

Luxembourg, 15 October 1993

To all the “other professionals of
the financial sector”

CIRCULAR IML 93/102

Rules relating to the organisation and internal control of the activities of brokers or commission agents carried out by “other financial sector professionals”

Ladies and Gentlemen,

We refer to the Law of 5 April 1993 on the financial sector and more specifically to its Article 25 which defines the activities of brokers and commission agents.

This Circular which is intended for all the professionals carrying out exclusively or partially activities of brokers or commission agents aims at defining a set of rules relating to the organisation and internal control of the activities of brokers or commission agents. The set of rules laid down in this Circular fits also into the framework of Article 17(2) of the aforementioned Law, which provides that any PFS shall provide evidence that it has a sound administrative and accounting organisation, and adequate internal control procedures.

The first part of the Circular is intended for bank brokers while the second part applies to professionals carrying out diversified financial activities, including activities of brokers or commission agents.

The following table of contents aims at providing an overview of the rules in question that are explained in detail on the subsequent pages.

Table of contents

PART I

BANK BROKERS

- I. Risks relating to the activities of bank brokers

- II. Responsibility of the management of the institution

- III. Organisational principles and implementation rules
 1. Setting of the policy by the management
 2. Appointment of traders and powers of traders
 3. Segregation of duties
 4. Procedures manual
 5. Rules relating to the conclusion of transactions
 - 5.1. Basic rules of behaviour
 - 5.2. Rules relating to the organisation and operation of the trading desk
 - 5.3. Rules relating to client relationships
 6. Administrative processing of transactions
 7. Accounting treatment of transactions
 8. Internal control
 - 8.1. Ongoing critical controls
 - 8.2. Control by the member of the management responsible for the trading desk
 - 8.3. Audit by the internal audit department
 9. Audit by the *réviseur d'entreprises* (statutory auditor)

PART II

THE OTHER PROFESSIONALS OF THE FINANCIAL SECTOR (WITH THE EXCEPTION OF BANK BROKERS)

I. Preliminary remarks

II. Risks relating to the activities of bank brokers or commission agents

III. Responsibility of the management of the institution

IV. Organisational principles and implementation rules

1. Setting of the policy by the management

2. Appointment of the persons responsible for the execution of intermediation transactions

3. Internal limits based on figures

4. Segregation of duties

5. Procedures manual

6. Rules relating to the conclusion of transactions

6.1. Basic rules of behaviour

6.2. Rules relating to the organisation

6.3. Rules relating to client relationships

7. Administrative processing of transactions

8. Accounting treatment of transactions

9. Internal control

PART I

BANK BROKERS

I. Risks relating to the activities of bank brokers

Pursuant to the Law, brokers are “professionals whose activities consist in bringing parties together with a view to the conclusion of a specific financial transaction”.

This definition implies that these activities do not allow taking positions on own account, and therefore do not entail risks typically associated with these positions, i.e. foreign exchange risk, interest rate risk, liquidity risk, maturity transformation risk, country risk and counterparty risk.

Although the activities of bank brokers are not affected as such by the aforementioned risks, the fact remains that it is subject to administrative and accounting risks which if not controlled may lead to more or less substantial difficulties for brokers, counterparties as well as the market.

This concerns the risk that errors, negligent acts, delays or frauds occur, thereby not only involving the pecuniary liability of the institution but also tarnishing its corporate image.

Moreover, it should be noted that the activities of bank brokers may be exposed to concentration risks if the institution works excessively with a limited number of clients.

In order to guarantee the security and the proper completion of the activities carried out, the institutions shall moreover ensure the stability of their own funds, adequately control the risks arising from the investment of their own funds and set limits for potential risks incurred by the investment of own funds. These risks are, in principle, the same as those mentioned above (with the exception of the maturity transformation risk).

Both the probability of their occurrence and the scope of the financial charge entailed by an insufficient management of the aforementioned risks depend, in particular, on the quality of the organisation and the control procedures.

The administrative and accounting organisation of the institutions must fulfil the management and monitoring requirements of each of these risks.

II. Responsibility of the management of the institution

The Management Committee and the manager(s) authorised under the Law on the financial sector, respectively, acting jointly, hereinafter referred to as the “management”, shall be responsible for the policy relating to the activities of bank broker as well as the quality of the institution’s organisation in this respect.

