

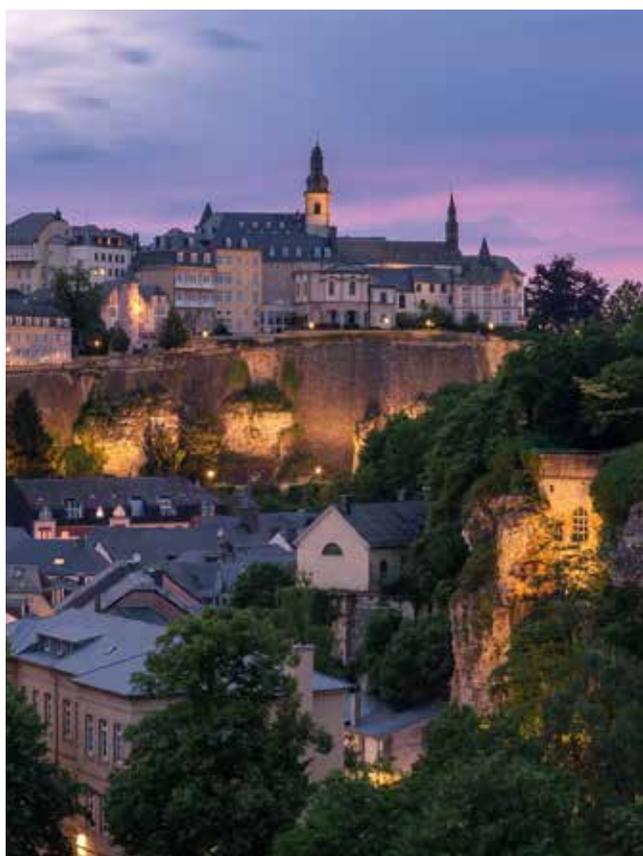


LUXEMBOURG

HELPING FINANCE GO GLOBAL



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1. A CROSS-BORDER CENTRE WITH A UNIQUE OFFERING

Our world has fundamentally changed. New technologies, the internet and social networks span the entire planet, connecting people, companies and governments. Trade has also become increasingly global creating more tightly interconnected economies. As trade has expanded across international borders, so too has finance and the investment world, however the physical, legal and fiscal complexity have not yet disappeared.

Given these differences, there is a clear need for expertise in cross-border finance and a financial centre that is able to offer this expertise by creating an ecosystem designed to handle these intricacies, as well as help navigate the complexity of multi-jurisdictional business.

The recent pandemic, the volatile geopolitical environment and the transition to a net-zero global economy have impacted many aspects of the daily lives of companies and citizens; from global value chains and energy markets, to consumer habits and remote working.

1.1 A true focus on investors' needs

Luxembourg is **solution-driven** and provides a complete range of services. A stable and well-regulated environment as well as a **unique toolbox of investment vehicles** make the country the ideal location for investors aiming to achieve their international ambitions.

As home of the **global fund industry**, a recognised EU hub for **international banks** and **insurers**, and one of Europe's core **capital market infrastructures**, Luxembourg connects investors to markets around the world.

The global web of economic interconnections between countries and companies is growing ever larger and more complex. Decades of international expertise combined with state-of-the-art infrastructure have established Luxembourg as one of the EU's leading destinations for investors and companies alike.

Today, Luxembourg has developed a **unique cross-border ecosystem** with a wide range of financial services. Its **stability and innovative mindset** contribute to Luxembourg's position as a **European hub for global financial institutions**.



Financial Institutions that have chosen Luxembourg



1.2 Solid for decades

The soundness which characterises Luxembourg's financial industry draws on the country's well-established reputation for **political, economic and social stability**, as well as from the **diversified make-up of the industry**.



Luxembourg's **debt-to-GDP ratio** stood at just 24% in December 22¹ compared to an EU average of 86.4%²



Luxembourg has consistently been rewarded for its prudent and responsible management of its public finances with a **triple-A credit rating** with stable outlook from all the major rating agencies.



Social stability translates into a **near complete absence of labour days lost to strikes** since the beginning of the 21st century. Luxembourg's political, industry and labour leaders take pride in the success of the **consensual tripartite model** for discussing issues and finding solutions.



¹ Trésorie de l'État

² Eurostat

1.3 A sound legal framework

Luxembourg's legal framework is primarily based on EU legislation, which the country prides itself on efficiently implementing in order to benefit from a **first-mover advantage**.

Luxembourg's strength as a financial centre and a leading investment hub rests on two additional pillars: its sophisticated **corporate law** and its efficient application of the highest standards in financial **supervision and investor protection**.

The country's corporate law allows for structuring options that accommodate the needs of international investment projects. Its unique toolbox of investment vehicles, coupled with its modern securitisation law, as well as its credit guarantee law, are the main reasons why global investors and, importantly, also their backers, such as the banks, rely on Luxembourg when **structuring investment projects**.

English is widely used not only within day-to-day life in Luxembourg, but also in business operations and the legal system. The Grand Duchy's courts are well known for their professional approach and their widely accepted use of English as a language for proceedings.

Additionally, both regulators, as well as the majority of Luxembourg's public authorities, gladly accept the use of **English (besides French, German and Luxembourgish)** in their exchanges with firms, both verbal and written. Even company statutes can be submitted in English.



Luxembourg law is increasingly being used by international public institutions for their financial contracts. As a consequence of Brexit, large debt issuers such as the EU, the European Atomic Energy Community, the European Stability Mechanism and the EIB decided to switch the legal framework of their debt issuance programmes from English to Luxembourg law. **This is due to the level of flexibility that Luxembourg law provides within contractual matters, while at the same time requiring very few modifications for existing contracts in Common Law.**



Financial institutions in Luxembourg are predominantly supervised by two regulators, namely the CSSF (Commission de Surveillance du Secteur Financier) as the banking and securities regulator, as well as the CAA (Commissariat aux Assurances), the insurance regulator. Both are well regarded in international financial markets for their expertise relating to the various activities in which Luxembourg's finance industry specialises, as well as their responsiveness in addressing the needs of market players.

1.4 Tax Environment

The past ten years have seen a significant shift in the global tax system. For tax practitioners advising global financial services firms, ensuring tax compliance while at the same time achieving tax neutrality has become a core responsibility. Luxembourg is an attractive jurisdiction to locate entities due to its efficient international tax and legal framework.

As a leading cross-border financial centre, financial firms that operate out of Luxembourg benefit from an extensive **double tax treaty network with over 85 jurisdictions**. Additionally, Luxembourg has the **lowest VAT rate in the EU**.

Investment Funds

For investment funds, a key aspect of Luxembourg's corporate taxation regime is that of tax neutrality for cross-border business activities and investment fund structuring. This means that the majority of investment funds domiciled in Luxembourg are not subject to either corporate income tax or withholding taxes in Luxembourg, the investors being taxable only in their country of residence. However, this may not always hold true depending on the type of fund structure used or for specific investors.

Luxembourg-domiciled regulated investment funds are subject to a "subscription tax" which is determined based on the specific fund product and is levied on the total NAV at the last day of each quarter. Institutional funds and monetary funds are subject to an annual rate of 0.01%, while other regulated funds are subject to an annual rate of 0.05%. Luxembourg funds investing in institutional funds and monetary institutional funds are in turn exempt from subscription tax. By the same token, exemptions from subscription tax are available for Luxembourg-based exchange-traded funds (ETFs) and funds

dedicated to multi-employer pension vehicles or to several employers providing pension benefits schemes. Foreign UCIs managed by Luxembourg-based ManCos are also not subject to subscription tax.

Additionally, in order to encourage the development of sustainable finance, Luxembourg provides for a subscription tax rate reduction of over 50% for UCITS and UCI Part II funds that invest in sustainable assets. This reduction is determined on the percentage of net assets invested into sustainable products as defined by the EU Taxonomy.

Holding Companies

Companies and groups around the world choose one or more finance hubs to centralise their financing activities through companies holding participations. In line with the EU Parent-Subsidiary directive, Luxembourg's exemption regime provides fully taxable holding companies with tax exemptions on dividends, capital gains, and net wealth for certain participations. In addition to this, Luxembourg applies no withholding tax on interest and royalty payments. Luxembourg has also implemented several EU Directives relating to mergers which allow for tax-neutral company reorganisations. SOPARFIs are also not required to register for VAT in Luxembourg as long as their activities are solely limited to holding participations in other companies.

