

Financial services



Did you know...

In 2016, the Luxembourg Stock Exchange launched the Luxembourg Green Exchange (LGX), the first dedicated global platform for green financial instruments.

Financial services

Connecting with financial expertise

Luxembourg has developed its financial centre by demonstrating excellence in cross-border financial services.

As early as the 1960s, Luxembourg had the openness to merge local expertise with international talent, developing into a financial centre offering a diverse range of multicurrency services and products to the international business community.

This unique **cross-border expertise is central to various segments of the financial centre**. Luxembourg is the perfect EU onshore hub for banking activities, wealth management, investment funds, private equity and insurance.

Banking

Banks in Luxembourg have established several areas of expertise, including:

- private and institutional wealth management;
- corporate banking;
- retail and commercial banking;
- a full range of investment fund services.

The EU passport allows banks in Luxembourg to offer their services throughout the European Single Market.

The majority of banks operate under a universal banking license and offer a wide range of financial services to private, corporate and SME clients. In addition to services related to the launch, acquisition, transfer or sale of a company, they offer intragroup treasury and liquidity management services, as well as international wholesale lending. They also organise and structure syndicated loans to finance international projects. Banks in Luxembourg have developed strong expertise in global custody, fund administration and offer a full range of services.

Whether in private banking, fund services, commercial or corporate banking activities, Luxembourg is the ideal location for banks to set up a pan-European hub and offer financial products and services with global reach.



Wealth management

Clients with international interests, who have their family and businesses spread across several countries, benefit from Luxembourg's diverse financial ecosystem and find the right cross-border expertise **to manage their wealth and businesses from a central location**.

Luxembourg is also one of the first countries in the world to have implemented a specific regulatory framework for **family office** activities to ensure a high level of service quality and investor protection.

Thanks to its toolbox of cross-border investment vehicles, Luxembourg provides a one-stop shop for international wealth management, with a service offer that ranges from investment advice, asset management and family office services to wealth structuring, real estate services, succession planning or philanthropy. It is quite common for Luxembourg private banks to act as the **centre of competence** within their group.

141

Luxembourg is home to 141 banks from 29 countries.

20.7%

Solvency ratio: (EU minimum = 8%).

71%

Clients with assets over €5 million represented 71% of total AuM in Luxembourg private banking in 2016.

770 bn

Total assets of banks in Luxembourg in 2016.

Trailblazer



A DRIVER FOR CHANGE: CLIMATE FINANCE

The COP21 Paris Agreement committed the nations of the world to work together towards the common goal of limiting global warming, curbing carbon emissions and improving resilience in the face of climate change.

If they are to be reached, these ambitious objectives will need strong financial support, not only from public sources but also from private and institutional investors. One of the main agreed-upon goals was to mobilise \$100 billion per year to help developing countries tackle the future effects of climate change and adapt to existing impacts.

THE WORLD'S FIRST AND ONLY GREEN EXCHANGE

In September 2016, the LuxSE launched the Luxembourg Green Exchange (LGX), the first dedicated global platform for green financial instruments, with enhanced transparency and reporting standards. The LGX helps issuers transparently market their green securities and provides a comprehensive green database for environmentally conscious investors. The LGX is unique in requiring ex-post reporting for entry, not currently the market standard. That means that securities on the LGX are genuinely green and that investors are fully informed about the use of proceeds.

With its strict listing and reporting requirements, the LGX is actively shaping the development of global green standards and has set the bar high for best practice in the market.

Luxembourg's climate finance toolbox is further strengthened by the Climate Finance Label granted by the Luxembourg Finance Labelling Agency LuxFLAG. It is designed to assure investors that investment funds devote at least 75% of total assets to projects clearly and directly linked to the mitigation of and/or adaptation to climate change or cross-cutting activities. LuxFLAG has also developed a dedicated Green bond label.

LEADER IN RESPONSIBLE INVESTMENT FUNDS

Luxembourg plays a key role in financing action to curb and deal with the effects of climate change. As the world's largest cross-border investment fund centre, it has a strong track record in sustainable investments and provides the perfect environment for climate finance funds, notably thanks to the industry's expertise in setting up layered funds that can leverage public and private investment.

