

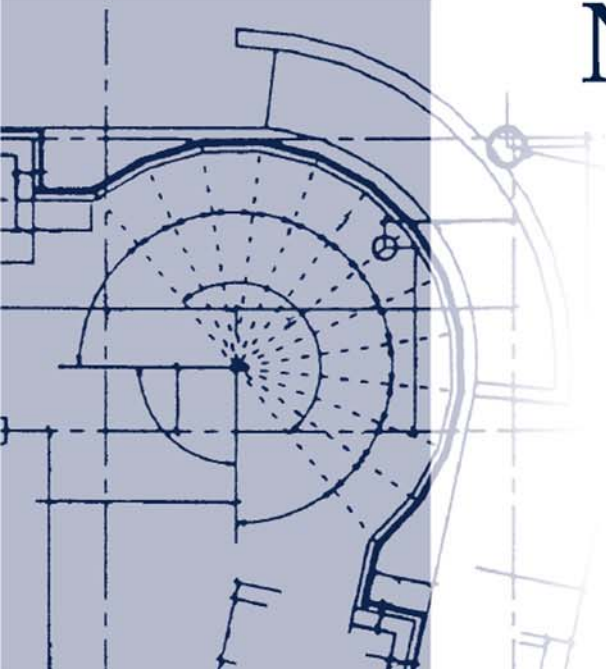
N°37

February 2004



CSSF NEWSLETTER

COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER



Banks

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

As at 31 December 2003, the balance sheet total of the banks established in Luxembourg reached EUR 655.77 billion as compared to EUR 665.10 billion as at 30 November 2003, which is a slight decrease of 1.4%.

The number of credit institutions registered on the official list as at 31 January 2004 amounted to 170 entities after the following changes: opening of Hypo Real Estate Bank International, closure of Bank Corluy, Luxembourg branch and transformation of the PFS Corluy Luxembourg S.A. into Banque Corluy Luxembourg S.A..

As at 31 December 2003, total employment of Luxembourg credit institutions amounted to 22,523 people, representing a fall of 0.3% as compared to 30 September 2003, when total employment reached 22,598 people. Total employment of Luxembourg banks as at 31 December 2002 amounted to 23,300 people.

The CSSF carried out a new analysis of the results as at 31 December 2003, based on final figures provided by the banks. These figures are more precise and complete than those discussed in the press release of 16 January 2004. The new analysis confirms the observations that were based on provisional data.

Indeed, based on final figures as at 31 December 2003, the aggregated profit and loss account of Luxembourg credit institutions reveals a gross profit before provisions of EUR 4.2 billion, decreasing 8.1% as compared to 31 December 2002, when the profit before provisions amounted to EUR 4.6 billion.

The development of banking income reflects the economic uncertainties and geopolitical tensions that marked 2003. The decline of the interest-rate margin bears witness to the current weakness of interest rates, while the fall in commissions received is due to the wait-and-see policy of investors during the first half of 2003. Despite the economic revival that occurred in the middle of the year, the banking income decreases and reaches EUR 7.6 billion, down 6% as compared to 31 December 2002. However, this fall must be considered in the light of the substantial capital gains that had been realised by the banks during 2002. The sale of shareholdings – notably Clearstream (formerly Cedel International) – had allowed banks to reap some EUR 850 million of non-recurring capital gains in 2002.

As regards expenses, budgets continue to be curbed. Compared to 31 December 2002, the effort to cut costs results in a 3.1% reduction in general expenses. This drop concerns operating costs (-3.1%) as well as personnel expenditure (-3.2%).