Tax Transparency and Reporting

The past decade has seen a move towards the automatic exchange of tax information globally as financial services have become more transparent in this area. Luxembourg is no exception and has been an active participant in this process. Luxembourg is fully in line and compliant with all EU and international regulations and transparency standards, and applies, without exception, the full arsenal of EU and international measures to exchange information in tax matters and combat tax abuse and tax avoidance. For example, the country was an early adopter of the Common Reporting Standard which imposes the automatic exchange of information of financial accounts and implemented the Mandatory Disclosure Rules, also known as DAC6, which further increased tax transparency and introduced the disclosure of potentially aggressive tax planning.

Luxembourg has also actively participated in the OECD BEPS project to realign taxation rights with substance at the global level. All European responses that directly or indirectly address this issue have been implemented within Luxembourg, such as the Controlled Foreign Company rule or the Principle Purpose Test rule. Stemming from the BEPS project, Luxembourg promptly implemented both ATAD I and ATAD II within its domestic legislation in order to counter some of the most common forms of aggressive tax planning.



***An attractive tax environment
for employees***

Alongside the excellent quality of life and infrastructure that can be found in Luxembourg, the country also has an appealing tax environment for employees which plays a major role in attracting the highly skilled and international workforce in the country.

Some of the most notable factors include:

- A competitive social contribution tax rate;
- An employee's mandatory social security contributions are, in principle, considered fully tax deductible from an individual income tax standpoint;
- The impatriate tax regime, the scope of which was extended in 2022.

2. BUILDING A BETTER TOMORROW



Financial services firms in the Grand Duchy have leveraged on the country's first mover advantage in the field of sustainable finance, building significant expertise within the ecosystem; making it a global leader.

The fight against climate change can only be successful if every country, company, government, and household is prepared to contribute to achieving a low-carbon global economy. By committing to sustainable finance, the financial sector is a crucial multiplier in redistributing capital to where it is needed most and where finance can play a key role in the transition to a net-zero carbon, climate-smart, and sustainable future.

But sustainable finance is about more than just climate change. It is about financing a future where businesses act for the benefit of all stakeholders, not just their shareholders. The Covid-19 pandemic has put the sustainability of our global economy in sharp focus, and with it the question as to how finance can play a bigger role in creating a sustainable economic future.

Luxembourg acts as a leading international platform for sustainable finance, supporting a range of activities from responsible investment funds and blended finance to sustainable bond listings and ESG fund labelling.

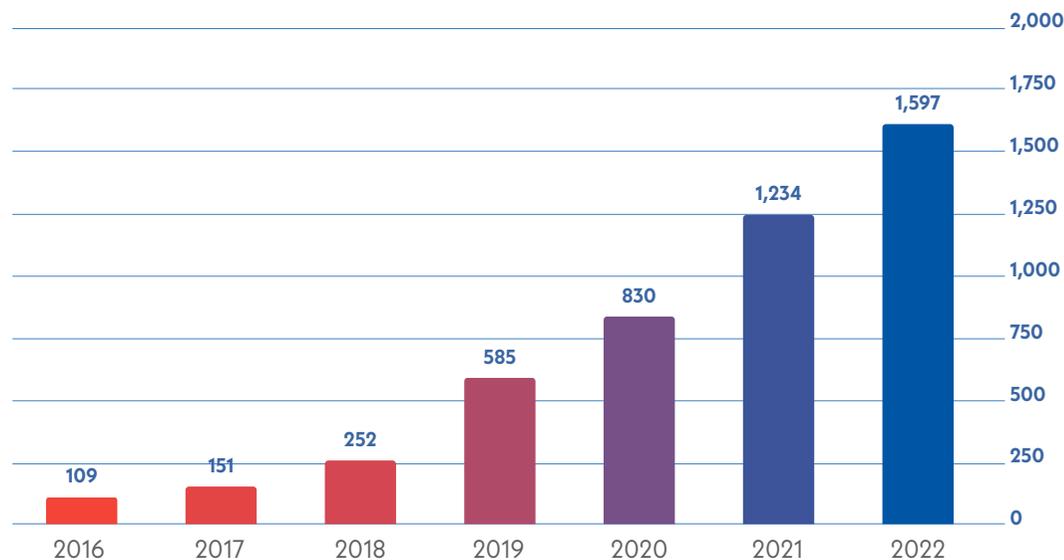
2.1 LGX: leading global GSSS³ market share

In 2016, the Luxembourg Stock Exchange launched a platform dedicated to green financial instruments – the **Luxembourg Green Exchange (LGX)**, the first of its kind, where issuers and investors can come together to meet their green and sustainable objectives.

With close to 1,600 sustainable bonds raising more than €831 bn for green and social projects and sustainable development across the world, LGX is the reference platform for sustainable securities.

The trillions that are needed to fund low-emission projects represent an enormous investment opportunity, but for green assets to thrive a **robust, reliable and transparent market infrastructure** is needed. LGX is Luxembourg’s answer to this need. All mandatory documents, including external reviews, are published on the LGX platform and are made available to investors free of charge so they can easily compare and analyse green investment opportunities. **The LGX accounts for the leading market share of total GSSS bonds listed worldwide.**

Total number of GSSS bonds listed on LGX



Source: Luxembourg Stock Exchange

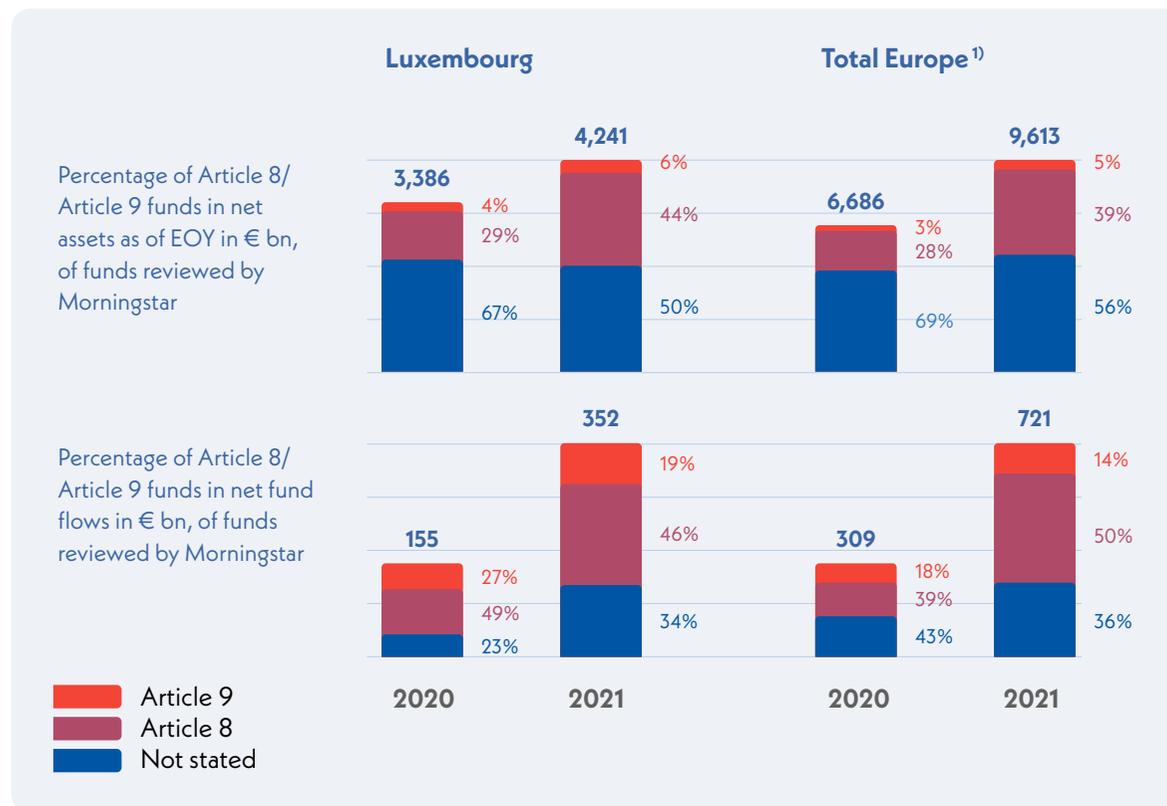
³ GSSS refers to Green, Social, Sustainable and Sustainability-Linked Bonds

2.2 Leading sustainable finance fund hub

Luxembourg is the leading European domicile for sustainable funds, with 47% of assets managed by European ESG UCITS funds domiciled in the country. According to a 2022 study by ALFI and Morningstar, Luxembourg funds managed in accordance with Article 8 account for slightly over 50% of total European Article 8 AuM. The same study notes that Luxembourg Article 9 funds account for just above 47% of total European Article 9 AuM.