Luxembourg is the European leader in responsible investment fund assets, accounting for 31% of funds and 39% of all assets under management. In terms of the underlying *environmental, social and governance* (ESG) strategies, Luxembourg has the leading European market share of investment funds with environmental (38%), social (23%) and ethics strategies (56%).●

52.5%

The LGX accounts for 52.5% of global outstanding listed green bond assets.

Source: Bloomberg 2017.

1st

Luxembourg is the European leader in responsible investment funds.

Financial services

Funds for growth

Luxembourg is the **second largest investment fund centre in the world** and is the undisputed global leader in the cross-border distribution of funds. Luxembourg has not only played a crucial role in establishing a truly European financial product, UCITS, but it has turned UCITS into a globally recognised brand.

In 2017, assets under management in Luxembourg-registered funds reached a total of **€3.9 trillion**.

With its broad range of vehicles, Luxembourg is a major alternative investment fund centre. It has bespoke structures for all the main alternative asset classes and investment strategies including:

- private equity and venture capital;
- real estate;
- hedge funds;
- funds of hedge funds.

Fund initiators can take advantage of an entire ecosystem specialised in cross-border investment services, including product development experts, lawyers, accountants and service providers who are able to assist in the development, launch and distribution of their funds.

The largest **cross-border fund management groups** choose Luxembourg because of its unique and international distribution network. The Luxembourg fund industry has almost 61,440 distribution agreements with points of sale abroad.

Given the vast costs involved with setting up funds in different countries of origin, fund promoters come to Luxembourg to benefit from its global distribution platform, enabling them to reach international investors and to achieve the necessary economies of scale.

Figures

- Number **1** investment fund centre in Europe
- The world's **2nd** largest investment fund centre after the United States
- Fund promoters from **69** countries
- More than **67%** of UCITS funds distributed internationally are based in Luxembourg
- **69** custodians
- Cross-border fund distribution to **69** countries
- An average of **100** new fund initiators choose Luxembourg to domicile their funds in the country each year
- **152** central administrators
- **238** alternative investment fund managers (AIFMs) approved
- **298** professional service firms (PSFs)
- **617** AIFMs registered (below threshold)
- **1,488** Luxembourg limited partnerships (LLPs)
- **4,130** investment funds
- **13,190** sub-funds set up by multiple compartment funds
- **14,000** people employed in the industry
- **14,674** investment fund units

€3.9 trillion
assets under management.

61,440
distribution points.



Out of Luxembourg, Franklin Templeton Investments distributes funds in 51 countries, HSBC in 42 countries and BlackRock in 41 countries.

Financial services

Private equity

Luxembourg is an ideal EU onshore hub to domicile both private equity funds and private equity acquisition vehicles in the same jurisdiction.

Assets under management in Luxembourg-domiciled private equity vehicles have **doubled in the last three years**.

Luxembourg offers a host of services for the private equity industry. It provides competitive structures for setting up private equity and venture capital funds, making it possible to facilitate acquisitions both within individual countries or on a pan-European basis.

A large number of the European General Partners have established a presence in Luxembourg. **Over 50 private equity firms are present in Luxembourg.**

To ensure maximum compatibility and flexibility, Luxembourg tapped into the opportunity offered by the implementation of the Alternative Investment Fund Managers Directive (AIFMD) to overhaul and modernise its limited partnership regime and create the special limited partnership. Special limited partnerships do not have a legal personality distinct from that of their limited partners and are widely used by asset managers from the Anglo-Saxon world. This is further proof of Luxembourg's ability to combine the specificities of various jurisdictions to offer clients and financial professionals solutions that they are most familiar with.

Whether clients come from a country whose system is based on common law or civil law, Luxembourg can accommodate their needs.

CHINA'S BRIDGE TO EUROPE AND THE WORLD

Seven large Chinese banks (Bank of China, ICBC, China Construction Bank, Agricultural Bank of China, China Merchants Bank, Bank of Communications and China Everbright Bank) have set up their continental European hubs in Luxembourg.

