lending (article 28-5), professionals performing money transfer services (article 28-6), administrators of collective savings funds (article 28-7) and management companies of non-coordinated UCIs (article 28-8) are PFS other than investment firms.

The following undertakings were authorised as PFS other than investment firms in 2004:

Name of PFS	Category
BIL-Lease S.A.	Professional performing credit offering
CGFP-Epargne A.s.b.l.	Administrator of collective savings funds
Continental Fund Services S.A.	Financial advisor ⁵
Eurolease-Factor S.A.	Professional performing credit offering
ING Lease Luxembourg S.A.	Professional performing credit offering
John Deere Finance S.A.	Professional performing credit offering
Lehman Brothers (Luxembourg) S.A.	Professional performing securities lending
Lux Rent a Car S.A.	Professional performing credit offering
Monsieur Jean-Paul Frisch	Financial advisor
PK Airfinance S.à.r.l.	Professional performing credit offering

Among these ten entities, eight fall under a PFS category introduced by the law of 2 August 2003, including six professionals performing credit offering, one professional performing securities lending and one administrator of common savings funds.

The steps undertaken by PFS, which had not been subject to the continuous supervision of the CSSF before, to comply with the new legal provisions introduced by the law of 2 August 2003, are also noteworthy. To this end, five entities are now registered as PFS other than investment firms under the category of debt recovery (four entities) or as professional performing cash-exchange transactions (one entity).

Name of PFS	Category
Auxiliaire Générale d'Entreprises S.A.	Debt recovery
Creditreform Luxembourg S.A.	Debt recovery
Le Recours S.à.r.l.	Debt recovery
Société Luxembourgeoise de Recouvrement S.A., in abbreviated form "SLR"	Debt recovery
Travelex Belgium N.V., succursale de Luxembourg	Professional performing cash-exchange transactions

Definition of an auxiliary credit activity compared to a main activity referred to in the law of 28 December 1988 on the right of establishment

The CSSF considers that a credit activity (consumer credit or leasing activity), carried out on an auxiliary basis under the law of 28 December 1988 on the right of establishment, does not fall under the law of 5 April 1993 on the financial sector as amended. An authorisation as professional performing credit offering (article 28-4 of the above-mentioned law) is not required on the condition that the auxiliary activity is connected to the activity for which the undertaking has been granted an establishment authorisation.

Where the auxiliary credit activity is considered as being carried out in addition to the activity authorised under the law of 28 December 1988 and not linked thereto, it is irrelevant whether the credit activity is performed as auxiliary activity to the activity covered by the authorisation of establishment granted by the Ministry of small- and medium-sized enterprises. In this case, the credit activity concerned requires indeed an authorisation as professional performing credit offering, in accordance with article 28-4 of the law on the financial sector.

- ***PFS performing a connected or complementary activity to the financial sector***

According to the provisions of articles 29 to 29-4 of the law of 5 April 1993 on the financial sector as amended, domiciliation agents of companies (article 29), client communication agents (article 29-1), administrative agents of the financial sector (article 29-2), IT systems and communication networks operators of the financial sector (article 29-3) and professionals performing services of setting up and of management of companies (article 29-4) are PFS performing a connected or complementary activity to the financial sector.

The following institutions have been authorised as PFS performing a connected or complementary activity to the financial sector in 2004:

Name of PFS	Category
Amaco (Luxembourg) S.A.	Domiciliation agent of companies and professional performing services of setting up and of management of companies
Amicorp Luxembourg S.A.	Domiciliation agent of companies and professional performing services of setting up and of management of companies
ATC-RCS Corporate Services	Domiciliation agent of companies
Cetrel S.C.	Administrative agent of the financial sector and IT systems and communication networks operator of the financial sector
Clearstream Services S.A.	Administrative agent of the financial sector and IT systems and communication networks operator of the financial sector
EDS Professionnel Secteur Financier (PSF) Luxembourg S.A.	IT systems and communication networks operator of the financial sector
Eurazeo Services Lux S.A.	Domiciliation agent of companies