The Grand Duchy is the leading European domicile for sustainable funds.

Breakdown of funds' net assets and fund flows per SFDR classification



Source: ALFI, European Sustainable Investment Funds Study, 2022

2.3 International labelling institution for financial vehicles and services

Transparency nurtures the trust that is vital to the growth of the sustainable finance sector. Product labelling increases transparency and fosters confidence. Labels provide reassurance that any given investment does exactly what it says on the tin.

The Luxembourg Finance Labelling Agency (LuxFLAG) is an independent, non-profit association created in Luxembourg in 2006, which applies a rigorous and high-quality labelling process.

The agency aims to promote transparency in the raising of capital for the Responsible Investment sector by awarding a recognisable label to investment vehicles which comply with pre-defined eligibility criteria. These labels reassure investors that a labelled investment vehicle invests, directly or indirectly, in the responsible investment sector.

The applicant may be domiciled in any jurisdiction that is subject to a level of national supervision equivalent to that prevailing in European Union countries.

LuxFLAG grants seven distinct labels: Microfinance, Environment, ESG, Climate Finance, Green Bonds, ESG Insurance Products, and an ESG Discretionary Mandate Label. As of the first January 2023, 341 investment vehicles boasted LuxFLAG labels. These products are domiciled in ten jurisdictions, from promoters from 17 countries.



3. SHAPING THE FUTURE OF FINANCE

Luxembourg plays a fundamental role in driving innovation and has invested substantial financial and organisational resources to power the transformation of specific sectors. New business is welcomed and fostered. Innovative start-ups are **incubated, hosted and coached in publicly and privately-owned facilities** to ease their early development and to provide access to services and support.

Luxembourg's financial centre has continuously adapted to a changing environment and has developed a strong track record in innovation by embracing and implementing change.

FinTechs find it easy to network and develop their business in Luxembourg due to access to multiple international financial firms operating across a wide number of markets. This makes the Grand Duchy an ideal location for FinTechs to find funding to grow their operations and services. In fact, Luxembourg has been ranked the fourth best FinTech startup ecosystem in Europe.⁵

⁵ McKinsey, *Europe's FinTech Opportunity*, 2022



3.1 LHoFT and the FinTech ecosystem

Luxembourg's supportive ecosystem for FinTechs is deep and diverse. Its ecosystem serves as a value chain from ideation to operational support, funding support, or R&D to help FinTech innovators in their whole journey.

Luxembourg's role as a leading EU financial centre, along with the high concentration of international financial firms conducting activities from the country make it an **ideal location for B2B FinTech firms**, particularly for those active in the RegTech space. In fact, a significant number of FinTech companies in Luxembourg focus on serving the regulatory and compliance needs of global finance: ranging from KYC and fraud detection, data management, to fund reporting and investor information tools, as well as digital investment services and online platform provision for financial services. This is complemented by an array of FinTechs, covering a wide array of financial services, such as asset management, tokenisation and capital markets technology, InsurTech and more.



The Luxembourg House of Financial Technology

The Luxembourg House of Financial Technology is a public-private partnership and the Grand Duchy's dedicated FinTech platform. It brings together financial institutions, FinTech innovators, research and academia, as well as public sector authorities to help drive innovation and contribute to the development of solutions in order to meet industry needs. Moreover, it provides a soft landing platform for FinTech firms from abroad wanting to access the local financial sector and market their solutions across the EU.

From inception, the LHoFT has grown to today hosting over 80 Fintechs, and also operates a global network with a membership exceeding 250 firms.

Besides the LHoFT, Luxembourg is home to a number of incubators and accelerators, which help to ensure that the country stays at the vanguard of the latest technology developments in the field.

Through its research, the University plays an active part in the ecosystem and undertakes demand-driven, applied research projects, together with the financial industry through the university's Interdisciplinary Centre for Security, Reliability and Trust (the SnT), including a dedicated Finnovation Hub, producing long-lasting competitive advantages for companies with a presence in Luxembourg.

Moreover, the University has recently launched a National Research Centre of Excellence in Financial Technologies (NCER), bringing together research excellence from the SnT as well as the University's law and finance departments to drive state-of-the-art research in Fintech.

Innovation also requires **funding and access to capital**. Luxembourg provides a range of government-backed funding programmes, such as the Luxembourg Future Fund or the Digital Tech Fund. Private funding needs to be ensured as well – and this is where the PE & VC community play a large role.

Highest density of Tier 4 data centres in Europe

Among the top 10 global leaders in terms of ICT infrastructure

Top 2 digital legal framework adapting to digital business models (e-commerce, sharing economy, fintech, etc)

2nd place worldwide in technology adoption (demand for digital products and services)

Ultra-low latency connections to all major European internet hubs for guaranteed ultra-high-speed and safe internet connections (3rd best connectivity in Europe)

Headquarters of the EuroHPC initiative and home of one of the eight petascale high performance supercomputers currently being set up across the EU (MeluXina)

Broadband coverage and penetration among the highest in Europe with coverage reaching almost 100%



Trailblazer

Firsts in Finance

1963

The first Eurobond was listed on the LuxSE

1978

Luxembourg hosts the first Islamic finance institution in a western country

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

Luxembourg becomes the first country to implement the UCITS Directive into national law

2002

The first listing of a sukuk in Europe on the LuxSE

2007

First Green Bond listing worldwide

2011

First Dim Sum Bond Listing in Europe on the LuxSE

2012

First country in Europe to regulate the family office industry

2014

First offshore RMB bond, or Shengen bond, in the Eurozone is issued on the LuxSE by a Chinese mainland company

2014

First European regulator to take an official position on how to deal with virtual currency operators

2016

The first ELTIF (European Long Term Investment Fund) across Europe was launched in Luxembourg

The first EU country that licensed a digital currency exchange

First Reserved Alternative Investment Fund (RAIF) launched in Luxembourg

The LuxSE was the first worldwide to launch a platform dedicated to sustainable securities, the Luxembourg Green Exchange (LGX), which features 43% of green, social or sustainability-linked bonds worldwide

2020

LuxSE was chosen as the listing venue for the €17 bn inaugural social bond issued by the European Commission under the EU SURE programme in the context of the COVID pandemic

First NextGeneration EU bond listed and largest green bond in the world

2022

First exchange in the EU to admit security tokens

EMPLOYMENT



64,592 people employed

BANKING



+120 banks from 24 countries



Balance sheet of banks in Luxembourg:
€ 999 bn



Private banking AuM: **€ 600 bn**

ASSET MANAGEMENT



Second largest investment fund centre in the world, first in Europe



Global leader in cross-border investment fund domicile, 57% of cross-border funds are Luxembourg funds

18/20

18 out of the world's top 20 Private Equity firms have operations in Luxembourg



More than € 5 trillion AuM



80% of asset management giants have chosen Luxembourg as the first domicile to set up their funds (PWC GFD 2022)



AuM of Regulated Real Estate Investment Funds (REIFs) increased by 25.8% over the last 12 months, which sees AuM soar to € 131.3 bn



AuM of private debt funds increased by 45.4% in 2022 to a total of € 267.8 bn

INSURANCE



32.6% YoY growth in the Premium income in life insurance companies



+197.6% net profit in the nonlife business in 2021 compared to 2020

CAPITAL MARKETS

1,600

Almost 1,600 green, social, sustainability and sustainability-linked bonds displayed on LGX