Profit and loss account as at 31 December 2003 (in million EUR)

Item	Dec. 02	Dec. 03	%
Interest-rate margin	4,141	4,081	-1.4%
Commissions received	2,615	2,529	-3.3%
Other net income	1,305	970	-25.6%
Banking income	8,061	7,580	-6.0%
Personnel expenses	1,809	1,751	-3.2%
Other operating expenses	1,681	1,629	-3.1%
Profit before provisions	4,571	4,200	-8.1%
Net creation of provisions	1,166	618	-47.0%
Taxes	685	700	2.3%
Net result	2,720	2,882	5.9%

Professionals of the financial sector (PFS)

Increase in the balance sheet total

According to the data provided as at 31 December 2003, the balance sheet total of all the professionals of the financial sector (142 active businesses) amounted to EUR 2.562 billion as against EUR 2.510 billion the previous month, which represents an increase of 2.07% over a month and as against EUR 2.269 billion as at 31 December 2002, which represents an increase of 12.91% over a period of 12 months.

This positive development of the balance sheet total between December 2002 and December 2003 is mainly due to the development of several large entities that were able to benefit from the recovery of the stock markets.

As regards the breakdown of the balance sheet total between the various categories of professionals of the financial sector as at 31 December 2003, the professional custodians of securities take the top position, followed by the distributors of units/shares of investment funds and the private portfolio managers.

Staff employed by the other professionals of the financial sector fell from 4,399 people as at 31 December 2002 to 4,243 people as at 30 June 2003, representing a decrease of 3.55% over the first six months of 2003, and rose to 4,455 people as at 31 December 2003, improving slightly by 1.27% over a period of twelve months.

The decrease over the first half of 2003 is mainly due to certain entities with a high number of employees that changed their legal status to become a management company of UCIs. The positive development of employment over the second half of 2003 has partly resulted from the approval of new entities, but also from the increase in employment of several entities active in the distribution of units/shares of UCIs.

The net profit of all the professionals of the financial sector reached EUR 369.23 million as at 31 December 2003 (142 active businesses) as against EUR 295.97 million (146 active businesses) as at 31 December 2002, representing a growth of 24.75% over twelve months.

As regards the breakdown of net profits as at 31 December 2003 between the various categories of PFS, the private portfolio managers take the top position, followed by the professional custodians of securities and distributors of units/shares of investment funds.

Distribution of the professionals of the financial sector according to their status (as at 31 January 2004)

Category		Number
<i>Investment firms</i>		
Commission agents	COM	17
Private portfolio managers	GF	47
Professionals acting for their own account	PIPC	15
Distributors of units of investment funds	DIST	45
Underwriters	PF	3
Professional custodians of securities or other financial instruments	DEP	3
Registrar and transfer agent	ATR	1
<i>PFS other than investment firms</i>		
Financial advisors	COF	10
Brokers	COU	5
Market makers	TM	2
Entity authorised to exercise all the activities as PFS permitted by article 28 of the law of 15 December 2000 on postal services and financial postal services	EPT	1
Domiciliation agents of companies	DOM	32
Client communication agents	ACC	2
IT systems and communication networks operator of the financial sector	IT	1
TOTAL *		139

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

Management companies

Approval of three new management companies under Chapter 13 of the Law of 20 December 2002 concerning undertakings for collective investment

The Commission de surveillance du secteur financier informs that three new management companies have been registered on the official list of management companies governed by Chapter 13 of the Law of 20 December 2002 concerning undertakings for collective investment, namely:

- LRI FUND MANAGEMENT COMPANY S.A.. The company will be active in the field of collective management, discretionary management and may provide investment advice.
- UNION INVESTMENT LUXEMBOURG S.A.. The company will be active in the field of collective management, discretionary management and may provide custody and administration services for units/shares of UCIs.
- SANPAOLO IMI WEALTH MANAGEMENT LUXEMBOURG S.A.. The company will be active in the field of collective management, discretionary management and may provide investment advice.

Following these approvals, the number of management companies governed by Chapter 13 of the Law of 20 December 2002 concerning undertakings for collective investment and allowed to benefit as of 13 February 2004 from the European passport through free establishment or free provision of services in a EU Member State amounts to 4 as at 31 January 2004.

