

**AMBITIONS 2025:**

**SHAPING A  
SUSTAINABLE  
FUTURE**



# ON THE PATH TO A SUSTAINABLE FUTURE

## MINISTER'S FOREWORD



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Luxembourg Minister of Finance

Since November 2015, when Luxembourg for Finance published its ambition paper LuxFin 2020, a lot has happened. At the time, the Brexit referendum in the UK was still half a year away, the landmark COP21 was just about to start, and no one suspected that a US-China trade war would be on the horizon only a couple of years later.

The Luxembourg financial centre has also evolved significantly since then:

- With more than 60 financial firms, including banks, insurance firms and asset managers, having chosen to set up new entities or strengthen existing activities in Luxembourg, the outcome of the Brexit referendum has been a real-life test of the attractiveness of Luxembourg's financial centre.
- Luxembourg has not only embraced the global trend towards green and sustainable finance that was triggered by the Paris Agreement in 2015, but has taken on a leading role: today ranking as the 4th greenest financial centre globally, being home to half the world's listed green bonds and more than a third of Europe's responsible investment funds.
- Following the opening of the national Fintech platform LHoFT in 2017, Luxembourg has continued to successfully position itself as an EU centre for Fintech firms as well as a leading European payment services hub, with the arrival of new actors such as Alipay, Satispay and AirBnB.
- With Luxembourg having fully embraced transparency in tax matters, the country's private banking sector has continued to diversify into high-net-worth and ultra-high-net-worth client segments, with assets under management having grown by more than 20% over the past 5 years. In recent years, players like Bank of Singapore, JP Morgan or Citi and several Swiss banks as well as banks from other EU countries have chosen to centralise their European private banking operations in Luxembourg.
- With a modernised limited partnership regime and a local ecosystem that continues to climb up the value chain, Luxembourg's private equity and alternative fund industry goes from strength to strength: assets under management in private equity funds in Luxembourg grew by 50% in 2019.

Thanks to this continued growth and diversification over the past 5 years, Luxembourg's financial centre can rely on solid foundations to continue to grow in an international environment that has fundamentally changed since 2015.

As outlined in the coalition agreement of 2018, the development of the financial centre, with a particular focus on digitalisation, sustainable finance and the alternative investment sector, is a key priority of the government.

The ambition for the financial centre over a 5-year horizon, set out in the present document, is not about simply increasing numbers, be it the number of firms, of assets under management or head count. Instead, its focus lies on qualitative growth. Indeed, thanks to a high level of productivity, the Luxembourg financial centre is already today a model of qualitative growth: with only 12% of the national work force, the financial centre directly generates 31% of national GDP.

Continuing on this path of qualitative growth will require several key ingredients.

**Stability and predictability:** Through a responsible fiscal and budget policy, the government is committed to safeguard Luxembourg's AAA rating and thus provide a stable environment for the financial sector to grow.

**Sound legal and regulatory environment:** The government will continue to ensure that financial services firms in Luxembourg can rely on a conducive cross-border business environment that is fully in line with European and international rules and regulations. Moreover, Luxembourg's supervisory authorities are recognised in Europe and internationally for their competence and high level of expertise in dealing with international financial services and products.

**Digitalisation as enabler:** Going forward, digitalisation will play an even more important role than it has in the past. By bringing new firms and their solutions to Luxembourg and supporting the development of home-grown Fintech innovators, Luxembourg is creating a favourable environment to allow the financial sector to innovate and develop new products and services, while generating important efficiency and productivity gains.

**Sustainability at the core of everything:** Finally, I would like to underline that qualitative growth is in fact synonymous with sustainable growth. In order to avoid a next financial crisis as a result of stranded assets and risks to financial stability resulting from climate change, what is needed is not just an energy transition, but also a finance transition. Building on its international financial centre ecosystem and its long-standing expertise in sustainable finance, Luxembourg is not only committed to make its own financial sector more sustainable but, importantly, is also ideally positioned to support this finance transition, which will require mobilising private capital to shift from billions to trillions in green and sustainable investments.

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# BUILDING ON SUCCESS

This publication aims to lay out a vision for the further development of a sustainable financial industry over the course of the coming five years.