40,000

Over 40,000 listed securities, from issuers of over 100 countries, and in 70+ currencies

9

More than € 9 trillion of assets held in custody by major post-trade service providers

2nd best **policies for doing business** worldwide (GII Index 2022)

2nd in the world for **digital readiness** (Cisco Digital Readiness Index 2022)

1st globally for developed countries **climate finance** planning (Care - June 2021)

3rd in OECD for **job security** (OECD better life index 2022)

2nd in the EU for **Green finance** (GGFI 10 2022)

3rd best **location for talent** worldwide (IMD Talent 2021)

Top 5 **location for fintechs** in Europe (McKinsey 2022)

Best global **economic performance** (IMD Competitiveness 2022)

2nd best location worldwide for **quality economic growth** (Legatum prosperity index)

3rd **most international financial centre** in the world after the US and UK
(New Financial Global Financial Centres Index 2021)

4. LEADING EXPERTISE



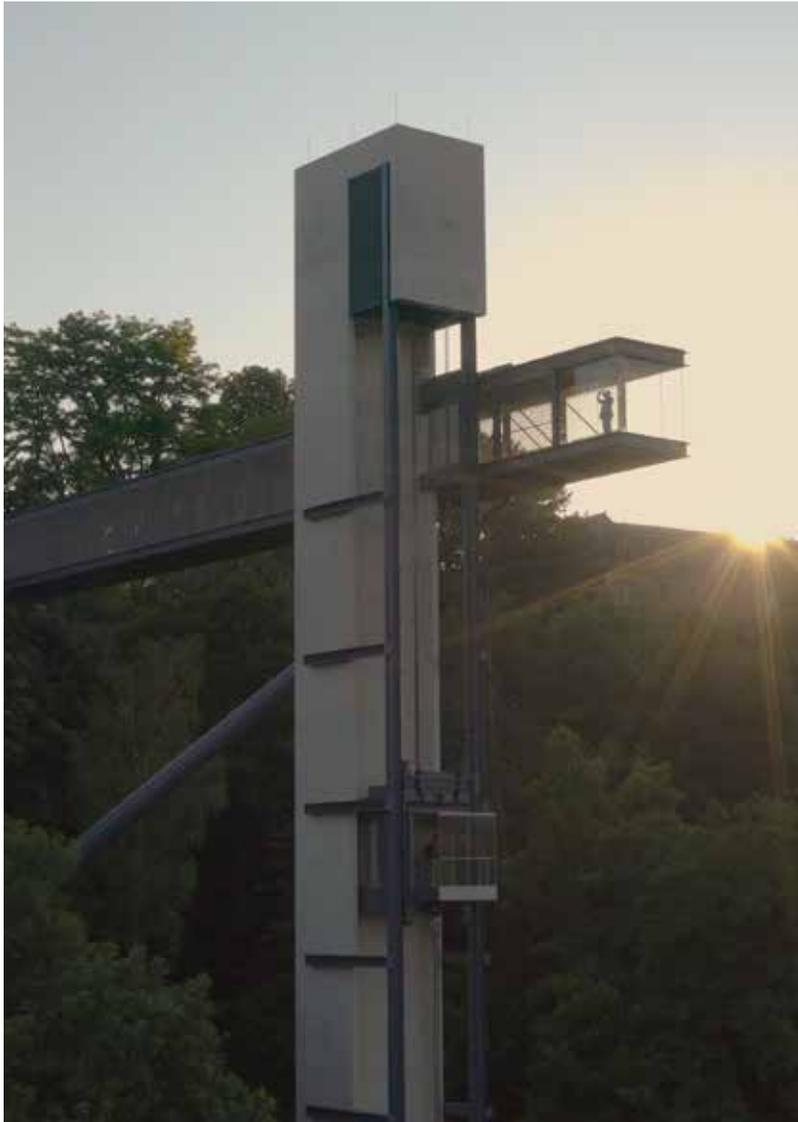
4.1 Banking

Luxembourg is an international hub for major banks serving European and global cross-border clients. The banking sector is characterised by stability, with an average total capital ratio of 21.0%⁶, and a tier 1 capital ratio of 20.0%⁷ - well above the EU minimums of 8% and 6% respectively⁸. **Private banking** and wealth management services are core activities for banks, creating clear synergies with the insurance and asset management players based in the Grand Duchy. **Corporate banking** services is another specialism, building on the longstanding cross-border expertise of professionals working in the Luxembourg financial sector. Luxembourg is also home to a specialised range of depositary banks that support the Grand Duchy's investment fund industry.

⁶ BCL Q3 2022

⁷ Ibid

⁸ CSSF



Private banking

Since the financial crisis in 2008, assets under management in Luxembourg private banks have almost tripled to close to EUR 600bn as of 2021⁹, serving a **growing international client base**. (Ultra-) high net worth individuals are served both by a range of homegrown private banks, as well as by multinational banking groups from the US, Switzerland and Asia that have chosen Luxembourg as their EU private banking hub.

However, Luxembourg's private banking industry also makes it easy to provide

clients with a broad range of services from a single contact point, including investment advice and portfolio management, to more tailored offerings including assisting with cash flow needs and strategies for wealth transition and succession planning.

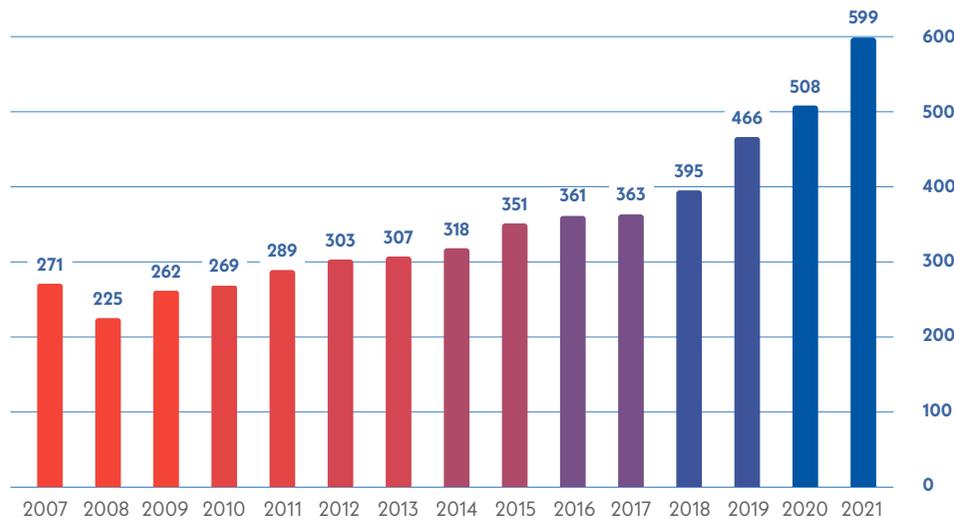
Luxembourg's position as a private banking hub has been cemented due to the stability of the banking sector, as well as the **expertise of professionals in managing cross border financial services and investments**.