Undertakings for collective investment

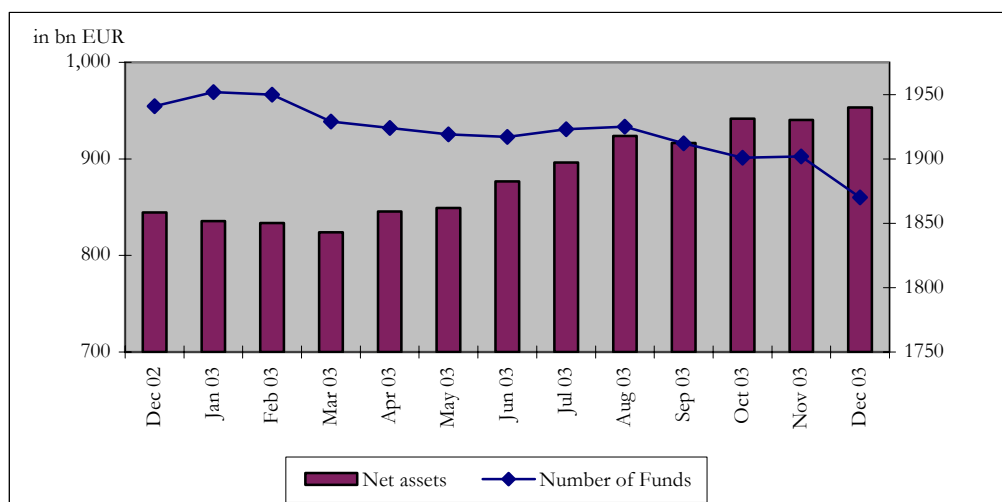
Slight increase in UCI's total net assets at the end of December 2003

(press release of 26 January 2004)

As at 31 December 2003, the total net assets of undertakings for collective investment reached EUR 953.302 billion compared to EUR 940.272 billion as at 30 November 2003. Consequently, the Luxembourg undertakings for collective investment sector increased by 1.39% compared to November 2003. For the month of December 2003, the sector increased by 12.88% compared to 31 December 2002 when the total net assets amounted to EUR 844.508 billion.

During the month of December 2003, the net capital investment amounted to EUR 11.756 billion. Compared to 31 December 2002, the net capital investment amounts to EUR 82.609 billion.

The number of undertakings for collective investment taken into consideration totals 1,870 as against 1,902 the previous month. A total of 1,180 UCIs have adopted the multiple compartment structure, which represents 6,819 compartments. When adding 690 UCIs with a traditional structure to the previous figure, 7,509 compartments are active in the financial centre.



International co-operation

Publication of three documents by the Basel Committee

The Basel Committee on banking supervision has published three documents in relation with its ongoing work on the New Accord.

The first document « **Modifications to the capital treatment for expected and unexpected credit losses** » provides additional information on the modifications to the IRB approach subsequent to the Committee's decision to calibrate regulatory capital requirements on unexpected losses (UL) only. Banks will however be required to compare their actual provisions with expected losses (EL). Any shortfall must be deducted equally from tier 1 and tier 2 capital. Any

excess will be eligible for inclusion in tier 2 capital (subject to a cap, which will be expressed as a percentage of credit risk weighted assets).

The second document, « **Changes to the securitisation framework** », provides an overview on the modifications to the treatment of securitisation under the IRB approach. In particular it should be mentioned that the Committee will make available a simpler alternative to the « supervisory formula » for unrated positions; furthermore, all externally rated positions will now be treated under the « ratings based approach ».

The third document « **Principles for the home-host recognition of AMA operational risk capital** », addresses the issue of the cross-border implementation of an AMA. The Committee is pursuing a hybrid approach under which a banking group could be permitted to use an allocated portion of the group-wide AMA for its non-significant subsidiaries; significant subsidiaries would however have to calculate their AMA capital requirements on a stand-alone basis.

The three documents can be consulted on the CSSF website (http://www.cssf.lu/fr/publications/bale.html?cat_num=34).

