



IFIAR 2017 Member Profile – CSSF

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Luxembourg
2. Member ¹	2.1 Insert the name of the Member, both in the local language and in English: Commission de Surveillance du Secteur Financier (No English name - Free translation is Financial Sector Supervision Commission)
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: <u>Contacts</u> : Frédéric TABAK (Frederic.tabak@cssf.lu ; +352 26251-2570) / Agathe PIGNON (agathe.pignon@cssf.lu ; +352 26251 -2571) <u>Address</u> : 283, Route d'Arlon L-1150 Luxembourg <u>Postal Address</u> : L-2991 Luxembourg <u>Website</u> : www.cssf.lu
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: <p>In the context of the transposition of the Directive 2006/43/CE, the CSSF has been formally appointed by the government by the law of 18 December 2009 on the audit profession as the public oversight authority for statutory auditors and audit firms in Luxembourg. In this respect, the CSSF assume the ultimate responsibility in the areas of approval and registration of statutory auditors and audit firms, the adoption of standards on professional ethics, internal quality control of audit firms and auditing and continuing education, quality assurance and investigative and disciplinary systems.</p> <p>The initial law of 2009 was replaced by the law of 23rd of July 2016 which transposes the Amendments from Directive 2014/56/UE to the Directive 2006/43/CE and the option allowed by the EU Regulation 537/2014.</p>



	<p>The only change in the mandate to the CSSF is the competence for the resolution of out-of-court complaint in relation to statutory audit of accounts.</p> <hr/> <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> <p><u>CSSF Board:</u> <u>Chair</u> : Isabelle GOUBIN (since 18.07.2014) 5 years (end 31.12.2017) - independent <u>Vice-Chair</u> : vacant <u>Members</u> : Rima ADAS 5 years (end 31.12.2017) - not independent Serge DE CILLIA 5 years (end 31.05.2019) - independent Marny SCHMITZ 5 years (end 31.12.2017) - independent Camille THOMMES 5 years (end 14.12.2020) - independent Claude WIRION 5 years (end 30.04.2021) - independent</p> <p><u>CSSF Executive Board:</u> Claude MARX 5 years (end 04.02.2021) - independent Simone DELCOURT 5 years (end 31.12.2020) - independent Claude SIMON 5 years (end 30.04.2019) - independent Françoise KAUTHEN-HENNICO 5 years (end 21.01.2021) - independent Jean-Pierre FABER 5 years (end 31.08.2021) – independent</p>

² For the purpose of this Member Profile, the audit profession does not include an individual who is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The CSSF is governed by a Board of Directors which comprises seven members appointed by the Government in Council for a period of five years.</p> <p>The senior executive authority of the CSSF is the Executive Board, composed of a Director General and four Directors appointed by the Grand Duke on the proposal of the Government in Council for a period of five years. Members of the Executive Board have civil servant status and are totally independent from the audit profession. In accordance with article 9 of the law of 23 December 1998 as amended, the Executive Board works out measures and takes decisions it deems useful and necessary for the fulfilment of the CSSF's mission and for its organisation.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.³</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member's overall independence from the audit profession?</p> <p>The members of the Executive Board are all non-practitioners. Responsibilities of the non-executive Board members are very limited.</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p>

³ Ibid.



	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes to either of the above, please describe: N/A
	3.7 Other than the governing body, are members of the profession involved in the Member's organization (e.g., in a management or inspection function)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, please describe their role with an appropriate level of detail:
4. Funding Arrangements	4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any: The CSSF's core operating costs are currently funded by the population the CSSF has under its supervision. Taxes received from the audit profession represent less than 10% of the total taxes collected by the CSSF.
	4.2 Is the funding free from undue influence by the profession? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession: The CSSF is responsible as the public oversight authority for statutory auditors and audit firms in Luxembourg, in addition, the CSSF acts concurrently as the financial supervisory authority in Luxembourg where it is responsible for the prudential supervision of credit institutions, stock exchanges, and securities markets, among other duties. The CSSF is authorized to levy taxes on supervised persons and undertakings to cover its staff, financial and operating costs. The Grand-ducal Regulation of 28 October 2013 lays down the amounts applicable and guarantees full financing of the operating costs. The CSSF is subject to the control of the Court of Auditors (<i>Cour des comptes</i>) as to the appropriate use of the public financial participation it receives.