From the Grand Duchy, Chinese banks manage a network of branches in other European countries and **serve the needs of their Chinese clients doing business in Europe as well as their European clients doing business in China.**

The strong presence of Chinese banks has helped Luxembourg develop into one of Europe's leading renminbi centres, with the highest volumes in deposits, loans and trade finance. In 2014, China designated ICBC as the RMB clearing bank in Luxembourg.

As Europe's largest investment fund centre, Luxembourg also hosts most RMB-denominated investment funds outside Asia. Some of the most prominent

fund managers use their Luxembourg platform to tap into the large pool of RMB-hungry investors in Europe and beyond.

The Luxembourg Stock Exchange is today the leading listing centre for yuan-denominated bonds in Europe and third in the world after Hong Kong and Singapore.

CHINESE FIRSTS IN LUXEMBOURG

- Bank of China chose Luxembourg in 1979 for its very first international presence anywhere in the world since the People's Republic of China was created.
- Luxembourg was the first European country to authorise a RMB-denominated investment vehicle.
- Luxembourg's regulator was the first European regulator to authorise a mutual fund to invest through the Shanghai-Hong Kong Stock Connect scheme.
- Luxembourg's Stock Exchange was the first to list a Dim Sum bond outside Greater China. ●

10/10

Ten out of the ten largest global private equity firms are operating out of Luxembourg.

1st

Luxembourg ranks second globally and first in Europe in terms of the origin of global investment funds invested in Mainland China.

Trailblazer



LUXEMBOURG: FIRST IN FINANCE

Throughout its long history, the Luxembourg financial centre has continuously adapted to a changing environment and has developed a strong track record in innovation by embracing and implementing change.

1953

First bond listing in USD on the Luxembourg Stock Exchange (LuxSE).

1962

First investment fund listing on the LuxSE.

1963

Euromarket launches from Luxembourg when the **first Eurobond lists on the LuxSE.**

1978

Luxembourg hosts the **first Islamic finance institution in a western country:** the Islamic Banking System Holdings Limited Luxembourg.

1979

Bank of China chooses Luxembourg to set up its first international operations.

1983

The **first sharia-compliant insurance company in Europe** is established in Luxembourg.

1985

The first UCITS Directive is adopted and Luxembourg becomes the **first country to implement the UCITS Directive into national law.** From this point, most large asset management companies choose Luxembourg as the platform from which to set up and distribute their investment funds worldwide.

1990

First global depositary receipts listing in Europe on the LuxSE.

2002

First Sukuk (sharia-compliant bond) listing in Europe on the LuxSE.

2007

First Green Bond listing worldwide on the LuxSE.

2011

First Dim Sum Bond listing in Europe on the LuxSE by Volkswagen.

2012

Luxembourg was the **first country in Europe** and one of the very few countries in the world **to regulate the family office industry.**

2013

Luxembourg was **one of the first countries to implement the Alternative Investment Fund Managers Directive (AIFMD).**

2014

The **first offshore RMB bond, or Schengen bond, in the Eurozone** is issued on the LuxSE.

First Luxembourg UCITS receives authorisation to use the **Shanghai-Hong Kong Stock Connect** program.

The CSSF becomes the **first European regulator to take an official position on how to deal with virtual currency operators,** considering virtual currencies as money.

Luxembourg issues the **first Euro-denominated sovereign Sukuk.**

2016

Luxembourg is the first country in the EU to grant a **payment institution license to a bitcoin exchange,** bitstamp.

Luxembourg **Green Exchange** is the world's first dedicated **platform for green financial instruments.**

The world's **first sovereign green bond** is listed at LuxSE. ●

Financial services

Capital markets, facilitating economic growth

Capital markets play a key role in supporting economic growth by allocating capital to projects that help create jobs, provide public services, build infrastructure and drive innovation.

As the leading cross-border financial centre in the eurozone, Luxembourg's capital markets infrastructure and unique international expertise make it the ideal place for companies, ranging from SMEs to multinationals, to finance their European and global activities.