That vision is one of Luxembourg continuing on the growth path it has followed in recent years, while building on the present-day strengths that have made it one of Europe's leading financial centres.

Among these strengths are the Grand Duchy's international expertise, its long history of economic openness and its multi-cultural and multi-lingual population. In many sectors, Luxembourg is uniquely well positioned to offer firms the set of talents and skills that can help them serve clients across multiple markets.

Since the 19<sup>th</sup> century, Luxembourg has built a history of success by leveraging the talents of its people while being alert and responsive to the changing needs and demands of its European and global clients.

In 1928, the Luxembourg Stock Exchange was created, later playing a historic role in the development of the international debt markets when it listed the first ever Eurodollar bond in 1963, issued by Italy's Autostrade.

While international banks have been present in Luxembourg since the 19<sup>th</sup> century, the real emergence of Luxembourg as a financial centre came about in the 1970s when banks, notably from the US, set up operations for multi-currency transactions, syndicated loans and Eurobond activities.

In the 1980s Luxembourg became a regional hub for wealth management and remains so to this day with its client base now extending from Europe to the Middle East and Latin America.

In 1988, Luxembourg was the first member of the then European Communities to implement a new framework for pan-European funds, the UCITS (Undertakings in Collective Investments in Transferrable Securities). No longer faced with the complexity and costs of having to set up separate local products for each individual market, major fund managers from the US and European countries started to launch cross-border investment funds from Luxembourg, which developed a high level of expertise in asset servicing and a unique ecosystem of service providers, allowing for economies of scale. As a result, Luxembourg has significantly contributed to establishing a truly global cross-border fund industry over the past three decades.

Today, fund administration and servicing are the anchor activities of Luxembourg's financial industry. Many of the 130 international banks present in Luxembourg are serving the fund business by offering custodian, depositary banking and asset servicing activities. Assets under management in Luxembourg investment funds total 4.6 trillion euros (5.1 trillion dollars), making Luxembourg the number 1 fund centre in Europe and second globally only to the US. More than 400 fund promoters have set up some 3,800 funds in Luxembourg, which are being sold in 73 jurisdictions around the world, making Luxembourg funds the most widely accepted investment vehicle. 98 of the 100 largest European asset managers have Luxembourg funds. At the same time, Luxembourg has over the past years developed into a leading European hub for alternative investment funds. 19 of the 20 leading private equity firms have operations in Luxembourg, with AuM in Luxembourg private equity funds having grown by 20% in 2018 alone.

While many banks in Luxembourg excel in fund services as well as wealth management, Luxembourg based banks also serve European and international clients in other areas, such as corporate banking and treasury services, capital market operations, trade finance, etc.

Wealth management activities include a highly developed life insurance industry, which has acquired unique expertise in offering tailor-made insurance products, notably unit-linked insurance plans for global clients. Furthermore, the Grand Duchy has more recently become a cross-border hub in the non-life insurance sector as a number of major insurance companies have chosen to set up their post-Brexit EU hub in Luxembourg.

Since the turn of the century, Luxembourg has been able to develop a significant payments cluster in Europe through the presence of giants like Paypal, Amazon Payments, Alipay, Rakuten and Six Payments, who serve their European customer base from Luxembourg. More generally, technology has been a driver in the development of the Luxembourg financial centre over the past few years. While many Fintech firms, such as payment service providers, have decided to operate and serve European customers from Luxembourg, the financial centre itself provides an important client base as well as testing ground for Fintech firms to develop and market new solutions, notably in the area of Regtech.







In 2015, the COP21 Paris Agreement marked a turning point by unlocking the potential of green finance and underlining the need to scale up investments. Luxembourg has been at the forefront of this development, ranking among the top green financial centres in the world. The first green bond worldwide was listed in Luxembourg in 2007 by the European Investment Bank, and today the Luxembourg Green Exchange lists over half of the world's green bonds. There has also been significant growth in responsible investment funds, where Luxembourg funds currently represent 31% of all such European funds. Luxembourg takes great pride in being a global leader in inclusive finance with a 61% market share of global assets under management in microfinance investment vehicles.