The Committee of European Banking Supervisors held its first meeting

(press release of 2 February 2004)

Established by the European Commission Decision of 5 November 2003, the Committee of European Banking Supervisors (CEBS) took up its duties on 2 January 2004 and held its first meeting in Barcelona on 29 January 2004. The Commission de Surveillance du Secteur Financier (CSSF) is represented by Mr Arthur PHILIPPE, Director.

The CEBS will fulfil the functions of Level 3 Committee for the banking sector in the application of the Lamfalussy process.

The role of the Committee is to:

- advise the Commission either at the Commission's request, within the time limit which the Commission may lay down according to the urgency of the matter, or on the Committee's own initiative, in particular as regards the preparation of draft implementing measures in the field of banking activities;*
- contribute to the consistent application of Community directives and to the convergence of Member States' supervisory practices throughout the Community;*
- enhance supervisory cooperation, including the exchange of information.*

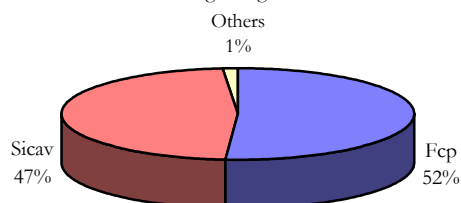
CEBS is composed of high-level representatives from the banking supervisory authorities and central banks of the European Union. The EU acceding countries will participate as observers until 1 May 2004. The European Economic Area (EEA) countries will participate as observers on a permanent basis.

The Committee is chaired by Mr José-María ROLDAN (Banco de España, Spain). The Vice-Chair is Ms Danièle NOUY (Commission Bancaire, France). The Chair is supported by a 'Bureau', comprising Mr Andres ITTNER (Oesterreichische Nationalbank, Austria), Mr Helmut BAUER (Bundesanstalt für Finanzdienstleistungsaufsicht, Germany) and Ms Kerstin AF JOCHNICK (Finansinspektionen, Sweden). The Committee's Secretariat will be based in London.

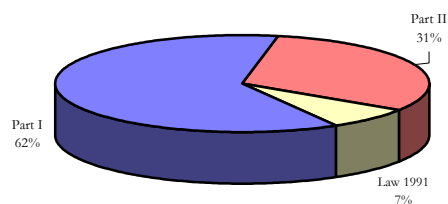
Quarterly statistics on the undertakings for collective investment industry-situation as at 31 December 2003

Every three months, in addition to the monthly statistics, the CSSF newsletter provides more detailed information on the investment fund sector, in particular regarding the origin of the promoters and the investment policy of the UCIs.

Distribution of the number of UCIs according to legal status



Distribution of the number of UCIs according to Law and part applicable

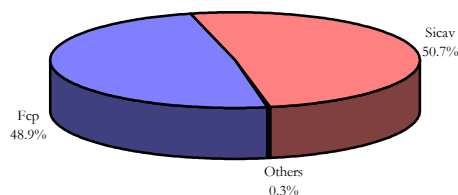


Number of UCIs

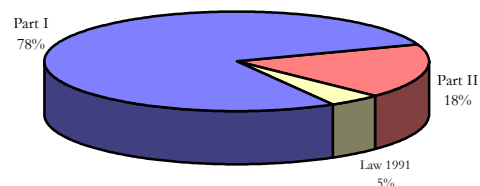
Law, part \ legal form	Fcp	Sicav	Others	Total
Part I	611	532	6	1 149
Part II	260	306	17	583
Institutional UCIs	86	50	2	138
Total	957	888	25	1 870