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

Name of PFS	Category
Global Facilities S.A.	Client communication agent
IBM Services Financial Sector Luxembourg S.à.r.l.	IT systems and communication networks operator of the financial sector
Imprimerie Centrale S.A.	Client communication agent
Infomail S.A.	Client communication agent
LAB Services PSF S.A.	Client communication agent
LWM S.A.	Professional performing services of setting up and of management of companies
Meespierson Intertrust Financial Engineering S.A.	Domiciliation agent of companies
Meespierson Intertrust (Luxembourg) S.A.	Domiciliation agent of companies ⁶
Permira Luxembourg S.à.r.l.	Domiciliation agent of companies
Reisswolf S.A.	Client communication agent
Servitia S.A.	Client communication agent and IT systems and communication networks operator of the financial sector
Steria PSF Luxembourg S.A.	IT systems and communication networks operator of the financial sector
SunGard Systems Luxembourg S.A.	IT systems and communication networks operator of the financial sector
The Directors' Office S.A.	Professional performing services of setting up and management of companies

In 2004, seven entities were authorised as domiciliation agents of companies, two of them having been authorised as domiciliation agent of companies and professional performing services of setting up and management of companies. One domiciliation agent of companies was also authorised as professional acting for his own account and has therefore been registered on the list of investment firms.

As far as the categories introduced by the law of 2 August 2003 are concerned, six entities had applied for authorisation as client communication agent, including one undertaking which opted in addition for the status of IT systems and communication networks operator of the financial sector.

It has to be noted that the category of IT systems and communication networks operators of the financial sector recorded the most important increase during the year 2004, eight entities having been granted an authorisation for this category during this period.

It appears that the majority of establishments authorised in 2004 as PFS performing a connected or complementary activity to the financial sector applied for an authorisation for one category only, except for some IT systems and communication networks operator of the financial sector, which opted in addition for the status of administrative agent of the financial sector (three entities) and that of client communication agent (one entity).

⁶ Also refer to the table of investment firms.

- ***Professionals of the financial sector authorised to exercise any activity referred to in section 1 of chapter 2 of Part I of the law of 5 April 1993 on the financial sector as amended, with the exception of the categories of PFS also referred to in section 2 of the same chapter***

The PFS governed by the general provisions (section 1 of chapter 2 of Part I of the law of 5 April 1993 on the financial sector as amended), which had not been subject to the continuous supervision of the CSSF before, fall under the scope of prudential supervision of the CSSF following the amendment of the law on the financial sector by the law of 2 August 2003.

Indeed, the activities performed by these entities, even if they do not correspond specifically to the activities of PFS categories defined under articles 24 to 29-4 of the law of 5 April 1993 as amended, are considered as falling within the financial sector and are therefore subject to the continuous supervision by the CSSF.

Three entities are now registered on the official list of PFS as professionals of the financial sector authorised to exercise any activity referred to in section 1 of chapter 2 of Part I of the law of 5 April 1993 on the financial sector as amended, with the exception of the categories of PFS also referred to in section 2 of the same chapter.

Name of PFS

Association Mutualiste des Fonctionnaires des Organisations Intergouvernementales ayant leur siège ou des bureaux permanents en Europe, in abbreviated form "AMFIE Société Coopérative"

Europay Luxembourg S.C.

Visalux S.C.

AMFIE Société Coopérative had already been approved under the general provisions before the law of 2 August 2003 came into force.

1.3.2. PFS that gave up their status in 2004

Nineteen institutions, including ten investment firms, gave up their PFS status in 2004. Four entities have merged with another company of the group to which they belong, while five entities, acting as distributors of units/shares of investment funds and/or private portfolio managers, gave up their PFS status in order to become a management company under chapter 13 of the law of 20 December 2002 concerning undertakings for collective investment. The other withdrawals are due to the winding-up of the institution (two entities), the change into a bank (one entity), the discontinuation of activities (one entity) and the switch to activities which no longer require an authorisation as PFS as they no longer fall under the scope of the law of 5 April 1993 on the financial sector as amended (six entities).