Whether in traditional finance or in more recent areas such as Fintech or sustainable finance, Luxembourg's real added value for financial institutions lies primarily in the multi-jurisdictional expertise available in the Grand Duchy. This also makes Luxembourg very much complementary to other European financial centres. Thanks to its history of economic openness and its multi-lingual and multi-cultural population, Luxembourg is uniquely positioned to offer firms expertise and talents that can help them serve clients in multiple markets.

Brexit, and the resulting need of financial firms to relocate certain activities to alternative EU hubs in order to ensure being able to continue serving EU clients, has underlined the value proposition as a cross-border centre of excellence, which Luxembourg has built over decades, whether in fund administration, banking, insurance or payments.

Their choices confirm Luxembourg's role as one of the leading financial centres in Europe and their activities in Luxembourg going forward will help consolidate the existing ecosystem in the respective verticals.

Besides Brexit, many other challenges are still on the horizon. Trade wars or geo-political tensions have been rattling markets as well as the global financial services community. Populism has proven to be a powerful force able to cause major turmoil as it plays on people's fear stemming from the lingering uncertainties in our economies. In particular in Europe, low interest rates and their consequences for savings and investments continue to affect the industry.

We thus need to strengthen our ecosystem and further modernise it over the next five years to make it resilient and sustainable for the future.

# AMBITIONS FOR 2025

**The future development of our financial industry centres around six fundamental characteristics that are already today a core part of Luxembourg's value proposition but which we will endeavour to strengthen even further. Indeed, they are fundamental components of Luxembourg's role as a centre of excellence in cross-border finance – in the EU and beyond.**



# 01

**AT THE HEART  
OF EUROPE**

## **FINANCING A STRONGER EUROPEAN ECONOMY**

Luxembourg is a founding member of the EU and passionate promoter of European integration. Its financial services industry has always had a strong focus on cross-border business, making it in fact a truly European financial centre. Luxembourg connects financial institutions and investors, whether retail or institutional, with European and international markets.

Financial services have the fundamental purpose of financing economic growth and creating jobs.

Bank lending to companies finances key investment projects such as new plants or research facilities. Investment funds also help finance economic activity via the capital markets by investing in equities or in the bonds of non-financial companies. Insurance companies support economic activity by allowing companies to hedge their risks and invest the premiums collected.

All the diverse activities which cluster in financial centres like Luxembourg benefit the European economy as a whole. In the case of Luxembourg, the assets under management of the local fund industry (4.6 trillion euros as of October 2019) are invested in equities and bonds of firms across Europe and the world, supporting their expansion and job creation. A significant share of these assets is also invested in government debt, helping finance all types of projects such as roads, bridges, hospitals, schools and welfare systems.

The wealth management sector helps as well to finance economic activity by investing clients' money in the shares and bonds of European and global companies. As a leading hub for alternative investment funds, Luxembourg plays an important role in the area of real assets, such as infrastructure, or, in the area of private equity, in providing much needed growth capital to non-listed firms.

The European economy as a whole enjoyed only modest growth since it emerged from the global financial crisis and the debt crisis. In order to stimulate growth and create jobs, the EU also needs to strengthen its single market. Over the course of the last decades and especially since 1992, the single market has been a major contributor to economic activity in the EU. It has helped create and support domestic firms but it also attracted firms from around the world which have decided to set up operations within the EU in order to serve its 450 million relatively affluent consumers. The aftermath of the Brexit referendum in the UK and the subsequent relocations of activities by hundreds of firms underline this power of attraction even better.



The single market is certainly one of the biggest achievements of the EU. Much of the EU's geopolitical clout rests on the economic power the single market provides. It is thus essential to continue to prioritise the deepening of this market.

In order to revitalise growth and boost the rate of job creation, it will be essential to tap into the financial expertise which Europe's diverse financial centres can provide.

Strong financial centres in Europe and a strong European financial industry will allow Europe to take on the increased competition from the US and Asian counterparts. Financial centres and the expertise available in them will also help Europe take on long-term challenges, such as its demographic evolution.