Whether a European investor wishes to buy green bonds issued by a Chinese bank or a US private equity firm wishes to invest in European non-performing loans that are acquired through a Luxembourg securitisation company, the Luxembourg capital markets value chain can offer the appropriate solution.

The Luxembourg Stock Exchange: an exchange that sets itself apart

The date that marks the rise of Luxembourg as an international financial centre is July 1963, when the world's first Eurobond was listed on the Luxembourg Stock Exchange. This debt security, issued by the Italian highway operator Autostrade, was emblematic of what has remained a key strength of Luxembourg's financial centre to this day – the ability to provide financial services in a cross-border and multicurrency environment.

While most stock exchanges at the time focused on listing bonds denominated in their local currency and by companies established in their country, this bond was unlike any other on the market. It was issued by an Italian company, denominated in US dollars, governed by English issuance law and listed in Luxembourg.

Today the Luxembourg Stock Exchange is a global specialist in the listing of international securities. It is well known

for its fast, customer-focused and stringent listing process.

The Luxembourg Stock Exchange offers two markets to issuers: the Bourse de Luxembourg market regulated by European rules and the Euro MTF, a market regulated by the rules of LuxSE enabling issuers to list under more flexible requirements on a recognised European market.

For more than fifty years the Luxembourg Stock Exchange has been assisting companies, institutions and sovereign issuers around the globe to get access to the international capital markets. By actively contributing to innovation in these markets, LuxSE is the **front-runner in listing new products** like Green Bonds, Dim Sum Bonds and Sukuk.

In 2016 the Luxembourg Stock Exchange introduced the Luxembourg Green Exchange, or LGX, the world's first platform exclusively dedicated to securities that raise proceeds for projects that are fully aligned with international green taxonomies.

54

Strong market recognition from international issuers (2,500+ issuers from 100+ countries) and securities listed in 54 different currencies.

40%

of all international bonds on European markets are listed in Luxembourg.

99%

of securities are listed in less than two days.

68

countries are listing their sovereign debt in Luxembourg.

10,162

new listings in 2016.

36,000+

securities

Financial services

International pioneer in debt capital markets

In 2016, some €1,188 billion of debt was issued in Luxembourg through a range of different instruments including corporate bonds, Eurobonds, indexed bonds, green bonds, sukuk and dim sum bonds. Also high-yield bonds of international companies such as Puma, TUI, Swissport, Iglo and Aston Martin have been listed in Luxembourg.

Securitisation

Corporate finance in Europe is currently undergoing a significant transformation. With banks in the process of deleveraging and burdened by additional capital requirements, Luxembourg is well placed to facilitate the functioning of European capital markets.

Securitisation can lower funding costs benefitting businesses and citizens and can help both issuers and investors diversify and transfer risk across different asset classes, geographies, industries, instruments and credit risks. In January 2017, some 1,114 securitisation vehicles were in existence in Luxembourg.

Connecting the European Union

The fact that the European Union's financial infrastructure remains largely fragmented is particularly noticeable within the post-trade arena of securities settlement, safekeeping and asset servicing. Regulation has made the use of post-trade service providers a necessity for many market participants who would never have considered using them before. In this context, Luxembourg CSDs can assist their clients in making cross-border investment easier.

Today, Luxembourg is home to: Clearstream, LuxCSD, VP Securities, globeSettle, and REGIS-TR. Their combined services include the issuance, settlement and custody of securities, as well as investment fund services and global securities financing.

Initial Public Offerings: wide international recognition

Going public is a transformational event. To do so successfully, a company or its sponsors must navigate a long, complex process involving, inter alia, aspects relating to strategy, tax, accounting, reporting standards, treasury and financial risk management and governance.

The company or its sponsors will be confronted with a number of choices and will have to take decisions. Some of these choices relate to the targeted markets for flotation or the jurisdiction where the company will be established upon completion of its IPO.

Over the past 10 years, there has been steady interest in Luxembourg-based vehicles for carrying out an international IPO. Luxembourg companies are not only suitable for preparing a domestic IPO but have also been widely used in international IPOs or related capital markets transactions.

98

Clearstream supports 98 currencies for issuance.