Net assets of the UCIs

Distribution of the net assets of UCIs according to their legal status



Distribution of net assets of UCIs according to Law and part applicable

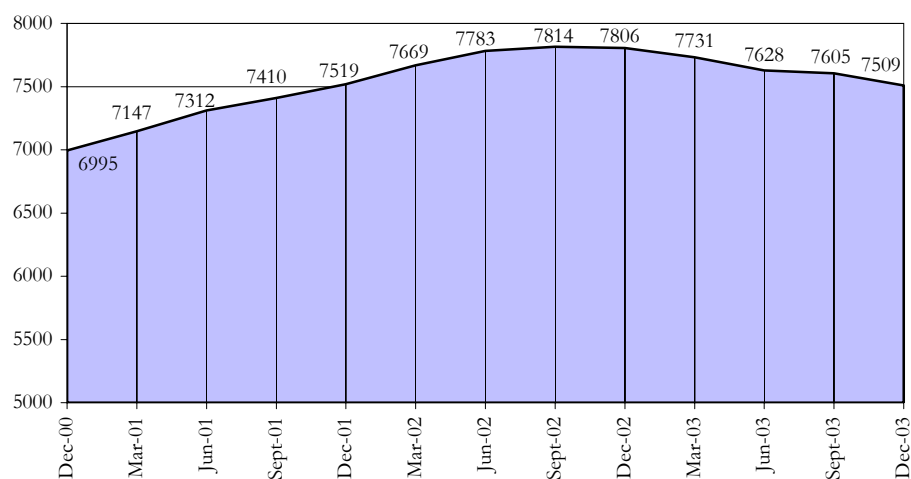


Law, part \ legal form	Fcp	Sicav	Others	Total
Part I	321.419	418.316	1.361	741.096
Part II	114.294	53.178	1.842	169.314
Institutional UCIs	30.509	12.265	0.118	42.892
Total	466.222	483.759	3.321	953.302

Origin of the promoters of Luxembourg UCIs

	Net assets (in bn EUR)	in %
Switzerland	218.587	22.9%
United States	170.869	17.9%
Germany	162.964	17.1%
Italy	109.621	11.5%
Belgium	84.899	8.9%
United Kingdom	61.751	6.5%
France	50.536	5.3%
Japan	22.567	2.4%
Sweden	19.192	2.0%
Netherlands	16.578	1.7%
Others	35.738	3.8%
Total	953.302	100.0%

Development in the number of funds and active sub-funds



Investment policy of the Luxembourg UCIs

	Net assets (in bn EUR)
Fixed income transferable securities	431.262
Variable yield transferable securities	298.396
Mixed transferable securities	70.336
Venture capital	0.407
Unlisted transferable securities	2.096
Leveraged funds	0.378
Other open-ended fund	67.156
Money market instruments and liquid assets	67.137
Cash	10.501
Real estate	2.865
Futures and/or options	2.768
Other securities	0.000
Total	953.302

LIST OF BANKS

New establishments:

Banque Corluy Luxembourg S.A.

283, route d'Arlon, B.P. 119, L-8002 STRASSEN
Changed its PFS status to bank (on 1 January 2004).

Hypo Real Estate Bank International

4, rue Alphonse Weicker, L-2721 Luxembourg
Started activities on 12 January 2004.

Withdrawal:

Bank Corluy, Luxembourg branch

Withdrawal on 1 January 2004.

Change of name:

HSBC Republic Bank (Luxembourg) S.A. has become on 1 January 2004

HSBC Private Bank (Luxembourg) S.A.

Banque Dewaay S.A., Luxembourg branch has become on 12 January 2004

HSBC Dewaay S.A., Luxembourg branch

Banca Popolare Commercio e Industria International S.A. has become on 27 January 2004

BPU Banca International S.A.

Change of address:

IKB Deutsche Industriebank AG, Luxembourg subsidiary

12, rue Erasme, L-1468 Luxembourg

LIST OF PROFESSIONALS OF THE FINANCIAL SECTOR (PFS)

New establishment:

Monsieur Jean-Paul FRISCH

Financial adviser

12, rue des Romains, L-4974 Dippach

Ministerial authorisation of 16 January 2004

Withdrawals:

A.L.T. MANAGEMENT S.A.

Withdrawal on 1 January 2004

CORLUY LUXEMBOURG S.A.