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

Name of PFS	Category	Reason for withdrawal
ABN Amro Investment Funds S.A.	Distributor of units/shares of investment funds	Change into management company
A.L.T. Management S.A.	Domiciliation agent of companies	Ceased PFS activities
Auxiliaire Générale d'Entreprises S.A.	Debt recovery	Ceased PFS activities
Aviva Corporate Services S.A.	Domiciliation agent of companies	Take-over by Aviva Fund Services
Barclays International Independent Financial Advisory Services S.A.	Commission agent	Ceased PFS activities
Bisys Fund Services (Luxembourg) S.A.	Commission agent and distributor of units/shares of investment funds	Ceased activities
CMI Asset Management (Luxembourg) S.A.	Private portfolio manager and distributor of units/shares of investment funds	Change into management company
Continental Fund Services S.A.	Registrar and transfer agent and financial advisor	Transfer of activities to another professional and subsequent winding-up
Corluy Luxembourg S.A.	Professional acting for his own account and distributor of units/shares of investment funds	Change into bank
Dexia Asset Management S.A.	Private portfolio manager	Change into management company
Ersel Asset Management S.A.	Financial advisor	Take-over by Ersel Gestion International S.A.
Euroscandic S.A.	Domiciliation agent of companies	Ceased PFS activities
Fortis Investment Management Luxembourg S.A.	Private portfolio manager and distributor of units/shares of investment funds	Change into management company
Intertrust DOM S.A.	Domiciliation agent of companies	Ceased PFS activities
Lux Rent a Car S.A.	Professional performing credit offering	Ceased PFS activities
Nordea Investment Funds S.A.	Distributor of units/shares of investment funds	Change into management company
Timing Consult S.A.	Financial advisor	Winding-up
Tradition S.A. (Lausanne), succursale de Luxembourg	Broker	Merger with Arbitrage Change S.A.
Union Investment Euromarketing S.A.	Private portfolio manager and distributor of units/shares of investment funds	Merger with Union Investment Luxembourg S.A.

1.3.3. Changes in category in 2004

The analysis of the changes in category of the professionals of the financial sector in 2004 shows that the participants in the financial sector diversify and extend their activities, the majority of requested changes having concerned the adoption of one or several additional statuses. Indeed, the plurality of statuses adopted by one company allows it to provide, as PFS, a large range of services to private and/or institutional clients, or to better adapt to a changing economic environment.

Name of PFS	Category (before change)	Category (after change)
ACM Global Investor Services S.A.	Domiciliation agent of companies	Registrar and transfer agent and domiciliation agent of companies
E Oppenheimer & Son (Luxembourg) Limited	Commission agent and domiciliation agent of companies	Commission agent, domiciliation agent of companies and administrative agent of the financial sector
European Fund Administration S.A.	Commission agent and distributor of units/shares of investment funds not authorised to accept and effect payments	Commission agent, distributor of units/shares of investment funds authorised to accept and effect payments and IT systems and communication networks operator of the financial sector
Euro-VL Luxembourg S.A.	Distributor of units/shares of investment funds and domiciliation agent of companies	Registrar and transfer agent and domiciliation agent of companies
Fidelity Investments Luxembourg S.A.	Commission agent and distributor of units/shares of investment funds	Commission agent, distributor of units/shares of investment funds, registrar and transfer agent, domiciliation agent of companies and administrative agent of the financial sector
First European Transfer Agent S.A.	Private portfolio manager and distributor of units/shares of investment funds	Private portfolio manager, distributor of units/shares of investment funds, registrar and transfer agent, client communication agent and administrative agent of the financial sector
Fund Administration Services & Technology Network (Luxembourg) S.A., in abbreviated form "Fastnet"	Distributor of units/shares of investment funds	Registrar and transfer agent and domiciliation agent of companies