The management shall define in writing the objectives of its business policy, the type of transactions and markets for which or on which it proposes to act as a bank broker as well as the organisational and internal control rules to be applied. It shall set the brokerage commissions and lay down the methods of payment of the commissions by the clients. It shall also determine the human and technical means necessary to guarantee the proper completion of the activities carried out.

It shall set the human and technical resources depending on the aggregate volume of the transactions for which it intends to be broker. Moreover, in order to avoid an excessive concentration of exposures to a single client, it shall ensure that its independence is maintained and that it works with a sufficiently diverse client base.

Adequate organisational and internal control rules shall entail, inter alia, internal limits based on figures, segregation of duties, procedures manual and code of good conduct as well as internal control and audit.

When determining the policy to be adopted in the course of the activities carried out, the general policy set by the Board of Directors of the institution or, in the case of a branch of an institution incorporated under foreign law, the limitations and guidelines imposed by the head office shall be taken into consideration, where appropriate.

The management shall ensure that a code of good conduct (cf. point III.5 in this respect), including basic rules of behaviour in this area, is established. Moreover, it shall set rules relating to the organisation and operation of the trading desk, the persons in charge of the administration, accounting, ongoing controls and reporting.

The institutions employing several people and with a relatively high business volume shall have an internal audit function and lay down rules in this respect. All the institutions carrying out activities of bank broker shall contact the IML before 31 December 1993 in order to discuss the need to put in place such a function.

III. Organisational principles and implementation rules

Each institution shall effectively implement basic rules relating to the organisation and internal control as set out below. The concrete procedure for the implementation of these rules may, where relevant, be adapted to the nature and volume of the activities, the size of the institution and its general organisation.

The measures taken shall be reviewed periodically and updated according to the experience gained, the market developments, the emergence of new products and the technological developments.

1. Setting of the policy by the management

Traders of an institution cannot trade new products or on new markets without the prior express authorisation of the management.

As a precaution, it is specified that, for any type of transaction it wishes to make, the institution provides for a trial period during which only a limited number of transactions for lesser amounts shall be concluded under very tight control. The institution will thus have the opportunity to ensure that the internal procedures and rules it has already developed and the new transactions are implemented in a safe and efficient way.

2. Appointment of traders and powers of traders

The management shall appoint traders. It shall confer specific powers on them and set limits on these powers.

3. Segregation of duties

Transactions shall be executed through a strict segregation of duties which shall take place, in the organisational chart, at the highest possible hierarchical level. Distinction shall be made between:

- the "operational function", performed by traders which covers the conclusion of intermediation transactions within the framework of the policy laid down by the management;
- the "administrative function", i.e. the administrative processing of transactions;
- the "accounting function" which shall be performed under the responsibility of the accounting department in charge of the accounting recording of transactions, where appropriate, and of brokerage commissions;
- the "control function" which is detailed in point 8 below.

Compliance with the rules relating to the segregation of duties implies that the functions are not performed by the same persons and that these persons are not acting under the same line manager.

Institutions shall ensure that the segregation of duties is also applied in an integrated technical environment, by way of appropriate procedures and protections.

Where, due to the small size of the institution, employees are obliged to perform different functions within the institution, this multi-tasking shall be organised in such a way that the principle of segregation of duties is complied with. The organisation of this segregation of duties shall be detailed in writing so that it can be audited by an external auditor.

4. Procedures manual

A procedures manual shall be developed in institutions employing several persons.

The procedures manual shall be approved by the management of the institution.

It shall be clear, precise and comprehensive. The good understanding of the instructions by the staff shall be ensured. It shall be made available effectively to users and applied by them strictly. The manual shall be constantly updated, in view in particular of the development of the market activities.

It shall cover at least the following information:

- the definition of the functions and responsibilities;
- the execution of the orders received;
- the administrative tasks of traders (completing dealer slips, etc.);
- the dispatch, receipt and tracking of confirmations;
- the administrative processing of transactions;
- the accounting of transactions and brokerage commissions;
- the monitoring of the commissions received and receivable;
- the contract management;
- the periodic account justification;
- the production of statistics and statements.

5. Rules relating to the conclusion of transactions

Each institution shall impose certain basic rules of behaviour, rules relating to the organisation and operation of trading desks, and client relationships. These rules concern in particular relationships between traders of the institution and traders of banks.

Institutions shall ensure that their activities are carried out in compliance with a strict code of conduct. In this respect, the institution may base on the "Code of conduct" issued by the Association Cambiste Internationale (Financial Markets Association).