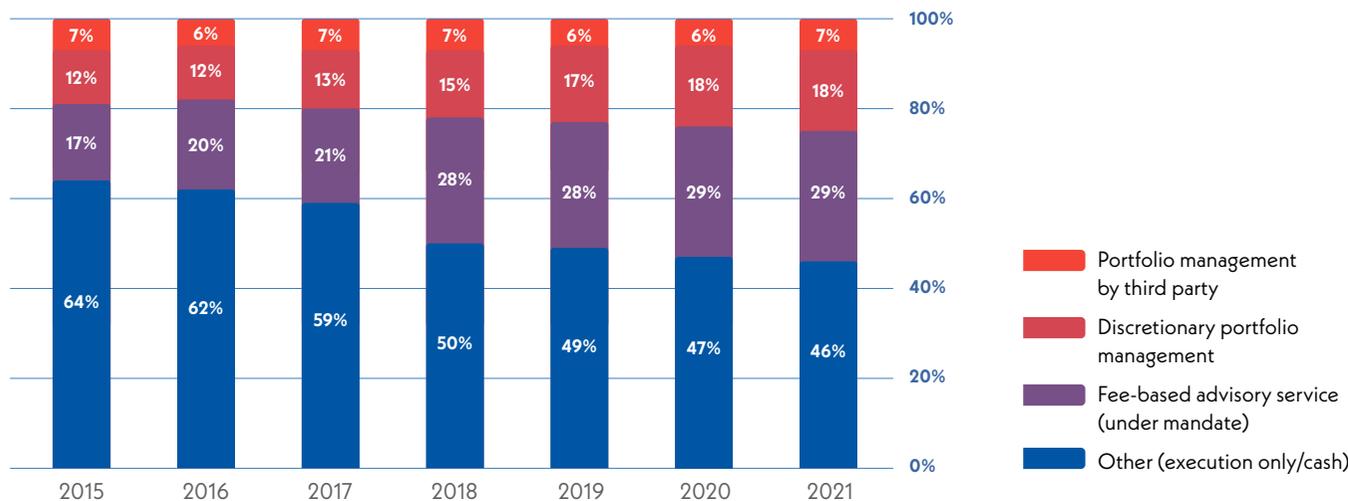
Leading international private banks choose Luxembourg for many reasons. Strong links to the fund industry, a reliable regulatory framework, and the multilingual and multicultural workforce which makes it easy to engage with clients across multiple jurisdictions, are key decision factors for many banks.

⁹ Clarity on Performance of Luxembourg Private Banks 2022

Evolution of Private Banking AUM in Luxembourg, EUR billion



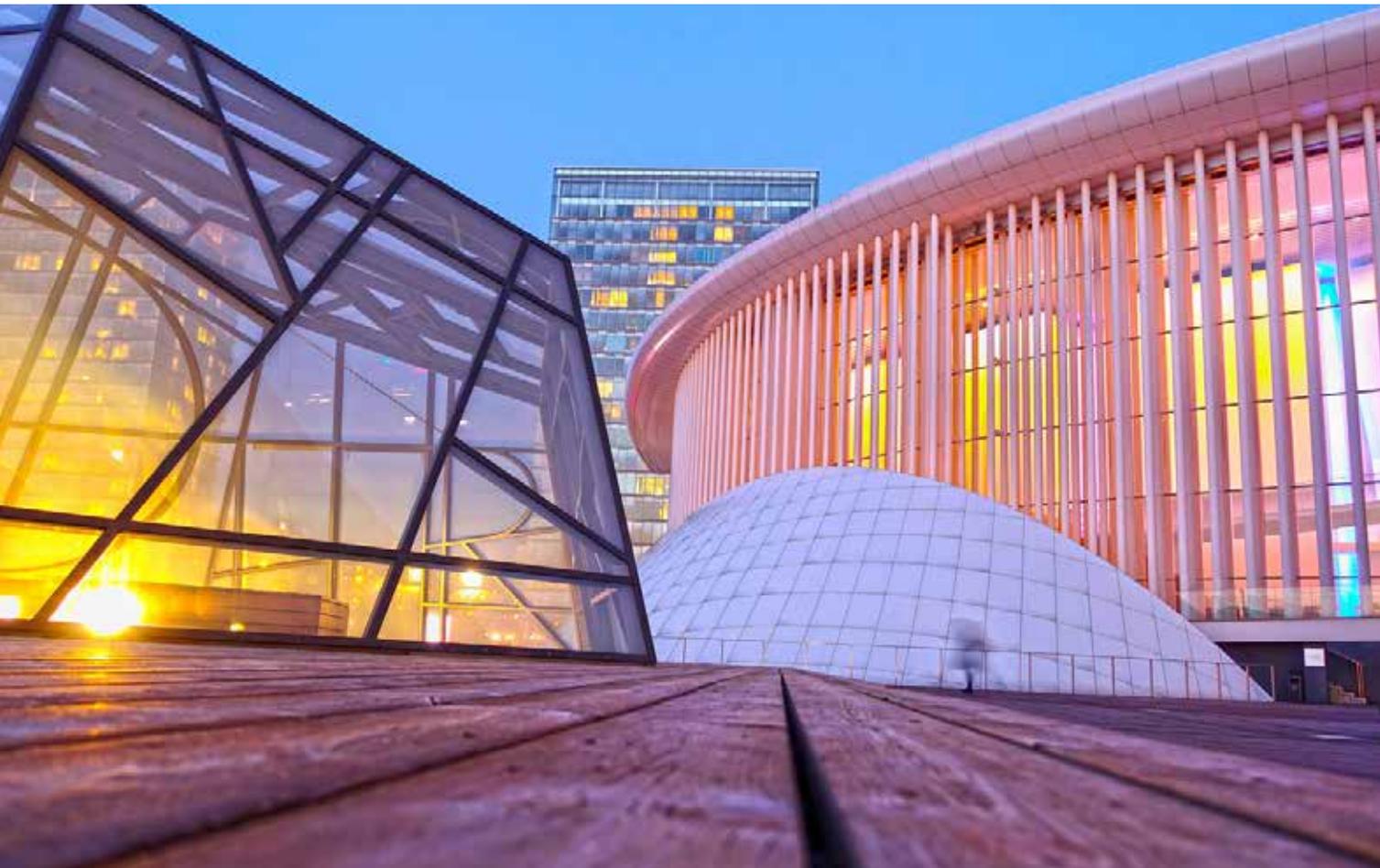
Luxembourg private banking services breakdown



Source: KPMG, Clarity on Performance of Luxembourg Private Banks, 2022

Luxembourg’s private banks have, over the past decade, also become trusted advisors to their clients, with significant growth in discretionary portfolio management and advisory services. These services account now for almost half of the AUM managed by Luxembourg private banks.

Luxembourg private banks are also uniquely positioned to offer additional services to their clients that build on the overall strengths of the financial centre. For example, 70% of Luxembourg private banks also offer **international inheritance planning services**, and close to two thirds offer additional **life insurance services**, either in house or via a partner. These are well-established vehicles for wealth planning, which build on the strengths of the Luxembourg life insurance sector and the “**triangle of security**”.



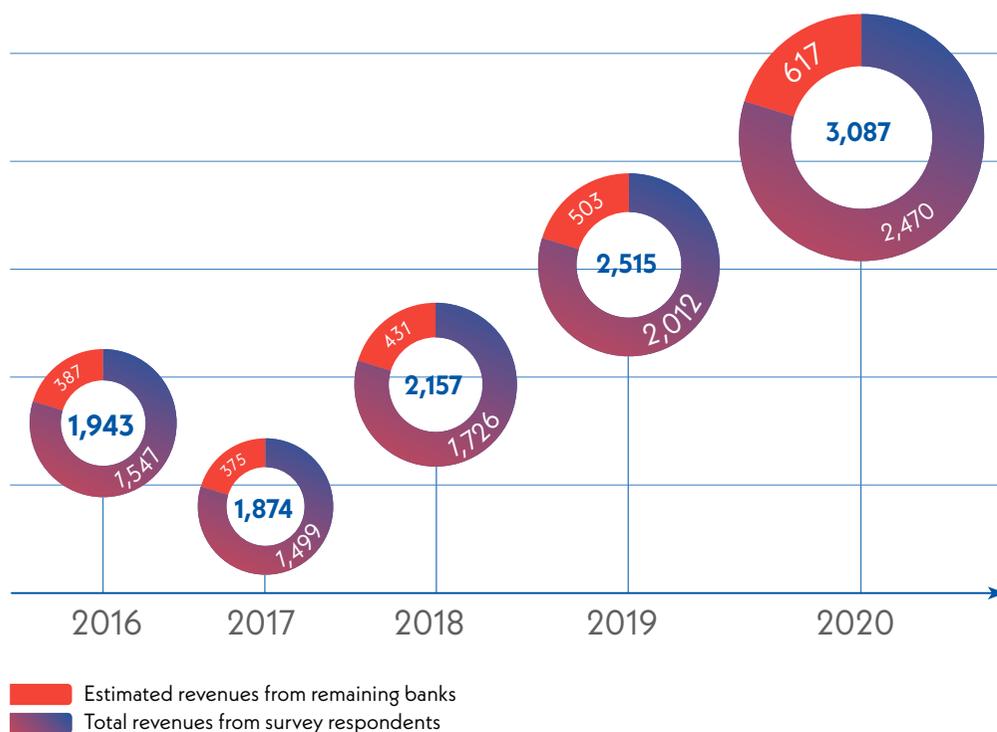
Luxembourg's extensive **toolbox of well-designed legal instruments** and investment vehicles also makes it an ideal location for structuring capital according to the individual and specific needs of UNHWI clients. This toolbox is further supported by an extensive double tax treaty network with over 85 jurisdictions¹².

