

COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER

ANNUAL REPORT

2004

Commission de Surveillance du Secteur Financier

110, route d'Arlon

L-2991 LUXEMBOURG

Tel.: (+352) 26 251-1

Fax: (+352) 26 251-601

E-mail: direction@cssf.lu

Website: <http://www.cssf.lu>

Cut-off date: 1 March 2005.

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Design: metaph

Printed by: Victor Buck



PREFACE

As I had announced last year, the signs of recovery, which were observed in 2003, materialised, although its effects are still modest. We are currently witnessing a stabilisation of the financial centre as a whole due to the fact that certain business areas developed while others are declining. Moreover, each entity has its own life, with the result that the financial sector as a whole does not follow a general trend.

Among the events, which particularly influenced the financial centre's activities in 2004, are the tax measures taken by some of our neighbours. However, the repercussions of these measures, which have been felt in the Luxembourg financial centre, were not such as to hinder its development. In spite of concerns, they even had a positive aspect for Luxembourg, since many customers took the opportunity to reflect on the future management of their assets. The fact that the vast majority of them have decided to continue their business relations with Luxembourg banks is a truly positive factor for the future of our financial centre. The confidence placed in Luxembourg banks proves that tax considerations are no longer the only criteria to plan wealth management. As regards the field of asset management, as well as many others, I have no doubt that the financial centre's future is promising, if it endeavours to improve the provision of customer services under appealing conditions.

The annual report 2004 clearly shows that the financial centre is further diversifying. Through the creation of new financial instruments, Luxembourg's legal framework allows those who know how to use them to make highly interesting transactions.

I would also like to emphasise that the international environment implies an increasing amount of work for our institution and that international relations require growing efforts of the members of staff to keep up with the very demanding pace of discussions on a wide range of subjects.

Although it can be concluded that 2004 was a good year and that the positive image of the financial centre consolidated, I would like to mention however that we observed certain behaviours of players in the financial centre, who do not blend in with this image. I do not intend to generalise, but I am of the opinion that, in too many cases, the persons responsible for reprehensible acts do not suffer the consequences with regard to the continuation of their occupation. The person responsible for such an act is often simply removed from management while being granted compensations, which largely exceed normal expectations. Sometimes, the impression could arise that crime pays, which soils the reputation of a financial centre. Moreover, it can be observed on too many occasions that when such professionals seek new employment, the new employers tend to somewhat close their eyes to the problem, while knowingly taking the risk that the persons concerned could again perform reprehensible acts. I would therefore like to stress that in the future, the CSSF will insist even more on the fact that the players in the financial centre show an irreproachable behaviour in line with intact professional ethics. In this context, I invite the players in the financial centre to openly talk to each other, while complying with the legal provisions of course.

Finally, I would like to pay tribute to Mr Charles Kieffer who retired on 31 December 2004. As Director of the CSSF, he was a qualified, committed and cheerful colleague, whom we owe a significant share of our institution's success. During his long career in the public sector, but also in the private sector, which was the starting point, he actively contributed to the development of Luxembourg's financial centre.

A handwritten signature in black ink, appearing to be 'JN Schaus'.

Jean-Nicolas SCHAUS
Director General

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| Simone DELCOURT | Arthur PHILIPPE | Jean-Nicolas SCHAUS |

CORPORATE GOVERNING BODIES OF THE COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

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	François MOES <i>President of the Association des Banques et Banquiers, Luxembourg</i>
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Secretary	Danielle MANDER

Executive Board

Director General	Jean-Nicolas SCHAUS
Directors	Arthur PHILIPPE
	Simone DELCOURT (from 1 January 2005)
	Charles KIEFFER (until 31 December 2004)