The list of the rules set out below is not exhaustive and each institution shall supplement it according to its specific needs.

5.1. Basic rules of behaviour

These rules shall apply in particular to traders of bank brokers.

a) Given that the profession of broker does not allow to act as a counterparty to the client, the institution shall prohibit its traders from concluding transactions for its own account.

b) The institution shall prohibit traders from acting on its behalf, but for their own account or for the account of their family as well as for the account of other members of the institution's staff, including the management.

However, these people can operate as client of the institution provided that the procedures relating to the organisation and internal control of market activities are complied with. Transactions thus processed shall nevertheless be reviewed in detail by the internal control and reported to the management.

c) The broker shall undertake to communicate to clients prices or interest rates only insofar as s/he can provide an actual counterparty to these prices or rates for the minimum amount dealt on the market. Where listing is available only for a lower amount or is only indicative, s/he shall inform his/her client thereof. Moreover, s/he shall abstain from processing transactions at prices or rates that are not representative of the market situation at that time.

d) The bank broker shall refrain from proposing transactions aiming to inflate artificially the volume of transactions or bypass internal or external constraints.

e) Thus, in accordance with the relevant practices, a transaction concluded orally shall be binding. Its confirmation in writing or in electronic form (cf. point 6) can only be used as evidence and cannot unilaterally change the agreed terms of the transaction.

f) Transactions that have a retroactive effect (date of conclusion and/or date of value) can only be concluded in exceptional circumstances and with the express authorisation of the management. This can only be the case where these transactions are used for regularisation purposes.

5.2. Rules relating to the organisation and operation of the trading desk

a) No transaction can be processed by people other than those authorised thereto by the management. The hierarchical position of each trader shall be clearly established. Delegations of decision-making and signing authority shall be clearly set.

b) The principle of remuneration of traders shall be set down by the management. It shall allow, where appropriate, a variable proportion of the remuneration of traders only to a limited extent, taking into account, in particular, the financial development and the profitability of the institution.

c) The transactions shall be concluded within a well-defined schedule. Exceptions to this rule can only be made in special circumstances and subject to prior and formal agreement of the management, as well as on condition that there are strict organisational and internal control procedures in this area. These procedures shall not only ensure that the smooth running of the activities of the institution is not jeopardised but also specify borderline cases where exception to the basic rule is permitted, designate the persons who may conclude transactions and define specific rules for the immediate registration of transactions.

The necessary measures shall be taken to protect the physical access to the trading desk and to prevent unauthorised people from accessing it.

d) The institution shall put in place procedures to ensure that, where several clients made identical orders to the institution, the client who made the order first shall be served first.

e) Each transaction concluded with a counterparty shall be registered in a pre-numbered and time-stamped (transaction notices, telex, electronic transmissions, etc.) document (or under a reference in IT files).

These documents, even when they relate to cancelled transactions, shall be kept long enough and physically segregated. They shall be available without restriction for supervisory purposes.

Given that the transactions are, in most cases, concluded by telephone, it is highly recommended to record calls on a magnetic tape in order to prevent and resolve misunderstandings or errors.

The trading desk shall keep up-to-date a statement of the concluded transactions.

f) The traders shall specify the type of instrument for which the institution acts as an intermediary.

Specific procedures shall be in place to process the transactions that are amended or cancelled.

g) It cannot be accepted that a client of the institution processes transactions for its own account from the trading desk.

5.3. Rules relating to client relationships

Relationships with clients, including in particular with banks, shall be provided for in a code of conduct which the institution shall establish.

The management of the institution shall set up a list of professional and/or non-professional clients with whom it plans to deal. It shall set the brokerage commissions which may, moreover, not be directly or indirectly linked to the rates or prices applied to transactions. It shall also set the methods of payment of the commissions by the clients.

The code of conduct shall aim at ensuring the necessary independence between the bank broker and his/her clients. In this respect, it shall forbid *dirigeants* (managers) and traders in charge of the institution's trading desk to give and/or receive commissions from clients personally. The management shall set, in writing, precise limits

on the direct or indirect benefits which themselves and the traders are entitled to grant to and/or accept from their clients.

Traders shall inform, without delay, the management where a client tries to thwart such rules of conduct.

The institution, which notices that one of its employees breaches the previous rules and the code of conduct, shall take appropriate measures according to the gravity of the situation immediately.