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

Name of PFS	Category (before change)	Category (after change)
Gestador S.A.	Domiciliation agent of companies	Domiciliation agent of companies and registrar and transfer agent
International Financial Data Services (Luxembourg) S.A.	Distributor of units/shares of investment funds	IT systems and communication networks operator of the financial sector
Liberty Ermitage Luxembourg S.A.	Commission agent and distributor of units/shares of investment funds not authorised to accept and effect payments	Commission agent, distributor of units/shares of investment funds authorised to accept and effect payments and registrar and transfer agent
Luxigec S.A.	Domiciliation agent of companies	Domiciliation agent of companies and administrative agent of the financial sector
Maitland Luxembourg S.A.	Domiciliation agent of companies	Domiciliation agent of companies and administrative agent of the financial sector
Mourant Luxembourg S.A.	Domiciliation agent of companies	Domiciliation agent of companies and registrar and transfer agent
Moventum S.A.	Private portfolio manager and distributor of units/shares of investment funds	Private portfolio manager, distributor of units/shares of investment funds and registrar and transfer agent
Schroder Investment Management (Luxembourg) S.A.	Distributor of units/shares of investment funds	Distributor of units/shares of investment funds and registrar and transfer agent

This table reflects the growing interest in 2004 of the professionals of the financial sector as regards the activity of registrar and transfer agent. The majority of the above-mentioned PFS has indeed adopted the status of registrar and transfer agent, either as additional activity or through a change in activities.

Except for two PFS which had applied for the status of domiciliation agent of companies, all the other changes concerned statuses created by the law of 2 August 2003.

The trend according to which the company domiciliation activity is performed in addition to one or several other activities of the financial sector crystallises in 2004. Indeed, five domiciliation agents of companies have adopted an additional status during this period, namely that of registrar and transfer agent (three entities) or administrative agent of the financial sector (two entities).

1.4. Development in the balance sheet totals and results

	Balance sheet total in EUR		
	2002	2003	2004 ⁷
<i>Investment firms</i>			
Commission agents	147 610 385	164 866 179	197 774 101
Private portfolio managers	823 033 277	907 099 509	446 281 522
Professionals acting for their own account	195 589 363	271 124 494	441 810 076
Distributors of units/shares of investment funds	778 601 009	928 085 917	919 606 048
Underwriters	55 453 654	106 781 684	152 861 886
Professional custodians of securities or other financial instruments	847 861 986	925 418 041	916 604 188
Registrar and transfer agents	/	1 590 054	92 805 090
<i>PFS other than investment firms</i>			
Financial advisors	8 548 297	10 644 954	10 151 756
Brokers	45 163 287	43 277 682	44 432 522
Market makers	17 721 824	17 284 792	21 396 753
Professionals performing cash-exchange transactions	/	/	1 903 163
Debt recovery	/	/	788 398
Professionals performing credit offering	/	/	1 899 368 540
Professionals performing securities lending	/	/	32 747 671 283
Administrators of common savings funds	/	/	143 153
<i>PFS performing a connected or supplementary activity to the financial sector</i>			
Domiciliation agents of companies	82 607 292	111 916 406	56 642 659
Client communication agents	/	4 174 686	45 130 995
Administrative agents of the financial sector	/	/	206 269 638
IT systems and communication networks operators of the financial sector	/	1 590 054	247 001 922
Professionals performing services of setting up and of management of companies	/	/	2 368 267
Professionals of the financial sector authorised to exercise any activity referred to in section 1 of chapter 2 of Part I of the amended law of 5 April 1993 on the financial sector, with the exception of the categories of PFS also referred to in section 2 of the same chapter	/	/	109 894 352
Establishments authorised to exercise all the PFS activities permitted by article 28 of the law of 15 December 2000 on postal services and financial postal services	/	/	1 234 868 906
Total	2 292 287 619	2 481 838 773	38 432 404 157

⁷ Provisional figures.