Private banks are also increasingly embracing digitalisation. Over the last five to ten years, many have actively set up **collaborations with FinTechs** to differentiate themselves and develop new products and services. Private banks in Luxembourg have also modernised the way they provide 'front-office' service, moving to digital channels and making good use of data analytics to better analyse and forecast client needs.

¹² <https://impotsdirects.public.lu/fr/conventions/luxembourg.html>

These factors translate into better credit ratings for Luxembourg banks, and by extension cheaper wholesale funding and better rates on loan activity than such institutions would be able to access in other jurisdictions. These factors also synergise well with the wide range of corporate treasuries in the Grand Duchy of both financial and non-financial institutions.

Estimated corporate banking revenues, Luxembourg, 2016 - 2020 (EUR million)



Source: PwC Luxembourg

Corporate finance

Corporate finance lies at the heart of the Luxembourg financial centre. Over the last century, the banking industry grew out of a need to serve companies operating internationally and to facilitate foreign trade and cross-border investment in a multi-currency environment.

Today, banks and service providers in Luxembourg can offer **complete end-to-end solutions to companies** or can **blend seamlessly into an international service-chain**.

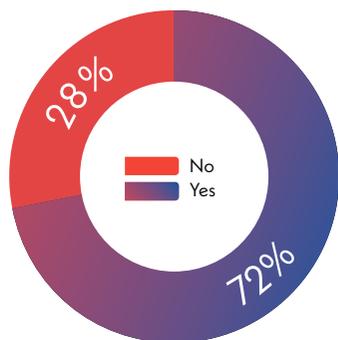
Corporate banks in Luxembourg benefit from a positive correlation between the financing costs of their activities and the Grand Duchy's status as one of only 11 countries worldwide that has a AAA sovereign credit rating from all major ratings agencies¹³, and a very low debt-to-GDP ratio of 24%¹⁴.

¹³ S&P, Moody's, Fitch Ratings

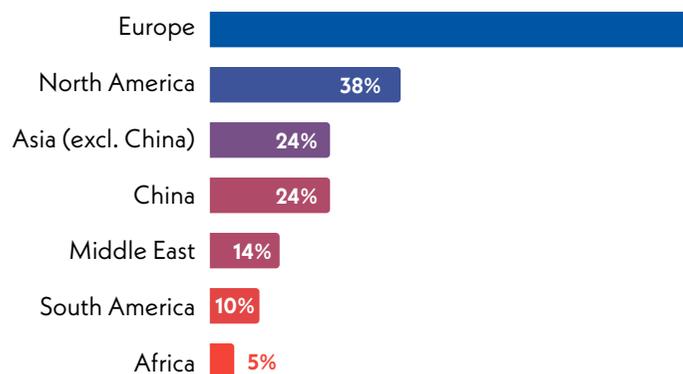
¹⁴ Trésorie de l'État

Corporate Bank’s business with multinational corporations

Do you serve multinational companies?



Where are these companies mainly located?



Source: PwC Luxembourg

The international nature of the corporate banks in Luxembourg makes them well positioned to serve a diverse and multinational client base, with **80% of revenues being derived from non-Luxembourg organisations**¹⁵. It is for this reason also that approximately 41% of Luxembourg’s corporate banking sector is composed of actors who originate from outside the European Union and that have chosen Luxembourg as their primary EU base – with these institutions serving both clients from their home jurisdictions looking to provide services in Europe, as well as locally based European clients.

In addition to eurobonds and international loans (bilateral and syndicated), financing of all types is available, including working capital lines, acquisition finance, asset finance, project finance and green loans, as well as factoring, receivable finance, fiduciary finance, leasing, supply chain finance and capital markets transactions. Luxembourg provides

an ideal location for such structured financing both as a result of the rapid time to market possible in setting up such products, as well as via a strong and well developed legal framework with international recognition, including a securitisation law updated in 2022 that allows for a high degree of investor protection, as well as a fiduciary law allowing for deep customisation of fiduciary notes according to client needs.

¹⁵ PwC Corporate Banking Survey

Depository banking

Banks also play a fundamental role enhancing Luxembourg's asset management industry. As service providers to investment funds, management companies and other elements of the asset management value chain, banks play an important custody and depository function. Some make further contributions by providing services related to subscriptions, redemptions and the distribution of investment funds.



The depository function in particular plays a crucial and mandatory role in oversight, custody and segregation of fund assets, and for most assets can only be carried out by a licensed bank often in the same domicile as the fund itself.



4.2 Asset Management

Luxembourg has been a first mover in the internationalisation of the investment fund industry that has occurred over the last 40 years. In turn, this role has led Luxembourg to become the world's leading cross-border asset management centre and the second largest fund hub globally.

Today, fund initiators from 67 countries world-wide make use of Luxembourg UCITS funds to distribute in 80 countries globally. Of the top 50 asset managers in Europe:

- 40 have their main fund domiciled in Luxembourg
- 41 have one of their three biggest funds domiciled in Luxembourg
- 18 of the 20 top private equity managers have Luxembourg domiciled funds.



The credibility of Luxembourg funds has allowed them to take on an international role far beyond the borders of the European Union.

Their acceptance by a wide range of financial authorities means, for example, many Luxembourg funds are passported across Asia or offer Latin American pension funds access to global markets. Additionally, the Grand Duchy's wide range of investment structuring possibilities make it a location of choice for investment managers globally. Furthermore, strong expertise in Luxembourg relating to the handling of complex operational procedures surrounding the lifecycle of investment funds helps in all aspects of structuring and distributing these funds.



Luxembourg brings everything together under one roof – an experienced regulator, experienced internationally oriented management companies, and highly skilled service providers.

Post-Brexit, Luxembourg has also seen a growing number of companies adding client-facing, portfolio management roles and investment management roles in Luxembourg. Private Equity firms are also increasingly moving key dealmaking functions to the country, building on the Grand Duchy's multi-jurisdictional expertise.



Alternative funds

Luxembourg has become a leading destination for alternative investment funds and was one of the first EU countries to transpose the EU's Alternative Investment Fund Managers Directive (AIFMD) in 2013. At the same time Luxembourg also launched its Special Limited Partnership regime (SLPs) and followed this in 2016 with the introduction of the Reserved Alternative Investment Fund vehicle (RAIFs).

These new investment vehicles expanded Luxembourg's structuring offerings, proving to be widely accepted by the market. Reduced time to market, contractual free-dom, the possibility of creating umbrella structures with ring-