Moreover, any institution, which notices that a fraud was committed by one of its employees, shall inform the IML without delay.

6. Administrative processing of transactions

The administrative processing of transactions shall be carried out without delay by the administrative department. For the purposes of ensuring the proper execution of various activities assigned to this department, the necessary human and material resources shall be provided to it in consideration of the nature and volume of transactions to be processed.

a) As soon as the broker brought into relation the two parties to the transaction, s/he shall confirm it to the two parties. This confirmation shall include all the data relating to the transaction, i.e. the counterparties, the price or the rate, the details concerning the various payments to be made as well as the intermediation commission and the methods of its payment.

The administrative department shall dispatch all the confirmations and shall receive the confirmations from the various parties to the transaction in order to reconcile them with its file.

If the confirmations of the counterparties are not received or raise some questions, the administrative department shall contact the counterparty without delay. If, thereafter, the explanations received are unsatisfactory, the management shall be informed.

b) A formal involvement of the administrative department is necessary even in an automated and integrated system in which the trader himself/herself enters the data

relating to the transactions s/he concluded in the IT system. In such a system, necessary measures should be taken to confirm, recognise and execute the transactions only after a formal validation of the administrative department.

c) The administrative department shall also be responsible for the receipt of the commissions to be paid by the clients. In this respect, it shall verify whether all the commissions due are paid in accordance with the terms (prices, methods of payment, etc.) laid down by the institution.

If differences appear or if commissions are not paid when due, the administrative department shall contact the counterparty without delay. If, thereafter, the response received is unsatisfactory, the management shall be informed.

d) All the transactions initiated over the course of a working day shall be processed on the same day by the administrative department. Specific procedures must be provided for the processing of the transactions concluded exceptionally at a time when the administrative department does not work. These procedures must, inter alia, ensure that the information provided to the management, at the end of the day, takes into consideration all the transactions carried out.

7. Accounting treatment of transactions

The accounting registration of the transactions carried out shall be based on a chart of accounts adopted by the management and which takes into account the generally accepted accounting principles in this respect.

This plan, in particular, provides for rules relating to the recognition of the commissions, the recognition and valuation of the assets and positions reflecting the investment of own funds of the institution.

The chart of accounts shall be established to enable a reporting to the IML in accordance with the rules laid down by it.

8. Internal control

Internal control of the activities shall take place at three different levels:

- Ongoing critical controls carried out by the persons in charge of the administrative processing of the transactions;
- Control by the member of the management responsible for the trading desk;
- Audit by the internal audit department in the institutions where such a department is required.

8.1. Ongoing critical controls

These controls shall be carried out outside the operational function by the persons in charge of the administrative processing of the transactions. They are not aimed at verifying the appropriateness of the transactions concluded but relate, in particular, to:

- the accuracy and completeness of the data transmitted by the traders to the administrative department;
- the normal nature of the concluded transactions, in particular, in respect of their price, their scale, the generated commissions;
- the compliance with the internal limits imposed;
- the proper application of the brokerage and intermediation commissions;
- the normal nature of the assets and positions reflecting the investment of own funds.

8.2. Control by the member of the management responsible for the trading desk

The member of the management shall personally oversee the activities of the trading desk on a regular basis. This control shall be carried out based on the data transmitted to him/her in this respect by the operational and administrative functions.

The areas requiring particular attention are in particular:

- the risks associated with activities of the trading desk;
- the compliance with the limits and instructions;
- the characteristics of the transactions, notably their price, their individual profitability, the importance of the activities per client and broker and the scope of the commissions received.

The member of the management shall report to his/her colleagues of the management on the performance of his/her mission. This information shall include, in particular, details on the volume of activities of the trading desk, the compliance with the limits set, the evolution of the profitability of the transactions and the performance of the different traders.

8.3. Audit by the internal audit department

The internal audit department shall audit and assess the proper implementation of and compliance with the rules and procedures provided for.

The following verifications shall notably be carried out by the internal audit department during its regular audit missions:

- verifying the adequate functioning of hierarchical controls and ongoing critical controls incorporated in the internal control system;
- verifying whether the transactions are properly conducted and whether they are properly recognised;
- ensuring that the instructions and procedures as well as the code of conduct meet the requirements of a prudent management.

The internal audit department shall audit the confirmation procedure of the processed transactions at regular intervals. Moreover, it shall send at regular intervals requests for confirmation of transactions to the internal audit bodies of professional clients for auditing purposes, and shall be in charge of following up on the responses received. Conversely, it shall handle the requests for confirmation issued by professional clients. These verifications should not be confused with the ongoing confirmation procedure applied by the administrative department.