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

	Net results in EUR		
	2002	2003	2004 ⁸
Investment firms			
Commission agents	1 195 685	6 033 898	14 803 470
Private portfolio managers	151 487 146	153 179 404	63 482 909
Professionals acting for their own account	26 831 928	28 023 437	25 496 010
Distributors of units/shares of investment funds	106 542 893	94 658 705	126 868 157
Underwriters	1 938 609	2 556 767	1 886 846
Professional custodians of securities or other financial instruments	82 936 378	143 413 235	102 667 960
Registrar and transfer agents	/	-479 488	9 343 093
PFS other than investment firms			
Financial advisors	1 251 178	1 934 732	1 374 710
Brokers	18 056 064	16 585 941	20 706 131
Market makers	422 867	239 971	211 142
Professionals performing cash-exchange transactions	/	/	197 219
Debt recovery	/	/	16 919
Professionals performing credit offering	/	/	37 640 514
Professionals performing securities lending	/	/	2 198
Administrators of common savings funds	/	/	0
PFS performing a connected or supplementary activity to the financial sector			
Domiciliation agents of companies	10 032 141	8 569 665	7 666 563
Client communication agents	/	601 679	508 109
Administrative agents of the financial sector	/	/	5 380 630
IT systems and communication networks operators of the financial sector	/	-479 488	10 978 614
Professionals performing services of setting up and of management of companies	/	/	54 629
Professionals of the financial sector authorised to exercise any activity referred to in section 1 of chapter 2 of Part I of the amended law of 5 April 1993 on the financial sector, with the exception of the categories of PFS also referred to in section 2 of the same chapter	/	/	575 232
Establishments authorised to exercise all the PFS activities permitted by article 28 of the law of 15 December 2000 on postal services and financial postal services	/	/	-2 031 329
Total	320 234 143	367 168 643	318 706 062

Comment as regards the tables

Since the same company can operate in several business sectors, the total does not reflect the arithmetical sum of headings under the different PFS categories. For professionals of the financial sector authorised to conduct business as defined in articles 24A to 24D, 24G, 25, 26, 29-1 and 29-2 of the law of 5 April 1993 as amended, the balance sheet total and the net result respectively are recorded only once in the total, i.e. in the category for which the capital requirements are the most stringent. If the professional conducts additional business outside of the above-mentioned categories, as covered in section 2 of chapter 2 of the aforementioned law, the balance sheet total and net result respectively are aggregated for each category but are not included in the grand total to avoid double counting.

PFS established in Luxembourg recorded a growth in their balance sheet total during 2004, which reached EUR 38,432 million against 2,482 million at the end of 2003. This substantial increase is partly due to the considerable rise in the number of PFS in the year under review, up from 142 entities as at 31 December 2003 to 166 entities as at 31 December 2004. The relatively high balance sheet totals of the financial professionals authorised in 2004 as professionals performing credit offering and professionals performing securities lending are another factor explaining the positive development of the balance sheet total over a period of twelve months. Indeed, the volume of the credit activity of these PFS is entirely reflected in their balance sheet total. Overall, the table on the development of the balance sheet total reveals a general upward trend for the majority of categories, except for private portfolio managers and domiciliation agents of companies.

Despite the increase in the number of PFS in 2004, their net profits show a negative trend compared to the previous year. They total EUR 319 million as at 31 December 2004 against EUR 367 million as at 31 December 2003, representing a decrease of 13.20% year-on-year. This negative development is mainly attributable to the fact that several institutions authorised in 2004 and more specifically PFS active in the field of credit offering or leasing and securities lending have not been as profitable as other categories of PFS. The significant decrease in the net profits of the private portfolio managers and professional custodians of securities or other financial instruments, falling by 58.56% and 28.41% respectively, also contributes to the drop in net profits of the PFS over a year.

The tables on the development of the balance sheet totals and net profits reveal divergent results according to PFS categories in 2004. Certain categories recorded a fall compared to the previous year, while the balance sheet total and/or net profits of other categories remained either stable or increased at a sustained rate.

Commission agents

The balance sheet total and net result of commission agents increased substantially as compared to the end of 2003. This development is mainly due to the positive development of the figures of several significant professionals in this category.

Private portfolio managers

Private portfolio managers, whose number decreased from 48 entities at the end of December 2003 to 46 entities as at 31 December 2004, recorded a considerable decrease in their balance sheet total as well as in their net profit over twelve months. This negative trend is notably attributable to a significant professional who gave up his PFS status during 2004 to become a management company, i.e. Dexia Asset Management S.A..