5. Inspection System	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>PIEs audit firms are subject to quality inspection at least every three years with the exception of the Big Four which are reviewed every year. Non PIEs audit firms are reviewed at least every six years.</p>								
6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>64 audit firms are subject to inspections out of which 15 perform audit of PIEs. As at December 31, 2016, there were an estimated 850 PIEs audits and 9.000 statutory audits for non-PIEs.</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <table border="0"> <tr> <td>E&Y</td> <td>18%</td> </tr> <tr> <td>Deloitte</td> <td>14%</td> </tr> <tr> <td>KPMG</td> <td>21%</td> </tr> <tr> <td>PWC</td> <td>31%</td> </tr> </table>	E&Y	18%	Deloitte	14%	KPMG	21%	PWC	31%
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Deloitte	14%								
KPMG	21%								
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7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____</p>								



	<p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁴ are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>According to article 36.3.a of the Law of 23rd July 2016, the CSSF shall assume responsibility:</p> <p>(a) for the granting of the title of '<i>réviseur d'entreprises</i> (statutory auditor)' and '<i>cabinet de révision</i> (audit firm)' in accordance with Article 3 of this Law;</p> <p>(b) for the approval and registration of <i>réviseurs d'entreprises agréés</i> (approved statutory auditors) and <i>cabinets de révision agréés</i> (approved audit firms) in accordance with Articles 5 and 12 of this Law;</p> <p>(c) for the registration of audit firm approved in another Member state in accordance with article 6 of this law</p> <p>(d) for the registration and public oversight of third-country auditors and third-country audit entities in accordance with Articles 57 and 58 of this Law;</p>
	<p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁵ are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these</p>

⁴ For the purpose of this Member Profile, the audit profession does not include an individual who is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

⁵ Ibid.



	<p>procedures.</p> <p>According to article 36.3.b of the Law of 23rd July 2016, the CSSF shall assume responsibility:</p> <p>(a) for the adoption of auditing standards in the area of the activities referred to in Article 1(6) in accordance with Article 33(2) of this Law;</p> <p>(b) for the adoption of standards of professional ethics and standards relating to the internal quality control of <i>cabinets de révision agréés</i> (approved audit firms);</p> <hr/> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁶ are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>According to article 36.3.c of the Law of 23rd July 2016, the CSSF shall assume responsibility for the continuing education defined in article 10 of this law.</p> <p>The CSSF has issued a regulation that specify the criteria that the programmes of continuing education must satisfy in order to be taken into account for the purposes of the application of this Law.</p> <p>Failure to respect the continuing education requirements shall constitute a disciplinary offence, which may give rise to the sanctions mentioned in Articles 43 and 78 of this Law.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p>
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	<p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁷ are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>According to article 36.3.e of the Law of 23rd July 2016, the CSSF shall assume responsibility for the exercise of the power to impose sanctions and administrative measures:</p> <p>The CSSF shall impose sanctions or administrative measures mentioned under paragraph 1 toward "réviseurs d'entreprises agréés" (approved statutory auditors), approved audit firms or audit firms which have:</p> <ul style="list-style-type: none"> (a) committed an infringement of the legal or EU regulation 537/2014 requirements or their applicative measures; (b) committed professional misconduct and negligence; (c) conducted themselves contrary to professional scrupulousness and dignity and in breach of honor and integrity; (d) refused to provide documents or other information requested, needed by the CSSF for the purpose of the application of this law and the regulation 537/2014; (e) provided documents or other information that prove to be incomplete, inaccurate or false; (f) impeded the exercise of the CSSF's powers of inspection and investigation; (g) not published on their website within four months of the end of each accounting year the transparency report prescribed by Article 13 of the regulation 537/2014; (h) not complied with the injunctions of the CSSF or accompanying measures pronounced according to paragraph 2, point a) or of article 42. <p>In case of infringements to this law or to the regulation 537/2014, the CSSF may pronounce a temporary prohibition of up to three years' duration, banning a member of an audit firm or a member of an administrative or management body of a public-interest entity from exercising functions in audit firms or public-interest entities.</p> <p>In case of infringements to this law or to the regulation 537/2014, the CSSF may pronounce sanctions foreseen under points (e) to (g) of paragraph 1 toward natural or legal person having committed the infringement.</p>
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⁷ Ibid.



	<p>Sanctions and accompanying measures pronounced by the CSSF may be subject to appeal in accordance to article 46. The application of the sanction or accompanying measure is suspended during the delay for appeal and procedure.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>According to article 36.4 of the Law of 23rd July 2016, the CSSF is competent for the resolution of out-of-court complaint relating to statutory audit.</p> <p>The CSSF may end a procedure at any time if it finds that any of the parties uses the procedure for other purposes than the search for an amicable settlement of the complaint.</p> <p>The procedure is not a mediation procedure within the meaning of the law of 24 February 2012 introducing the mediation in civil and commercial matters.</p> <p>The CSSF's intervention shall be subject to the principles of impartiality, independence, transparency, expertise, effectiveness and fairness, referred to in Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR).</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>In addition to its responsibilities as audit regulator, the CSSF acts currently as the financial supervisor authority in Luxembourg. As such, the CSSF is responsible for the prudential supervision of credit institutions, other professionals of the financial sector, undertakings for collective investments, pension funds, SICARs, securitisation vehicles issuing securities to the public on a continuous basis, stock exchanges, payment and securities settlement systems, operators of payment or securities settlement systems. It also supervises the securities markets.</p>



9. Major Events and Activities	9.1 Describe any recent major events and activities: Transposition of the Directive 2014/56/UE and option of the Regulation 537/2014 in the national law of 23 rd of July 2016.
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