Withdrawal on 1 January 2004

INTERTRUST DOM S.A.
Withdrawal on 1 January 2004

UNION INVESTMENT EUROMARKETING S.A.
Withdrawal on 1 January 2004

Change of name:

LCF ROTHSCHILD CONSEIL has become on 22 December 2003
LCF EDMOND DE ROTHSCHILD CONSEIL

Changes of address:

COMPANIES & TRUSTS PROMOTION S.A.
3, place Dargent, L-1413 Luxembourg

DEGROOF CONSEIL (LUXEMBOURG) S.A.
12, rue Eugène Ruppert, L-2453 Luxembourg

LIST OF MANAGEMENT COMPANIES

New companies:

Union Investment Luxembourg S.A.
308, route d'Esch, L-1471 LUXEMBOURG
Registration on the official list on 17 December 2003

LRI Fund Management Company S.A.
1C, Parc d'Activité Syrdall, L-5365 MUNSBACH
Registration on the official list on 30 December 2003

Sanpaolo Imi Wealth Management Luxembourg S.A.
9-11, rue Goethe, L-1637 LUXEMBOURG
Registration on the official list on 23 January 2004

LIST OF UNDERTAKINGS FOR COLLECTIVE INVESTMENT (UCI)

Registrations on and withdrawals from the official list of the Luxembourg undertakings for collective investment which fall under the law of 30 March 1988, the law of 20 December 2002 and the law of 19 July 1991, during the **month of December 2003**

Registrations

- BIOCAPITAL, 4, rue Thomas Edison, L-1445 Luxembourg-Strassen
- EUROPEAN CREDIT FUND SICAV, 39, allée Scheffer, L-2520 Luxembourg
- FBP FUNDS SICAV, 4, boulevard Royal, L-2449 Luxembourg
- FTC ALTERNATIVE INVESTMENTS TRUST, 11, rue Aldringen, L-1118 Luxembourg
- INIK FONDS (INITIATIVE FÜR NACHHALTIGES INVESTMENT DER KIRCHE), 1-7, rue Nina et Julien
- IXIS GLOBAL MACRO THEMA, 39, allée Scheffer, L-2520 Luxembourg
- NAGEL PRIVILEGE, 14, boulevard Royal, L-2449 Luxembourg
- NOMURA U.S. HIGH YIELD BOND INCOME, 6, avenue Emile Reuter, L-2420 Luxembourg
- ROTREND ALLIANCE, 39, allée Scheffer, L-2520 Luxembourg
- SEB ALTERNATIVE INVESTMENT, 6A, Circuit de la Foire Internationale, L-1347 Luxembourg
- WARBURG LIFE ASSEKURANZ, 2, place Dargent, L-1413 Luxembourg