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

Distributors of units/shares of investment funds

Despite a slight decrease in their balance sheet total as compared to 2003, the distributors of units/shares of investment funds, whose number decreased from 47 entities to 37 entities during 2004, recorded a remarkable growth of net profits during this period. A few large-sized professionals were responsible for the financial development of the category distributors of units/shares of investment funds.

Professional custodians of securities or other financial instruments

The considerable decrease in net profits of this PFS category in 2004 is mainly due to the development of one important professional, namely Clearstream International S.A..

Registrar and transfer agents

IT systems and communication networks operators of the financial sector

The table shows an increase in the balance sheet total, as well as in net profits, mainly due to the important development in the number of entities authorised as registrar and transfer agent (plus 7 entities) and as IT systems and communication networks operators of the financial sector (plus 10 entities).

Professionals performing credit offering

Professionals performing securities lending

The entities concerned record a quite significant balance sheet total as at 31 December 2004. Contrary to other PFS categories, their business volume is entirely reflected in their balance sheet total.

1.5. Expansion of PFS at international level

1.5.1. Formation of subsidiaries during 2004

In 2004, the CSSF has not received any request from an investment firm incorporated under Luxembourg law to open a subsidiary abroad.

1.5.2. Freedom of establishment

In 2004, six investment firms incorporated under Luxembourg law established a branch in one or several other EU Member States under the principle of freedom of establishment, namely BNP Paribas Fund Services S.A. which set up a branch in Spain, J.P. Morgan Fleming Asset Management (Europe) S.à r.l. which set up a branch in Italy, Vontobel Europe S.A., which set up a branch in Germany, as well as WH Selfinvest S.A., Compagnie Financière et Boursière Luxembourgeoise S.A., in abbreviated form "Cofibol", and Createrra S.A. which set up in Belgium by way of a branch.

Under the law of 2 August 2003 amending the law on the financial sector, the category professional custodian of securities or other financial instruments is considered as investment firm. Therefore, Clearstream International S.A., represented by a branch in the United Kingdom, is henceforth registered on the list of investment firms incorporated under Luxembourg law active in one or several other EU Member States by way of a branch.

Due to its change into a management company under the law of 20 December 2002 concerning undertakings for collective investment, Nordea Investment Funds S.A. gave up its PFS status during 2004 and is therefore not listed on the table of Luxembourg-incorporated investment firms having established a branch in one or several EU Member States.

As at 31 December 2004, the following Luxembourg investment firms are represented by way of a branch in one or several EU Member States.

Name of PFS	Category	Branch
BNP Paribas Fund Services S.A.	Private portfolio manager, distributor of units/shares of investment funds and administrative agent of the financial sector	Spain
Clearstream International S.A.	Professional custodian of securities or other financial instruments	United Kingdom
Compagnie Financière et Boursière Luxembourgeoise S.A., in abbreviated form "Cofibol"	Professional acting for his own account	Belgium
Createrra S.A.	Professional acting for his own account and domiciliation agent of companies	Belgium
Creutz & Partners, Global Asset Management S.A.	Private portfolio manager	Germany
Financial Advisor Services (Europe) S.A.	Distributor of units/shares of investment funds	Germany Italy
J.P. Morgan Fleming Asset Management (Europe) S.à r.l.	Private portfolio manager and distributor of units/shares of investment funds	Sweden Austria Netherlands Germany Italy
Le Foyer, Patrimonium & Associés S.A.	Private portfolio manager and distributor of units/shares of investment funds	Belgium
Moventum S.A.	Private portfolio manager and distributor of units/shares of investment funds	Germany
SZL S.A.	Professional acting for his own account	Belgium
Vontobel Europe S.A.	Private portfolio manager and distributor of units/shares of investment funds	Germany
WH Selfinvest S.A.	Commission agent	Belgium

The number of branches established in Luxembourg by investment firms originating from another EU Member State amounts to four as at 31 December 2004. Although the number has not changed compared to the previous year, the situation of branches established in Luxembourg has nevertheless undergone two changes compared to the end of 2003.