## **BUILDING ON THE EU'S CROSS-BORDER REGULATORY FRAMEWORK**

The EU's single market in financial services is certainly one of the most integrated cross-border markets in the world. Single market legislation facilitates the cross-border provision of financial services by allowing for EU-level regulation or mutual recognition of rules and standards. This unprecedented economic and regulatory integration is pushing further ahead in the wake of the global financial crisis with progress towards a Banking Union.

At the same time, the single market, and specifically the possibility to passport services across the European Union, is underpinned by expert local supervision based on harmonised rules and close cooperation between national regulatory authorities. In the case of Luxembourg, for instance, the CSSF, which amongst others is supervising more than 3,800 investment funds, has long-standing expertise in regulating cross-border financial products and services and thus provides efficient and responsive supervision of the local industry.

Moving forward, the EU will look to achieve the goals of the Capital Markets Union, launched by the Juncker Commission and which the Von der Leyen Commission should continue to deepen. In particular, the Commission should aim to achieve greater uptake of cross-border financial services provision within the European Union, notably by tackling existing non-tariff barriers. One of the stated objectives of the CMU is to increase the sources of market funding for European companies, in particular SMEs. Luxembourg is looking forward to playing a leading role in this work, given its capital market strengths and its expertise in cross-border capital raising.

But it needs to be emphasised that a well-functioning single market and Capital Markets Union do not necessarily have to translate into greater centralisation of regulatory powers. Just as Europe will need to leverage the respective expertise and talent pools of its various financial centres, local supervisors' expertise and market knowledge as well as efficient cooperation between regulatory authorities will remain key to unlocking the potential of the CMU.

With the emergence of new financial technology players, it has also become abundantly clear that the single market is leveraged to its full potential only in those areas where the EU has managed to create a harmonised framework allowing firms to sell their services without friction to the EU's 450 million consumers. Indeed, it is hardly surprising that of Europe's 5 Fintech Unicorns, 3 are payment firms while the other 2 are mobile-only banks (both of which have started out by providing payment accounts). The EU's ongoing work to create a harmonised framework for crowdfunding is an opportunity to scale up this sector in Europe beyond national markets. As it has done with UCITS or in the payments sector, Luxembourg is well positioned to play a key role in establishing a cross-border European crowd-funding market.

Mirroring the Capital Markets Union project is the ongoing construction of the EU Digital Single Market. Technology services are by their very nature borderless, and the existence of EU-wide frameworks for e-commerce and the provision of digital services tap into the core competencies of the Luxembourg financial centre, and its multi-jurisdictional service offering. Luxembourg is the ideal home for such cross-border services in the EU.

Moreover, faced with an ageing European population and a growing pension gap, investments in and the availability of pension products are becoming increasingly important. Thanks to its leading role in the European fund industry, Luxembourg is very well positioned to become a major hub for products set up under the Pan-European Pension Plan initiative, a key opportunity to further strengthen and diversify our asset management ecosystem.

## **STRENGTHENING THE ROLE AS AN EU HUB**

Beyond the benefits for both European consumers and firms, a key advantage of the single market lies in the fact that it makes life easier for companies originating outside to establish themselves in the EU and serve clients in 27 markets without the need for separate operations in each individual country. It makes simple business sense to set up a hub in one location and serve clients all across the EU.

Based on a coherent and well-defined regulatory framework, financial institutions can thus choose where to set up their European hub and reach the entire EU market, be it through branches or under the freedom to provide services provisions. The choice of jurisdiction is based on numerous criteria, including on the relative strengths in a given industry segment, structural criteria such as financial stability and predictability of the legal and tax environment, or the availability of talent. In this context, Luxembourg will certainly continue to be able to leverage its international business environment and its highly skilled multi-lingual workforce to serve international financial institutions active in multiple markets within the EU. Luxembourg's attractiveness as an EU hub for financial services was indeed further underlined more recently by the fact that, in the context of Brexit, more than 60 financial firms have decided to either strengthen their existing activities or establish a new EU hub in Luxembourg to ensure continued access to the EU single market.

The same pattern can be observed in the areas of fund administration and in the insurance sector with numerous players from outside the EU having chosen Luxembourg as their hub in the EU.