€1,188 billion

amount of debt issued on the Luxembourg Stock Exchange in 2016.

Financial services

Insurance: offering a unique level of protection

Luxembourg is widely recognised as a **centre of excellence for the distribution of insurance products in the EU**. Our financial centre currently hosts 88 insurance companies and 216 reinsurance companies, many of which are subsidiaries of multinational corporations.

Thanks to the **“super privilege”** enshrined in Luxembourg law, policy holders of a Luxembourg life assurance contract benefit from a level of legal **protection** that is unique in Europe. This privilege gives the subscriber priority over all other creditors if the insurance company gets into financial difficulty and has contributed to making Luxembourg life assurance contracts a wealth management tool that provides access to a wide range of financial products within a secure framework.

The Luxembourg insurance industry specialises in unit-linked **life assurance**, a product that enables clients to combine insurance cover with a return on investment, notably in policies linked to dedicated investment funds.

Luxembourg life assurance companies provide tailor-made wealth solutions that are compliant, secure and offer unique flexibility in asset allocation.

Luxembourg **property and casualty (non-life) insurance companies** – particularly in maritime mutual insurance and other specialised areas of insurance – principally target the international market.

Many industrial, commercial and financial groups choose Luxembourg for their **reinsurance activities**.

The insurance/reinsurance profession is **strictly regulated**.

Luxembourg insurance companies and reinsurance companies benefit from a solid legal and regulatory framework, with a separate regulator, the Commissariat aux Assurances (CAA) safeguarding the quality of the operations.



Following the UK's decision to leave the European Union, leading insurers have chosen Luxembourg as their new EU base to ensure that they can continue to serve their European client base without interruption.

78%

of written premiums are for international life assurance.

88

insurance companies and

216

reinsurance companies.

Trailblazer



IMPROVING THE EFFECTIVENESS OF WORLDWIDE RAPID RESPONSE

When disaster strikes, every minute counts. Luxembourg is helping to provide faster connectivity and improved coordination for a more efficient humanitarian response – all with one goal in mind: saving more lives.

SATELLITE-BASED TELECOMMUNICATIONS

In 2011, Luxembourg launched **emergency.lu**, a public-private partnership that offers a satellite-based telecommunications platform allowing rapid response to natural disasters and humanitarian missions.

Two hours after an alert is given, teams are airborne. Once they are on the ground, it typically takes less than an hour to connect a telecommunications terminal to an inflatable antenna for a satellite connection. Working in close collaboration with the United Nations World Food Programme, emergency.lu draws on the expertise of three Luxembourg-based companies – Hitec Luxembourg, SES and Luxembourg Air Ambulance (LAA). Ericsson Response is also involved in the project and serves as technical partner.

HAITI

Immediately after the January 2010 earthquake, Haitian President Préval was standing in the ravaged streets of Port-au-Prince holding his cell phone, which he was unable to use to call for help. Effective aid deployment was impossible because all telecommunications were down.

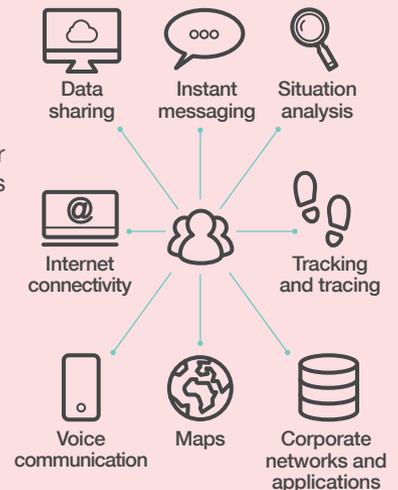
Following Haiti, Luxembourg understood that a solution had to be developed to restore telecommunications within several hours of a major natural disaster in order to improve aid coordination and save lives. Thanks to emergency.lu, aid workers can now register their phones and laptops on the system to communicate and improve the delivery of critical services. Emergency.lu also has a medical arm: SATMED. Designed in cooperation with five NGOs and conducted by SES, this satellite-based platform aims at facilitating access to e-Health – patient records, medical data, health statistics, e-consultations, etc. – from remote villages or regions that lack the adequate health facilities or medical staff. For example, in maternity hospitals in Benin, SATMED is used, among other things, for the digital registration of patients and the providing of obstetric trainings for midwives and assistant healthcare workers.