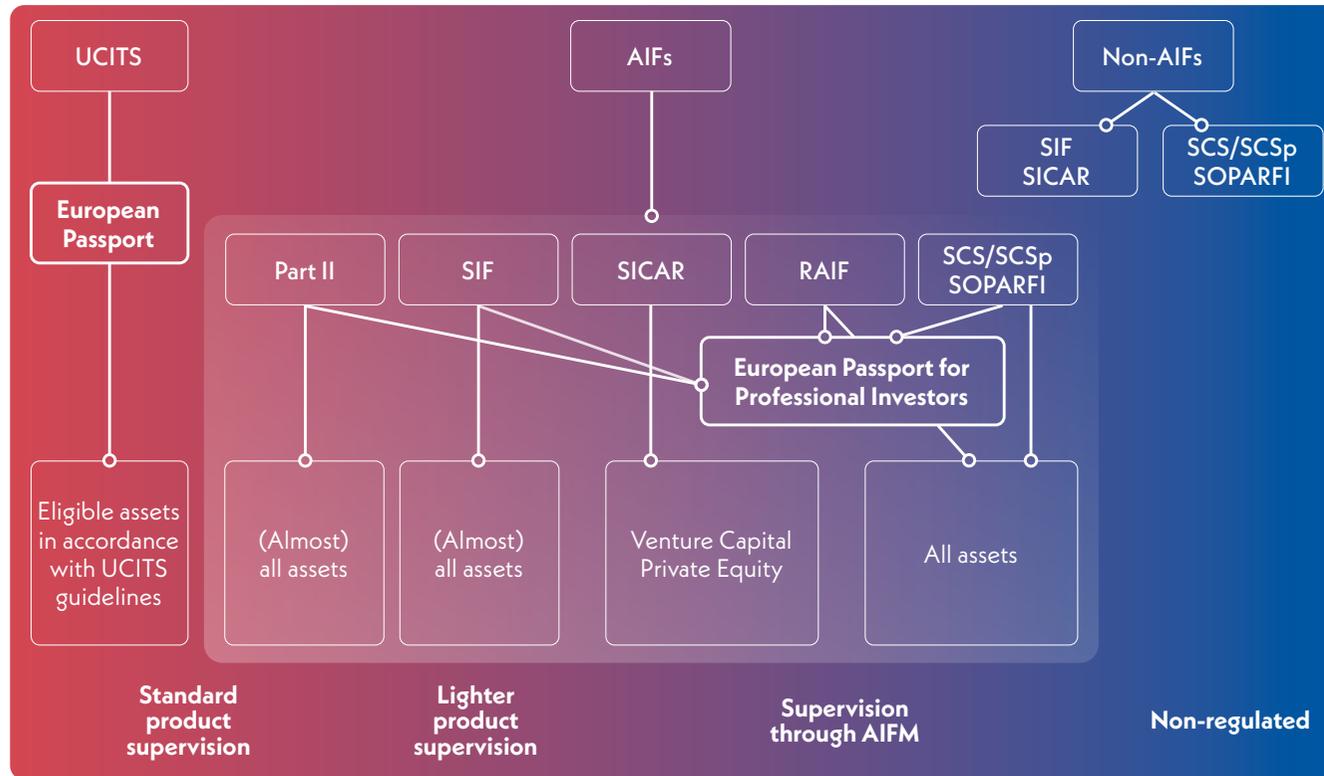
fenced sub-funds (compartments), and supervision taking place at AIFM level rather than at the fund level – among others – have made RAIFs and SLPs a success. Indeed, these are the most frequently used vehicles to structure both private equity and other alternative investments funds in Luxembourg¹⁶. As of November 2022, there were 2,121 accumulated RAIFs and 6,454 active SCSps.

This wide range of legal entities coupled with an alternative investment passport have made Luxembourg the destination of choice for a wide range of strategies, with today over EUR 1.3tn in AUM in AIFs managed by authorised Luxembourg investment fund managers¹⁷.

¹⁶ LPEA GP Survey

¹⁷ CSSF annual report

Overview of Luxembourg Fund Structures



The investment fund toolbox

One of the key assets of the Luxembourg investment fund industry is the range and flexibility of its fund structuring toolbox, which provide options for structuring a fund with:

- A variety of degrees of supervision
- With or without European passporting
- The ability to target a wide range of investable asset classes and with degrees of concentration and investment restrictions
- With minimum capital requirements ranging from zero to EUR 1.25m

Luxembourg Top 20 ManCos

Ranking	▼ = ▲	ManCo	Group nationality	Sum of AuM (end 2021)
1	=	JPMorgan Asset Management (Europe) S.à r.l.		432,958
2	=	DWS Investment S.A.		317,045
3	=	UBS Fund Management (Luxembourg) S.A.		255,339
4	▲	BLACKROCK (Luxembourg) S.A.		217,508
5	▼	Amundi Luxembourg S.A.		214,101
6	=	SCHRODER INVESTMENT MANAGEMENT (EUROPE) S.A.		164,004
7	▲	Eurizon Capital S.A.		162,908
8	▼	FIL INVESTMENT MANAGEMENT (LUXEMBOURG) S.A.		151,951
9	▼	Pictet Asset Management (Europe) S.A.		150,460
10	=	BNP PARIBAS ASSET MANAGEMENT Luxembourg		130,329
11	▲	HSBC Investment Funds (Luxembourg) S.A.		123,783
12	▼	NORDEA INVESTMENT FUNDS S.A.		117,136
13	=	Universal-Investment-Luxembourg S.A.		108,146
14	▲	FundRock Management Company S.A.		107,081
15	▲	Franklin Templeton International Services S.à r.l.		99,758
16	▼	M&G Luxembourg S.A.		95,995
17	▼	ABERDEEN STANDARD INVESTMENTS LUXEMBOURG S.A.		95,307
18	▲	Carne Global Fund Managers (Luxembourg) S.A.		92,587
19	▼	AllianceBernstein (Luxembourg) S.à r.l.		91,196
20	▲	HAUCK & AUFHÄUSER FUND SERVICES S.A.		78,634

Investment Fund Managers

Luxembourg is home to over 300 authorised management companies, both UCITS and AIFMs, with these entities having a responsibility for the overall performance, risk management, compliance and marketing of their investment funds. The expertise of the Luxembourg ecosystem here, both with respect to UCITS funds as well as alternative investments, attracts some of the largest firms worldwide to base their management companies in the Grand Duchy.

Luxembourg also offers a modern third-party Management company approach, which combines quick time to market together with strong oversight for firms looking at rapid deployment of a Luxembourg domiciled investment fund without unnecessary overheads up front.

4.3 Capital Markets

From listing and trading, to clearing and settlement, Luxembourg offers a solid capital markets environment within a highly developed market infrastructure. The **Luxembourg Stock Exchange (LuxSE)** is a global specialist in the listing of international securities and is well known for its fast, transparent and customer-focused listing process. For more than fifty years the Exchange has helped companies, institutions and governments around the globe access international capital markets. Furthermore, by pioneering new products such as green bonds, dim sum bonds and sukuk, it has actively contributed to innovation in the financial marketplace. Today LuxSE lists over **40,000 instruments from issuers from over 100 countries**.

From a post-trade perspective, Clearstream Banking S.A., one of only two international central securities depositories worldwide, set up in Luxembourg to serve international securities and currently has **total assets under custody in the Grand Duchy of over EUR 9tn**. Clearstream is also one of Europe's 4 eligible triparty agents, providing

a range of services that increase efficiency and safety of collateral management and repo, as well as a range of automated securities lending and borrowing services that help reduce settlement failure and generate client return.

On a European level, Luxembourg's national central securities depository, LuxCSD, provides a neutral issuance location for securities within the unified securities settlement zone known as Target2-Securities (T2S). It provides issuance services for both Luxembourg and non-Luxembourg issuers in central bank money, with reach across 20 European capital markets. Finally, on the reporting side, Luxembourg is home to Europe's largest trade repository, REGIS-TR, which provides both EMIR and SFTR reporting services as mandated under EU regulation.

Securitisation transactions represent an important component of Luxembourg capital markets with transactions using a variety of asset types as collateral, as well as auto loans, credit-card receivables, and consumer loans.



Luxembourg' securitisation framework was updated in 2022, providing further flexibility for structured finance and debt transactions. This framework includes the ability for Luxembourg special purpose vehicles, both of a regulated and unregulated nature, to issue actively managed collateralised debt obligations (CDOs), with com-partmentalisation features and other insolvency limiting provisions such as limited recourse, non-seizure of assets, subordination, and ringfencing.

In addition, structured-products issuing vehicles - synthetically transferring the performance of underlying assets through derivatives - have historically been established in order to issue strategy certificates for European retail and wealthy clients.

Luxembourg also has a well developed framework for fiduciary contracts, again providing options for ring-fencing assets held by fiduciary organisations.

Futuring capital markets

Luxembourg has always been a pioneer in the field of capital markets, and continues to act in such a manner today.

On the technology side, Luxembourg has also made adjustments to its legal framework in 2019, 2020 to allow for the use of distributed ledger technology in the issuance, transfer and use as collateral of securities (Blockchain laws I respectively Blockchain law III is currently under discussion within the country's parliamentary chambers). The Luxembourg Stock Exchange began admitting security tokens on its Securities Official List (SOL) in 2022.

On the collateral management side, Luxembourg is also home to HQLAx, which is a distributed ledger platform improving collateral mobility between market leading triparty agents and custodians.

