



Regulatory News Alert

Transposition of CRD IV in Luxembourg legislation

Law of 23 July 2015 implementing CRD IV

The Basel III framework has been transposed in the European legislation through the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. ("CRD IV" hereafter) and the Regulation 575/2013/EU on prudential requirements for credit institutions and investment firms ("CRR" hereafter).

On July 23rd 2015, the Luxembourg Chamber of Representatives has adopted the Law implementing the CRD IV in local legislation. As a reminder, the CRR was directly applicable in all member states and is live since 1 January 2014.

CRD IV and its national discretions is implemented by amendment of the following texts:

- Law of 5 April 1993 on the financial sector ("LFS" hereafter);
- Law of 23 December 1998 establishing a financial sector supervisory commission (CSSF); and
- Law of 12 July 2013 on alternative investment fund managers.

Law of 25 July vs. CRR

The split of requirements between the newly adopted Law and the CRR is as follows:

Area	Law of 23 July 2015	CRR
Access to taking-up / pursuit of business	X	
Exercise of freedom of establishment and free movement of services	X	
Corporate governance	X	
Capital		X
Capital buffers	X	
Large exposures		X
Counterparty credit risk		X
Liquidity		X
Leverage		X
Disclosure requirements		X
Prudential supervision	X	
Sanctions	X	

Key highlights of the Law

While the Law covers several areas ranging from governance and supervisory sanctions (Pillar II) to disclosure requirements (Pillar III), we would like to raise your attention on two specific elements: **capital buffers** and **limitations in directorships for Board members**.

Capital buffers

While capital buffers are applicable to all credit institutions, the Law confirms that most of the investment firms are **exempted** from these requirements. The only exception is for investment firms that are

- authorised to provide the investment services listed in points 3 (Dealing on own account) and/or 6 (Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis.) of Section A of Annex I to Directive 2004/39/EC; **and**
- cannot be considered as a small or medium-sized company in accordance with Commission Recommendation 2003/361/EC.

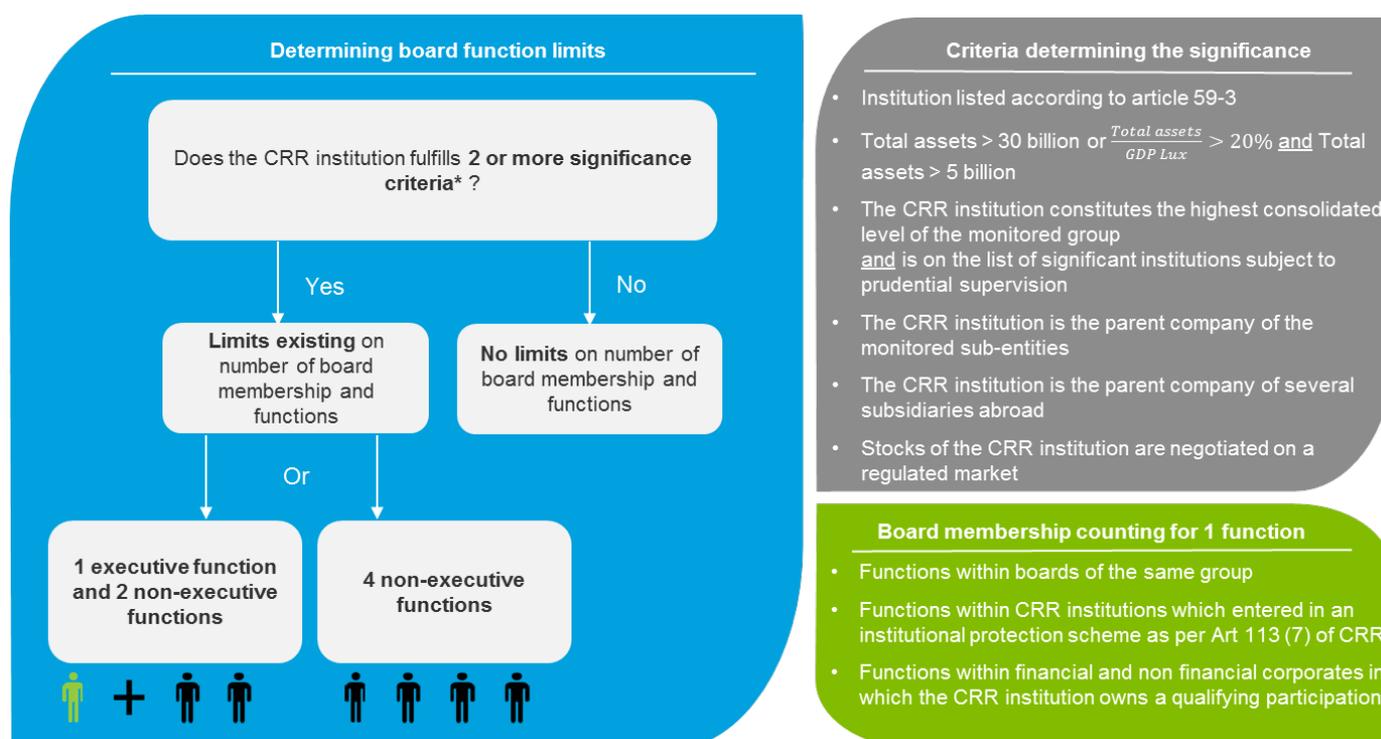
The table below summarizes important information on each capital buffer.

Buffer	Ref to new LFS articles	Mandatory or discretionary	Level	Applicable as from
Capital conservation buffer	LSF art. 59-5	Mandatory	2,5%	01/01/2014
Countercyclical capital buffer	LSF art. 59-6 and 59-7	Mandatory	0 – 2,5%	01/01/2016
Buffer applicable to Global Systemically Important Institutions (G-SII) *	LSF art. 59-8 and art 59-3.	Mandatory	1 – 3,5%	01/01/2016, progressive phase-in until 2019
Buffer applicable to Other Systemically Important Institutions (O-SII) *	LSF art. 59-9	Discretionary	0 – 2%	01/01/2016
Systemic risk buffer	LSF art. 59-10	Discretionary	No limit	01/01/2014

* The CSSF is in charge of identifying, on a consolidated basis, global systemically important institutions (G-SIIs), and, on an individual, sub-consolidated or consolidated basis, as applicable, other systemically important institutions (O-SIIs), which have been authorised within its jurisdiction.

Limitations in directorships

A much awaited provision of the Law relates to the maximum number of directorships held by members of the Board of Directors in banks. Article 39-2 clarifies the limits and the related criteria, as summarized below:



We trust this information is of assistance and remain at your disposal for any further questions.

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