While a branch originating from Gibraltar, namely Gadd Capital Management Ltd., started its activities in Luxembourg during 2004, the branch Compagnie de Gestion Privée originating from Belgium stopped its business activities on Luxembourg territory in 2004.

It should also be noted that the branch Prudential-Bache International Limited changed its name into Bache Financial Limited in 2004.

Name of branch	Country of origin
Bache Financial Limited	United Kingdom
Gadd Capital Management Ltd	Gibraltar
Morgan Stanley Investment Management Limited	United Kingdom
PFPC International Limited	Ireland

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

1.5.3. Freedom to provide services

In 2004, ten investment firms incorporated under Luxembourg law applied to pursue business in one or several EU Member States by way of free provision of services. The total number of investment firms active in one or several other EU Member States following a notification amounts to thirty-five as at 31 December 2004. The majority of the investment firms concerned conduct their business in several other EU countries by way of free provision of services. Furthermore, three Luxembourg investment firms have introduced a notification in 2004 to perform their business in one or several countries which are members of the EU since 1 May 2004.

The number of notifications to freely provide services in Luxembourg introduced by investment firms from other EU countries increased substantially in 2004, rising from 68 entities in 2003 to 108 entities in 2004. This positive development, contrary to the downward trend observed in the previous two years, reflects once again the internationalisation of the activities in the financial sector.

The geographical breakdown of foreign investment firms having introduced a notification in 2004 reveals that the British investment firms remain the most important in number to apply for free provision of services in Luxembourg, followed by the French and Dutch investment firms.

Country of origin	Number of entities having submitted a notification to freely provide services in 2003	Number of entities having submitted a notification to freely provide services in 2004
Austria	2	7
Belgium	1	1
Cyprus	/	1
Finland	1	1
France	13	13
Germany	1	6
Greece	/	1
Ireland	3	1
Italy	/	1
Netherlands	6	13
Norway	/	/
Slovenia	/	2
Spain	3	2
Sweden	1	/
United Kingdom	37	59
Total	68	108

While the geographical breakdown only shows slight changes for the majority of countries compared to the previous year, the number of entities from the United Kingdom has increased substantially by 22 entities, which partly explains the important increase in the total number of notifications compared to 2003.

The number of notifications received by the CSSF from Dutch investment firms has also risen over a year by seven entities, closely followed by entities from Germany and Austria, with an increase of five entities each. Furthermore, the table mentions three notifications from two new EU Member States, i.e. Cyprus (1 entity) and Slovenia (2 entities).

As at 31 December 2004, a total of 1,054 EU investment firms were authorised to freely provide their services on Luxembourg territory.

2. PRUDENTIAL SUPERVISORY PRACTICE

2.1. Prudential supervisory instruments

Prudential supervision is exercised by the CSSF by means of four types of instruments:

- financial information submitted periodically to the CSSF enabling it to continuously monitor the activities of PFS and the inherent risks, and to perform a periodic supervision of the capital adequacy ratio as laid down in article 56 of the law of 5 April 1993 on the financial sector as amended;
- the annual report drawn up by the external auditors (which includes a certificate relating to the fight against money laundering and a certificate concerning compliance with circular CSSF 2000/15);
- internal audit reports relating to audits carried out during the year, and the management's report on the state of the internal audit of the PFS;
- on-site inspections carried out by the CSSF.

2.2. On-site inspections

The CSSF attaches particular importance to this instrument of continuous supervision, as it allows a global and direct view of the situation and functioning of the PFS in practice.

In 2004, the CSSF carried out on-site inspections at the premises of five professionals of the financial sector.

The purpose of the inspections carried out at the premises of four PFS concerned more particularly the IT structure, as well as the state of the relating security measures. These on-site inspections, allowing also to check the sound operation of the entities concerned, have been carried out in collaboration with the IT audit of the CSSF.

The inspection at the premises of another PFS had been carried out by the CSSF given the considerable deterioration of the financial situation of the company. The serious irregularity noted afterwards, which was due to non-compliance with certain legal provisions, was followed by a disagreement between the shareholders of the PFS concerned. Even though the situation of the company could be stabilised, this case could not be closed as at 31 December 2004.