Withdrawals

- A.L.S.A.-NASDAQPLUS 12/2003, 1a-1b, rue Thomas Edison, L-1445 Luxembourg-Strassen
- ABINGWORTH BIOVENTURES II, 231, Val des bons Malades, L-2121 Luxembourg
- ACTIVEST LUX GLOBALVALUE, 4, rue Alphonse Weicker, L-2721 Luxembourg
- ACTIVEST LUX TOPAMERIKA, 4, rue Alphonse Weicker, L-2721 Luxembourg
- ACTIVEST LUX WELTRENT, 4, rue Alphonse Weicker, L-2721 Luxembourg
- AIG EURO BALANCED FUND, 69, route d'Esch, L-1470 Luxembourg
- ALLIANZ IRC SICAV, 6A, route de Trèves, L-2633 Senningerberg
- AMG SPECIAL OPPORTUNITIES FUND, 10-12, boulevard F-D Roosevelt, L-2450 Luxembourg
- ARAMIS FUNDS, 49, avenue J-F Kennedy, L-1855 Luxembourg
- BANIF RENTA FIJA MULTIDIVISA, 11a, boulevard du Prince Henri, L-1724 Luxembourg
- CC-DAX GARANT OP 12/03, 4, rue Jean Monnet, L-2180 Luxembourg
- CITI PM, 58, boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg
- DEKA-CORPORATEBOND HIGH YIELD USD, 5, rue des Labours, L-1912 Luxembourg
- DEKA-CORPORATEBOND USD, 5, rue des Labours, L-1912 Luxembourg
- DIT-LAUFZEITFONDS EXTRA 2007, 6A, route de Trèves, L-2633 Senningerberg
- DRESDNER SYMPHONICA MANAGEMENT, 26, rue du Marché-aux-Herbes, L-1728 Luxembourg
- DURBANA SICAV, 20, boulevard Emmanuel Servais, L-2535 Luxembourg
- DWS BESTSELECT BRANCHEN II, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- DWS BESTSELECT BRANCHEN, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- DWS BESTSELECT GLOBAL II, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- DWS BESTSELECT GLOBAL III, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- DWS BESTSELECT GLOBAL IV, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- DWS ZLOTY RESERVE, 2, boulevard Konrad Adenauer, L-1115 Luxembourg
- DYNAMIC AUSTRALIA FUND, 112, route d'Arlon, L-1150 Luxembourg
- EURO GLOBAL INVESTMENT FUND, 11a, boulevard du Prince Henri, L-1724 Luxembourg
- EUROPE INVESTISSEMENT PLACEMENT, 11a, boulevard du Prince Henri, L-1724 Luxembourg
- FIRST CLASS FUND, 2, rue Nicolas Bové, L-1253 Luxembourg
- FORSA RENTEN STRATEGIE 1, 4, rue Jean Monnet, L-2180 Luxembourg
- FRAMLINGTON RUSSIAN INVESTMENT FUND, 13, rue Goethe, L-1637 Luxembourg
- G & S SOCIETE ANONYME D'INVESTISSEMENT, 4, rue Jean Monnet, L-2180 Luxembourg
- GALILEE FUND, 11, rue Aldringen, L-1118 Luxembourg
- GLOBAL GOVERNANCE SICAV, 10-12, boulevard F-D Roosevelt, L-2450 Luxembourg
- HSBC TRINKAUS GLOBAL OPPORTUNITIES, 1-7, rue Nina et Julien Lefèvre, L-1952 Luxembourg
- MULTI-CONCEPT, 5, rue Jean Monnet, L-2180 Luxembourg
- SCONTINVEST BOND FUND, 18, boulevard Royal, L-2449 Luxembourg
- SCONTINVEST EMERGING MARKETS FUND, 18, boulevard Royal, L-2449 Luxembourg
- SCONTINVEST EQUITY FUND, 18, boulevard Royal, L-2449 Luxembourg
- SCONTINVEST MIDDLE EAST FUND, 18, boulevard Royal, L-2449 Luxembourg
- SCOTTISH EQUITABLE INTERNATIONAL FUND, 14, rue Aldringen, L-1118 Luxembourg
- SINUS FONDS, 14, allée Marconi, L-2120 Luxembourg
- UFJ PARTNERS GAIKADATE MMF, 49, avenue J-F Kennedy, L-1855 Luxembourg
- UNITED FINANCIALS, 11, rue Aldringen, L-1118 Luxembourg
- WORLD FRONTIER FUND, 6, avenue Emile Reuter, L-2420 Luxembourg

Financial centre

Main updated figures regarding the financial centre:

Number of banks: **170** (31 January 2004)

Balance sheet total: **EUR 655.768 billion** (31 December 2003)

Net profit: **EUR 2.882 billion** (31 December 2003)

Employment: **22,523 people** (31 December 2003)

Number of UCIs: **1,868** (11 February 2004)

Total net assets: **EUR 953.302 billion** (31 December 2003)

Number of pension funds: **10** (31 January 2004)

Number of management companies: **4** (31 January 2004)
(Chapter 13 of the Law of 20 December 2002)

Employment: **98 people** (31 December 2003)

Number of PFS: **139** (31 January 2004)

Balance sheet total: **EUR 2.562 billion** (31 December 2003)

Net profit: **EUR 369.227 million** (31 December 2003)

Employment: **4,455 people** (31 December 2003)

Total employment in the supervised establishments: **27,699 people** (31 Dec. 2002)

Total employment in the supervised establishments: **27,076 people** (31 Dec. 2003)

CSSF Newsletter

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