Each audit mission by the internal audit department shall result in the drafting of a written report to be submitted to the management of the institution.

9. Audit by the *réviseur d'entreprises* (statutory auditor)

Pursuant to the Law of 5 April 1993 on the financial sector, the activities of broker shall be subject to an external audit. Institutions carrying out these activities are

requested to mandate their *réviseur d'entreprises* to whom they shall entrust the audit of their annual accounting documents to monitor compliance with the rules relating to the internal organisation and control as laid down in this Circular. This monitoring shall be subject to a written report to the management of the relevant institutions. It shall include an assessment of compliance with the rules in question.

In addition to compliance with the relevant rules in general, the *réviseur d'entreprises* shall notably verify the following aspects:

- Does the institution receive, in any cases, the commissions to which it is entitled? Are there contracts with companies aiming to transfer commissions to which the institution is entitled in low or even no tax countries?
- The auditor shall verify in detail the expenses of the institution to see whether disproportionate benefits were granted to clients or contact persons. The auditor shall circularise the commissions charged to the clients of the institution. S/he shall verify in detail the commission statements sent to him/her by the clients of the institution and which relate to the commissions that they paid to the institution during the financial year.
- The auditor shall verify whether the own funds of the institution are invested for a purpose which is consistent with the corporate object and not in the interest of the shareholders or employees by means of tax mechanisms.

PART II

OTHER PROFESSIONALS OF THE FINANCIAL SECTOR

(with the exception of bank brokers)

I. Preliminary remarks

This part of the Circular is intended for institutions that do not have a trading desk like bank brokers, but which operate, within the context of their diversified financial activities, as intermediary (broker or commission agent) on the markets. For these institutions, the activities of broker or commission agent are, in general, carried out as a complement to the other activities of the institution and do not constitute a major source of income.

As a consequence, an institution which carries out activities as broker or commission agent that generate a large volume and a high number of transactions, which has a trading desk and for which these activities constitute a substantial part of its income, shall refer to Part I which shall consequently apply to it. Moreover, the institution shall, where applicable, also refer to Part II of the Circular in respect of some rules that are more specific to the activities of commission agents.

II. Risks relating to the activities of brokers or commission agents

Pursuant to the Law, brokers are “professionals whose activities consist in bringing two or more parties together with a view to concluding a specific financial transaction” and commission agents are “professionals whose activities consist in engaging in specific financial transactions in their name but on behalf of their clients”.

The risks incurred in carrying out these activities are the same as those to which bank brokers are exposed and which are set out in Part I of this Circular.

As regards more particularly the activities of commission agents, it should also be pointed out that a commission agent runs in addition a counterparty risk and a market risk where s/he acts as a counterparty to his/her client under strict conditions laid down in the Law.

III. Responsibility of the management of the institution

The Management Committee and the manager(s) authorised under the Law on the financial sector, respectively, acting jointly, hereinafter referred to as the “management”, shall be responsible for the policy relating to the activities of bank broker or commission agent as well as the quality of the institution’s organisation of the institution in this respect.

The management shall define in writing its business policy or the framework within which the activities of broker or commission agent are carried out, the nature of the transactions to be carried out, as well as the organisational and internal control rules to be applied. It shall also determine the human and technical resources to be implemented to guarantee the proper completion of the activities pursued.

The organisational and internal control rules relate to the segregation of duties, the procedures manual, the control and internal audit.

The institutions employing several people and having a relatively high business volume shall have an internal audit function and lay down relevant rules. All institutions shall contact the IML before 31 December 1993, in order to discuss the need to put in place such a function.

IV. Organisational principles and implementation rules

Each institution shall implement effectively certain basic rules relating to the organisational and internal control of its activities of broker or commission agent as set out below.

These rules shall be reviewed or be adapted periodically according to the experience gained and the development of the activities in question.

1. Setting of the policy by the management

The management of the institution shall clearly define the framework within which the activities of brokers or commission agents shall be carried out and the importance it attaches to these activities with regard to the other activities of the institution. As part of its general business policy, it shall provide guidelines as regards the products and markets on which it intends to operate.

2. Appointment of the persons responsible for the execution of brokerage/commission transactions

The management shall appoint people who operate as brokers/commission agents on the markets. It shall specifically confer powers on them and set limits on these powers.