2.3. Meetings

A total of 102 meetings concerning the activities of professionals of the financial sector were held at the CSSF's premises during the year under review.

Half of these meetings were held within the scope of applications for approval as PFS, submitted either by companies newly incorporated or to be incorporated, or by existing entities, that intend to carry out financial activities that require prior approval. This figure includes the meetings that were held with entities enquiring whether the activities performed fall under the law of 5 April 1993 on the financial sector as amended, including more specifically the categories newly created by the law of 2 August 2003.

The remainder of the meetings held with representatives of PFS covered the following areas in particular:

- planned changes relating in particular to business activities, shareholders and daily management of PFS;

SUPERVISION OF THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

- presentation of general context and activities of the companies concerned;
- requests for information within the scope of the prudential supervision carried out by the CSSF;
- courtesy visits.

2.4. Specific audits

Article 54(2) of the law of 5 April 1993 on the financial sector as amended entitles the CSSF to require external auditors to carry out a specific audit on a financial professional, covering one or several specific aspects of the business or functioning of the entity concerned. The ensuing costs are to be borne by the professional concerned. The CSSF has not made formally use of this right in 2004. Nevertheless, the CSSF requested one PFS to charge on its own initiative an external auditor in order to audit various specific aspects of the company's activities.

2.5. Supervision on a consolidated basis

The supervision of investment firms on a consolidated basis is governed by the law of 5 April 1993 on the financial sector as amended and more particularly by chapter 3bis of Part III. The relevant articles define the conditions governing the supervision of investment firms on a consolidated basis and its scope. The form, extent, content and means of supervision on a consolidated basis are also laid down therein.

In 2004, the CSSF had carried out supervision on a consolidated basis of fifteen investment firms falling under the above-mentioned law. An in-depth study of the financial groups to which most of the PFS investment firms belong was required in order to determine whether, at what level and in what form, consolidation should apply. For the investment firms concerned, circular CSSF 00/22 on the supervision of investment firms on a consolidated basis specifies the practical aspects of the rules as regards this type of supervision. Many companies supervised on a consolidated basis belong to major groups operating in the financial sector and whose ultimate parent company is usually a credit institution.

The following PFS were subject to supervision by the CSSF on a consolidated basis at 31 December 2004:

- BNP Paribas Fund Services
- Brianfid-Lux S.A.
- Capital @ Work International S.A.
- Citco (Luxembourg) S.A.
- Clearstream International S.A.
- Crédit Lyonnais Management Services (Luxembourg) S.A.
- Foyer Asset Management S.A.
- Fund-Market Research & Development S.A.
- Hottinger & Cie
- HSBC Dewaay Luxembourg S.A.
- Interinvest S.à.r.l.
- Kredietrust Luxembourg S.A.
- Petercam (Luxembourg) S.A.
- Premium Select Lux S.A.
- UBS Fund Services (Luxembourg) S.A.

Interpretation of article 52-3 of the law of 5 April 1993 on the financial sector as amended

Article 52 relating to the official lists and the protection of titles provides in paragraph 3 that no person shall make use for commercial purposes of his registration in an official list or of the fact of his being subject to supervision by the CSSF.

The CSSF wishes to stress in this context that the approval as PFS shall not in any case be interpreted as corporate image and that being officially under the supervision of the relevant authority does not constitute *de facto* a quality label.

Herewith, the CSSF addresses in particular PFS which exercise a connected or complementary activity to the financial sector.

Overall, an application for approval as PFS is necessary where the activities fall under the scope of the law on the financial sector and shall not be motivated by the will to become PFS in order to mention this fact for advertisement purposes or to use it as corporate image.



| Department Supervision of PFS

First row, left to right:

Emilie LAUTERBOUR | Claudia MIOTTO | Denise LOSCH

Second row, left to right:

Sylvie MAMER | Sonny BISSDORFF-LETSCH | Gérard BRIMEYER | Martine SIMON

Third row, left to right:

Carole NEY | Nicole LAHIRE | Luc PLETSCHETTE | Carlo FELICETTI