

PRESS RELEASE

■ THE CSSF'S PRELIMINARY REVIEW OF THE YEAR 2005

At the traditional year-end celebration of the personnel of the Commission de Surveillance du Secteur Financier (CSSF), the Director General Mr Jean-Nicolas SCHAUS, drew the first conclusions from a year that allowed the financial sector to be on the up again, in particular as regards the investment fund industry.

Following several years of stagnation, even decline, the year 2005 meant for the banking sector a sharp increase in business volume, profits and finally employment.

Driven by the sound stock exchange situation and the development of the UCI industry, banks will close the year with a substantial increase in results. Employment for its part will, based on the September 2005 figures, slightly increase by about 2%.

The number of banks will probably reach 154 as at 31 December 2005, a clear decrease by eight entities as compared to the end of last year. The downward trend, owing notably to mergers, has thus continued at the same pace as in the previous years. However, the number of banks is expected to stabilise to a certain degree. Four banks have already been registered on the official list in 2005, three banks have recently been granted authorization and will commence operations in 2006. Two applications are in the process of being scrutinised. These new incorporations prove that the Luxembourg financial centre remains attractive.

Benefiting from the rise in the main financial markets and from the inflow of new capital, reflecting the investors' confidence in the markets, total net assets of undertakings for collective investment grew exceptionally, recording a more than 30% increase as compared to the year 2004, which was already marked by a strong recovery of volumes. With net capital investment close to EUR 200 billion, the Luxembourg fund industry strengthened its predominant role at European level. The number of undertakings for collective investment exceeds 2,000 entities at the end of the year.

The number of management companies authorised under Chapter 13 of the law of 20 December 2002 transposing into national law the third European Directive on undertakings for collective investment in transferable securities (UCITS) should reach about 60 entities by 31 December 2005 as against 26 entities at the end of 2004.

The law of 15 June 2004 on investment companies in risk capital (SICARs) was welcomed by the financial industry players leading to the approval of 28 SICARs since January 2005. The number of approved SICARs should reach 40 entities by year-end, as compared to three at the end of 2004. About forty files are being scrutinised.

As regards the other professionals of the financial sector (PFS), the number of undertakings under the supervision of the CSSF should rise from 166 entities as at 31 December 2004 to 188 by the end of the year, representing 35 newly

authorised entities and 13 withdrawals. The expansion in the number of PFS is mainly attributable to the authorisation of new PFS categories following the entry into force of the law of 2 August 2003. Given the developments in the fields of IT and outsourcing, the status IT systems and communication networks operator of the financial sector aroused the most interest with 13 newly authorised entities in 2005. As far as the withdrawals are concerned, it should be mentioned that four entities have become management companies and one entity has become a credit institution.

As regards the CSSF from an internal point of view, the Director General emphasised the substantial recruitment of 17 agents in 2005 in order to adapt the workforce to the needs induced in particular by the introduction of new prudential regulations, including the New Basel Accord and the IAS accounting standards, by the entry into force of the law of 10 July 2005 on prospectuses for securities as well as the increasing importance of the multilateral co-operation between supervisory authorities due to the global banking consolidation. The CSSF employs 228 agents to date. Additional recruitments are being made, notably to fulfil the tasks conferred on the CSSF under the law on prospectuses for securities and to handle the increase in volume and complexity of the products of the UCI and SICAR industry.

The Executive board of the CSSF is confident that the CSSF will take up all the challenges that arise in a constantly developing financial environment and will continue to communicate in an open-minded and constructive manner with the financial players in the interest of the development of the financial centre.

Luxembourg, 15 December 2005