A number of the world's Sovereign Wealth Funds are also relying on the expertise of Luxembourg's unique ecosystem as well as its highly developed toolbox for structuring their investments. The same goes for major international and regional development banks. As these institutions are tax exempt by virtue of their sovereign or supra-national status, it is truly the intrinsic qualities of Luxembourg's financial centre that come to play for them.

In the next five years, we will redouble our efforts to increase the number of as well as to further diversify the geographic origin of firms established in Luxembourg, including financial institutions from certain priority emerging markets.







Picture by Christophe Van Biesen



## EXAMPLES OF FINANCIAL INSTITUTIONS HAVING CHOSEN LUXEMBOURG



## AMBITION STATEMENT:

Luxembourg's ambition is to further expand its role as a cross-border centre of excellence and EU hub, so that by 2025 it will have accomplished the following goals:

- **contributing**  
to job creation and sustainable growth, at home and in the EU overall
- **leveraging**  
new and forthcoming pan-European regulations for digital or emerging financial products and services
- **playing a key role**  
in developing a sound and competitive EU regulatory framework promoting financial stability, resilience and innovation with new products and services to meet the objectives of the CMU
- **being recognised**  
as a key domicile for pan-European pension plan products
- **expanding**  
the internationalisation and geographical reach (e.g. number of foreign banks, asset managers, insurance companies, etc.)

# 02

## COMPLEMENTARITY TO OTHER EU CENTRES

Beyond its role as a hub for firms coming from outside the European Union, EU firms themselves have long been leveraging Luxembourg's financial services ecosystem and expertise. In this context, Luxembourg is of course not drawing these firms away from their home country, but rather acts as a competence centre for these European groups in specific activities or for certain parts of their European or global value chain, notably in their offer of cross-border products and services. Luxembourg thus acts as complementary hub for these firms and supports their growth strategy into additional markets outside their home market.

## **CREATING VALUE THROUGH MULTI- JURISDICTIONAL EXPERTISE**

EU integration and globalisation have brought about unprecedented trading and investment opportunities. At the same time, these opportunities go hand in hand with the complexity of having to navigate multiple markets and different rules and legislations. Even within the EU, notwithstanding the level of harmonisation applicable, according to The Economist some 5 000 different regulations apply to selling services across borders, as multiple national requirements continue to cover these operations as well. In addition to complexities brought about by these multiple national regulations, cross-border sales of financial services still face difficulties arising from the diverse cultural norms and traditions of consumers and investors across the EU.

Over decades, Luxembourg has developed a financial services industry specialised in catering to the needs of financial institutions that require solutions to deal with such multi-jurisdictional business, be it on the product or services side.

Whether it is a fund manager looking to set up investment vehicles to be sold to clients in Spain, the Netherlands, Sweden and Italy or whether it is an entrepreneur planning his succession while living in France, running a company with operations in Germany and Poland, children living or studying in the UK and in Belgium and eventually looking to retire in Portugal, Luxembourg has made it its trade to help provide solutions to complex cross-border questions, while ensuring full compliance with the different aspects of the administrative, consumer, tax and other regulations that apply to each situation.

Today, this expertise covers not only Europe but has taken on a global reach as our industry caters to an ever greater number of markets. For instance, Luxembourg investment funds are admitted for sale in 73 different jurisdictions around the world and serve thus for instance as a truly unique product for Asian asset managers who can set up their fund in Luxembourg and sell it across multiple Asian markets.

As a result, many European and international groups have set up competence centres in Luxembourg to perform just these types of multi-jurisdictional tasks. To support these centres, an entire ecosystem of third-party service providers has developed in Luxembourg over the years which provides bespoke legal, tax and consultancy services. Regulators and other public sector authorities in Luxembourg have developed strong expertise in authorising and supervising cross-border business.

This expertise is also vital in expanding Luxembourg's role in the wealth management sector, notably by further developing Luxembourg's offer in terms of family office and multi-family office service. This is an area of potential growth, where Luxembourg can provide a stable and safe environment in combination with the financial expertise of Luxembourg's private wealth management ecosystem.