3. Internal limits based on figures

Where the commission agent intends to act as a counterparty to one of its clients, the management shall set specific limits to control the counterparty and market risks arising from these activities. Each of these transactions shall be subject to the prior agreement of the management.

4. Segregation of duties

The institution shall ensure a strict segregation of duties. In this context, reference should be made to point 3 of paragraph III of Part I "Bank brokers".

Moreover, the institution shall, where appropriate, be organised in such a way as to reduce the risk of conflicts of interest which may exist between its own interests and those of its clients.

5. Procedures manual

A procedures manual shall be developed in institutions employing several persons. This procedures manual shall include a part devoted to the conduct of the activities of

broker or commission agent and shall relate, at least, to the following information:

- the procedure of transfers of funds in case of activities of commission agent;
- the definition of functions and responsibilities;
- the administrative processing and accounting treatment of transactions;
- the periodic account justification.

6. Rules relating to the conclusion of transactions

The rules applicable to bank brokers (point 5 of paragraph III) shall, in general, be applicable to institutions operating as brokers or commission agents on the markets.

However, the following rules shall be amended or supplemented:

6.1. Basic rules of conduct

All the rules referred to in paragraph 5.1. of Part I shall be applicable to the institutions concerned.

However, the two following amendments shall be made to the rules cited:

a) Given that as commission agent the institution may act as a counterparty to its client with its specific agreement, internal authorisation procedures must be provided for.

b) The commission agent shall abstain from concluding transactions for the account of its clients at prices or rates that are not representative of the market situation at that time. The same rule shall apply where it acts as a counterparty to its client.

6.2. Rules relating to the organisation

The rules referred to in points a, c, d, g of paragraph 5.2. of Part I "Bank brokers" shall be applicable to the institutions concerned.

Similarly (and by analogy to rule under point e of the aforementioned paragraph), it is highly recommended that institutions record calls on a magnetic tape in order to prevent and resolve misunderstandings or errors.

6.3. Rules relating to client relationships

The management of the institution shall establish guidelines on the categories of professionals and/or non-professionals with whom it intends to work within the context of its activities of broker or commission agent.

7. Administrative processing of transactions

The administrative processing of transactions shall be carried out, without delay, by the administrative department. For the purposes of ensuring the proper performance of various activities assigned to this department, the necessary human and material resources shall be allocated considering the nature and volume of transactions to be processed.

a) The formal involvement of the administrative department is necessary for the conclusion of each transaction even in an automated and integrated system in which the employee enters himself/herself the data relating to the transactions s/he has concluded in the IT system. In such a system, necessary measures should be taken in order for the transactions to be recognised and executed only after the formal involvement of the administrative department.

b) As regards the activities of commission agents, appropriate measures shall be implemented to preserve the security of transfers of funds, which implies that rules are laid down for the authorisation of transfers. In this case, the administrative department shall be in charge of the transfer of funds and shall also be responsible for controlling the different schedules in order to avoid the risk of unwanted deliveries or the risk of delays in deliveries (default interests).

c) All the transactions initiated over the course of a working day shall be processed on the same day by the administrative department. Specific procedures must be provided for the processing of the transactions concluded exceptionally at a time when the administrative department does not work. These procedures shall, inter alia, ensure that

the information provided, at the end of the day, takes into consideration all the transactions carried out.

8. Accounting treatment of transactions

The accounting registration of the transactions carried out shall be based on a chart of accounts adopted by the management and which takes into account the generally accepted accounting principles in this respect.

This plan lays down, in particular, rules relating to the recognition of the commissions, the recognition and valuation of the assets and positions reflecting the investment of own funds of the institution.

In case of activities of commission agents, the plan provides for rules relating to the recognition of the transactions where the institution acts for the account of its clients as well as rules governing the recognition and valuation of transactions where it is the counterparty to the client.

The chart of accounts shall be established to enable a reporting to the IML in accordance with the rules laid down by it.

9. Internal control

Each institution must have an internal control of the activities it carries out.

Controls shall be conducted at three different levels, i.e.:

- by the people in charge of the administrative processing of the transactions who carry out ongoing critical controls;
- by the members of the management according to their respective responsibility;
- by the internal audit department in the institutions where such a department is required.

INSTITUT MONETAIRE LUXEMBOURGEOIS

Jean GUILL
SCHAUS

Director

Jean-Nicolas

Director