TRANSPORTATION DURING EBOLA OUTBREAK

Luxembourg Air Ambulance is a non-profit founded in 1998 that operates **rescue helicopters and ambulance aircraft** worldwide, saving human lives and preserving people's health. In 2015, LAA put into operation new medical equipment for the transportation of patients with highly infectious diseases. This medical evacuation module can be used to transport Ebola patients safely, while ensuring that the crew and the airplane don't come into contact with the pathogen. ●

emergency.lu

The entire service chain – including air transport, satellite infrastructure, terminals and related services – is funded by Luxembourg and provides:



FAST TRACK DIAGNOSTICS

Fast Track Diagnostics (FTD) is one of the leading global suppliers of real-time PCR multiplex testing for infectious disease detection. Rare infections such as Ebola can quickly spread and become a general health hazard. The FTD test is simple to use and minimises uncertainty in the diagnosis. ●

ADVANCED MATERIALS TO PREVENT CONTAMINATION

DuPont Tyvek® is a material produced by DuPont de Nemours Luxembourg and is designed to keep wearers safe by repelling liquids and aerosols while remaining permeable to both air and water vapour.

Due to its outstanding qualities, it was used for the **personal protective equipment chosen for the workers dealing with the aftermath of the nuclear disaster in Fukushima, Japan.**

Healthcare workers and other involved in fighting the deadly Ebola virus rely on **Tychem®**, another DuPont brand that includes an entire line of **protective garments and accessories that help prevent contamination.** ●

Financial services

Did you know...

The Luxembourg financial regulator (CSSF) was the first supervisory authority in Europe to take an official position on virtual currencies, defining them as scriptural money.

FinTech: a breeding ground for innovation

Luxembourg offers ideal conditions for FinTech companies to develop their services and products and expand their business to reach a European customer base. On top of this, Luxembourg's international financial centre provides a significant local market for FinTechs to launch new products in a secure environment.

Luxembourg's open and responsive approach to regulating FinTechs under European passport provisions means that these innovative new companies can conduct business on an EU-wide level from a single base. Some of the world's largest FinTech pioneers, such as PayPal, Amazon Payments and Rakuten, have chosen Luxembourg to offer regulated financial products and payment services across the EU.

FinTech companies have access to a range of public and private funding schemes for different stages of their development, as well as several incubators and accelerators.

This innovative mindset echoes throughout the entire financial centre: in the fund industry, for instance, distributed ledger technology and smart contracts enable digital share transactions to improve efficiency in fund order processing. Distributed ledger technology is also used in the Luxembourg Stock Exchange, where for the first time issuers can file documents globally on the Blockchain. A second layer of security is provided through a digital signature using Blockchain technology.

The University of Luxembourg's Interdisciplinary Centre for Security, Reliability and Trust (SnT) is an important interface with the financial industry. Focusing on the **security of communication networks and software systems**, it develops joint programs with the private sector, notably with the aim of securing financial transactions.

1st

Luxembourg was the first country in Europe to grant an EU license to a bitcoin exchange.

The Luxembourg House of Financial Technology (LHoFT)

The LHoFT Foundation is a private-public platform that drives technology innovation for Luxembourg's financial services industry, connecting the domestic and international FinTech community to develop solutions that shape the world of tomorrow.

The LHoFT provides private offices and co-working desks to FinTech start-ups that are looking to launch their activities in Luxembourg. Beyond incubation, it provides support, introduction to the Luxembourg FinTech ecosystem, and access to technologies, knowledge and competencies.



Mercedes Pay

In early 2017, Daimler Financial Services acquired the Luxembourg company PayCash. PayCash provides international real-time payments and is connected to a wide range of payment providers around the globe: PayPal, Alipay, MasterCard, etc. Under the new name "Mercedes Pay", the solution has become part of Daimler Mobility Services, which includes the Car2Go car-sharing service and the mytaxi taxi-booking app.