Another area where Luxembourg's multi-jurisdictional expertise will see increasing demand over the coming years is in the area of alternative investments. In the current low-interest rate environment an increasing number of investors, both institutional players such as insurance firms or pension funds as well as family offices, are looking to invest in alternative asset classes such as real estate or private equity. In 2018 alone, assets under management in Luxembourg private equity and in real estate funds have increased by 20%. This is an opportunity Luxembourg intends to seize. Indeed, in an environment where a growing number of institutional investors in alternative asset classes demand for investment vehicles and funds to be located in an onshore jurisdiction, Luxembourg offers a unique environment and toolbox catering to investors from civil law as well as common law environments. The introduction of a special limited partnership regime in 2013 has allowed Luxembourg to capture this growing onshore alternative investment business. The creation of a new product, the Reserved Alternative Investment Fund or RAIF, contributed as well to the success Luxembourg has seen in this area in which we will continue to provide a conducive legislative and business environment.

## SUPPORTING CROSS-BORDER STRATEGIES

Luxembourg plays a special role in the value chain of many EU financial products and services.

Asset managers, private banks, insurance companies and others who chose to set up a platform in Luxembourg and leverage its expertise can benefit from significant economies of scale while reducing the complexities and costs of having to set up units in each separate jurisdictions. The benefits of relying on Luxembourg's cluster of specialised services are very clearly the number one attraction for financial institutions seeking to set up here. Their Luxembourg operation acts thus as a specialised workshop providing the group's activities with the knowledge and tools to help it grow activities internationally.

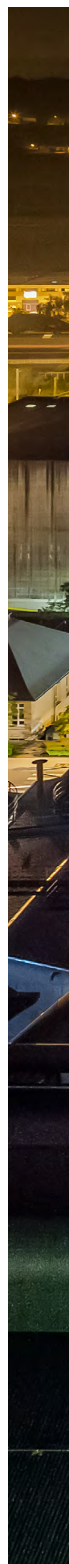
The multi-national make-up of the Grand Duchy's workforce moreover helps firms tackle the cultural and linguistic barriers to marketing cross-border financial services. Instead of having to establish a team in each jurisdiction, a firm can simply draw on the expertise of its Luxembourg staff to adapt its products to the requirements of each different market. Cost and efficiency gains are obvious direct benefits of operating in this way.

This unique skill set is heavily leveraged by some of the world's major financial players to set up multi-jurisdictional pension products, for instance. These can take the form of funds or insurance schemes and are very attractive to expats working in several different jurisdictions over the course of their careers. Such products may also be suitable for multi-national firms, as well as other companies needing to operate across different jurisdictions.

In addition, the international outlook and availability of knowledge on a variety of markets, from a regulatory perspective as well as commercial considerations, within the Luxembourg financial sector cluster also provides financial institutions with valuable insights and comparison factors which help these firms in refining their business models and expand into new markets.

Seen from the perspective of the consumer of financial services, the expertise Luxembourg provides allows for a more diversified range of products available to them in terms of geographic reach and asset classes. Such a diversity is of particular importance in the current low interest rate environment, as the ability to diversify a portfolio allows consumers to choose the most suitable products for their current and future financial needs.

Furthermore, the consumer benefits from the lower costs such multi-jurisdictional products have compared to jurisdiction-based localised products.









## CLIMBING THE VALUE CHAIN

With increased specialisation, Luxembourg's financial industry has also been climbing up the value chain of financial services over the years.

First of all, Luxembourg has grown into a regulatory, risk management and compliance competence centre. Many firms, in particular in the asset management industry have built up teams in Luxembourg which serve as the group's regulatory nerve centre and global control tower. Not least since the financial crisis have risk and compliance functions come to play a central role in the global operations of financial institutions. As a result, the functions performed in Luxembourg are becoming key to the operations of those groups, often shifting these functions into a much more prominent middle-office role.

Second, we continue to observe a movement towards bringing front office functions as well as an increasing number of key decision-making roles to Luxembourg. Whether it is client relations managers that serve large banks from their Luxembourg hub or investment advisors and sales teams for asset management firms or deal-making functions for PE houses. The advantages of Luxembourg's multi-cultural and multi-lingual ecosystem obviously also apply to these activities.