Luxembourg's blockchain friendly capital markets legislation has attracted supranational institutions. In early 2023, the European Investment Bank issued its first digital bond in Pound sterling under Luxembourg law and listed it on the SOL.

4.4 Payments

Leading international players in the payments sector have chosen Luxembourg as their hub to serve the EU payments market, often in connection to the development of e-commerce platforms. One of the earliest actors in Luxembourg in this field was Paypal, which obtained a banking licence in Luxembourg in 2007. Today it provides payment and working capital services to merchants, as well as consumer payments and BNPL services from the Grand Duchy.

With the introduction and revision of the Payment Services Directive, Luxembourg has also seen growth in major firms providing licensed payments services either via a banking licence, or via the Electronic Money Institution or Payment Institution licences. Firms granted licences in these categories include major e-commerce platforms and specialist providers of payments services connected to such platforms, as well as a number of large pure-play payment service providers.

These factors are reflected in the extremely **high proportion of cross border payments** in comparison to domestic payment volume (domestic payments only account for 9% of total payment volume in Luxembourg), as well as the extremely **high level of e-money activity** in the Grand Duchy, which accounts for over 90% of local payments¹⁸.

Luxembourg's role as a hub for major international payments firms has led to the **European Payments Association (EPA)** choosing Luxembourg as the HQ for their EU representation office in March 2020. The European Payments Association is a leading professional association of the international payments sector.

These factors combine on a national level, meaning the CSSF has built up strong expertise relating to cross-border payments and the institutions working in this space.

¹⁸ EPA EU Payments Key Players in Europe

4.5 Insurance

Luxembourg has leveraged its **cross-border expertise** to act as a hub for foreign insurance companies looking to provide services across the EU. Luxembourg's stability and asset management ecosystem are significant draws for insurance firms, whose business is the management of risk. While Luxembourg's insurance ecosystem traditionally focused on life insurance and reinsurance, post-Brexit the Grand Duchy has increasingly taken on an important role as a major European hub for non-life insurance.

Today Luxembourg is home to 274 insurance and reinsurance firms, with total direct premiums exceeding EUR 56bn.

Dedicated regulator



Insurance firms in Luxembourg are supervised by a dedicated regulator, the **Commissariat aux Assurances (CAA)**. This provides deep and specialist expertise at the supervisory level to the insurance sector, a factor specifically important in a cross border context where insurance contracts are distributed under the legal framework of the country of residence of the subscriber. This expertise, particularly in the management of multinational insurance activities, is crucial in what is an extremely complex industry.

Triangle of security



Asset protection for Luxembourg life insurance policies is guaranteed through the unique Luxembourg regime known as the "Triangle of Security". This framework ensures the legal and physical segregation of investors' assets on the one hand and those of shareholders and creditors of the insurance company on the other. Assets associated with life insurance policies are segregated from the insurer's other financial obligations and held in custody with a custodian bank that has been approved in advance for such purposes by the CAA.

Flexible structuring



Luxembourg life insurance solutions are able to access a uniquely wide array of structuring vehicles that synergise with the Grand Duchy's role as an asset management hub.

Benefits here include flexibility in terms of:

- Choice of contract currency
- Guaranteed return schemes with premiums invested in the insurer's general fund, as well as a wide range of unit linked products
- Options to combine unit linked contracts with different financial vehicles, including:
 - Diversified investment funds
 - Internal Collective Funds
 - Internal Dedicated funds
 - Specialised Insurance Funds

Reinsurance and captives

Luxembourg is home to a well-developed reinsurance and captive reinsurance sector with over 200 reinsurers based in the Grand Duchy.

There are several benefits of captive reinsurance in Luxembourg.

- The premiums paid to the captive by the parent and affiliates of the group and the attached captive's underwriting profits can be retained within the international group and used to finance the business activities of the other subsidiaries of the group.
- The captive reinsurance, being an "in-house" reinsurance solution, allows its owner to tailor the insurance to suit the group's specific requirements. In particular, international groups with different types of risks in different geographic locations may often have to purchase insurance policies from local providers.

- A captive can create a "one-stop shop" within the group, enabling the owner of the captive to allocate deductibles for each risk or territory.

- The captive also centralises the risk management strategy of the international group, allowing for a better overall assessment of the group's risk exposure and losses.

Luxembourg provides an ideal legal, tax and administrative framework for captive reinsurance businesses. This includes, under certain circumstances, tax-deductible equalisation provisions. Luxembourg reinsurance captives also benefit from a deferred taxation regime. This regime arises from the fact that reinsurance captives partially or totally neutralise their financial and technical profits by charges linked to the equalisation provision.¹⁹

¹⁹ For reference, Directive 2005/68/EC established a prudential framework for the captive system as far back as 1991. One of its key contributions was the possibility to use equalisation provisions.

5. A WELCOMING PLACE TO LIVE AND WORK

Luxembourg has many faces: it is one of **Europe's leading financial centres**, an **EU capital** and a country in which **half of the population are non-native**. With an efficient health and social security system, attractive salaries and outstanding natural beauty, it is both a vibrant and a pleasant place to live and work.

Luxembourg has always been outward-looking. People are friendly and approachable, meaning that Luxembourg is a welcoming place to settle in and find work. When you come to Luxembourg, you are a welcome guest.



No red tape

While moving abroad can be daunting, Luxembourg provides you with a series of services allowing you to make your move seamless. From administrative efficiency to free public transport, everything is made to make you feel at ease in no time. There's no administrative red tape and long lines to deal with in Luxembourg.



Safe, clean, healthy

Luxembourg provides a high quality of life to residents. A safe environment, wide variety of cultures, modern infrastructure, and political stability are just some of the features that make the Grand Duchy an attractive place to live and grow your career in finance.



Getting around

It's easy to get around in Luxembourg, making attending several meetings in a day effortless. The tram and bus in the city and public transportation throughout the country are free. Luxembourg Findel airport is just 15 minutes away from the city centre, offering international reach with the convenience of an uncongested airport. Within an hour you can access major European cities such as London, Berlin, Frankfurt, Paris, Amsterdam or Zurich.



Attractive social security regimes

A robust social security scheme, the highest take-home salary in the European Union, a minimum of 26 working days of leave per year, and one of the top ranked pension systems in the world – these are but some of the benefits one gains from working in Luxembourg.

International education

Luxembourg has led the way in international education for decades. It has a wide selection of multilingual schooling options and a vast selection of state-subsidised fee-paying schools to cater for the growing expat community. The European school was born in Luxembourg.

Luxembourg's public and private schools offer the International, European or French Baccalaureate, British A-levels, the German Abitur and the multilingual Luxembourgish Baccalaureate. Children attending any of these school options are sure to grow up in a multicultural and multilingual environment.





Training possibilities for staff

Luxembourg offers various high-level courses and training to take your career to the next level. Employees in Luxembourg have the right to benefit from 80 days of training leave during their professional career. In some cases, employers can apply for financial subsidies from the state.

The University of Luxembourg offers several masters programmes in finance, such as... a two-year Master in Wealth Management. This Master was developed together with the Luxembourg financial centre and meets the highest international standards.

They also offer a Master of Science in Finance and Economics, a two-year program where you have the option to specialise in the more traditional fields such as Banking, Investment Management, Risk Management but also new fields such as Sustainable Finance and Digital Transformation in Finance.

For those who want to study and keep working, there are plenty of part-time professional courses. The Lifelong Learning platform for example or The Luxembourg House of Training that offers some 750 training modules.

Most of the courses are related to Luxembourg's financial industry and are offered in English and in French. Recently, the government also launched the Digital Learning Hub, which provides vocational training in the fields of computer science with local and international partners.

Known for its international and multicultural environment, you will also find excellent language institutions here. Some communes offer free language classes for residents and cross-border employees.

Luxembourg for Finance (LFF) is the Development Agency for the Financial Centre. Founded in 2008, it is a public-private partnership between the Luxembourg Government and the Luxembourg Financial Industry Federation (PROFIL). LFF's objective is to develop Luxembourg's financial services industry sustainably by putting qualitative growth, innovation and stability at its core.

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