

Financial System Assessment Program (FSAP) of the International Monetary Fund

At the request of the Luxembourg government, the International Monetary Fund assessed the overall stability of Luxembourg's financial system. The Financial System Stability Assessment (FSSA) is the result of the Financial System Assessment Program (FSAP) mission that visited Luxembourg twice at the end of 2001.

According to this report, "Luxembourg's financial sector is robust, efficient and well supervised. No major weaknesses that could cause systemic risks were identified by the mission. The strength and efficiency of the financial sector is fully supported by the strong compliance by Luxembourg with international supervisory and regulatory standards and by the stress tests prepared under extreme assumption."

However, the IMF points out that Luxembourg's financial sector "appears vulnerable to economic factors and cycles in other countries, largely European, and is very susceptible to reputational risks".

"Section I - Staff report on financial sector issues" provides a detailed description of the overall assessment of the stability of Luxembourg's financial system, notably giving an overview of Luxembourg's financial system as regards institutions, regulation, supervision and anti-money laundering policies. Furthermore, it provides a summary of the macro-economic environment and a detailed assessment of the vulnerabilities and the soundness of the financial system that underwent a series of stress tests.

The IMF also provides a detailed summary of the adherence to international standards and codes relevant to the Luxembourg financial sector. "Section II - Summary assessment of financial sector standards" contains a description of the detailed assessment made by the IMF during its mission in Luxembourg, as well as some specific recommendations for the supervisory authorities. This assessment helped to identify the extent to which the regulatory and supervisory framework adequately addresses the potential risks in Luxembourg's financial system.

The FSSA is available at the address : www.cssf.lu/docs/imf_report.pdf.