In the past, Luxembourg has been successful in attracting smaller yet highly specialised portfolio managers or asset management firms to Luxembourg, focusing on certain asset classes. For example, Luxembourg has launched a dedicated accelerator for climate finance asset managers. We will look into measures to attract additional portfolio management expertise to Luxembourg, notably in a broader range of asset classes.

In order to support this trend, Luxembourg will strengthen its attractiveness for international talent and ensure that the education and vocational training of the local talent pool is geared towards supporting the evolving nature of its financial industry's activities. The government is developing a national strategy on talent and we will be helping to implement it with all the institutions involved.

In addition, as Luxembourg's financial centre, and specifically its fund industry, increasingly focuses on responding to the regulatory, compliance and operational needs of cross-border financial services, Luxembourg is transforming into a Regulatory Technology – or Regtech hub: solutions that seek to automate traditional back-office tasks, ranging from KYC and fraud detection to fund reporting and automated investor information tools.

## AMBITION STATEMENT:

By 2025, Luxembourg will further develop its role as a centre of excellence for international finance by:

- **consolidating**  
its ecosystem through the addition of relevant financial institutions and service providers
- **seizing**  
onshoring trends to increase its role as a European hub for alternative investments
- **increasing**  
its international reach in terms of the number of jurisdictions its financial products are sold in, as well as its market share of cross-border sales
- **deepening**  
its role as a regulatory, risk management and compliance centre
- **strengthening**  
its role as wealth management hub, by attracting more family offices, increasing AuM and broadening geographic origin of client base
- **continuing**  
to climb the value chain by bringing additional front-office functions to Luxembourg



# 03

## LEADING ON SUSTAINABILITY

## GREENING FINANCE

The COP21 agreement in Paris in December 2015 to limit global warming to well below 2 degrees Celsius above pre-industrial levels requires capital raising on an unprecedented scale to finance the transition to renewable and lower carbon energy sources, as well as projects to mitigate the effects of climate change. It has been estimated that around 5 to 7 trillion dollars will be needed. The required level of investment cannot be stemmed by governments and the public sector alone, it will require the mobilisation of private investment. To that end, new financial products will have to be developed. Luxembourg is leading the drive to take total sustainable investment from the billions to the trillions of dollars or euros.

While it still remains a small part of the overall financial services market, the growth in green financial products has been remarkable. Importantly, clear market trends show that this is not a fad: the transition towards environmentally sustainable activities, and the integration of ESG more broadly, will continue and increase in intensity, driven by a generational shift as well as by institutional client demand. Increased regulatory scrutiny will further contribute to accelerating this trend.

Capital markets in particular have seen volumes of green bonds grow by double digits. Global issuance of bonds aiming to raise capital for climate related projects has gone from 85 billion dollars in 2016 to 170 billion dollars at the end of 2018 and is estimated to reach 250 billion dollars by the end of 2019.

Luxembourg takes enormous pride in being a major player in this drive. The Luxembourg Stock Exchange listed the world's first green bond in 2007 and today lists around 50% of the world's green bonds in terms of volumes. The expertise acquired by its dedicated listing platform launched in 2016, the Luxembourg Green Exchange (LGX), has earned it the trust of trendsetters such as the EIB and the World Bank as well as of major corporate issuers. The credibility of its entry criteria and listing procedures have firmly established its reputation as a market venue in the green finance sector, with the European Commission itself seeking the LGX's advice on its Sustainable Finance Action Plan as well as on the actual legislation implementing it.

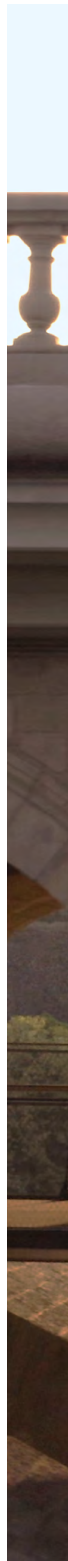
Luxembourg has in fact already been at the forefront of the green finance push for several years in other sectors, with around 35% of assets invested by European investment funds into renewable energy projects managed via Luxembourg investment funds.

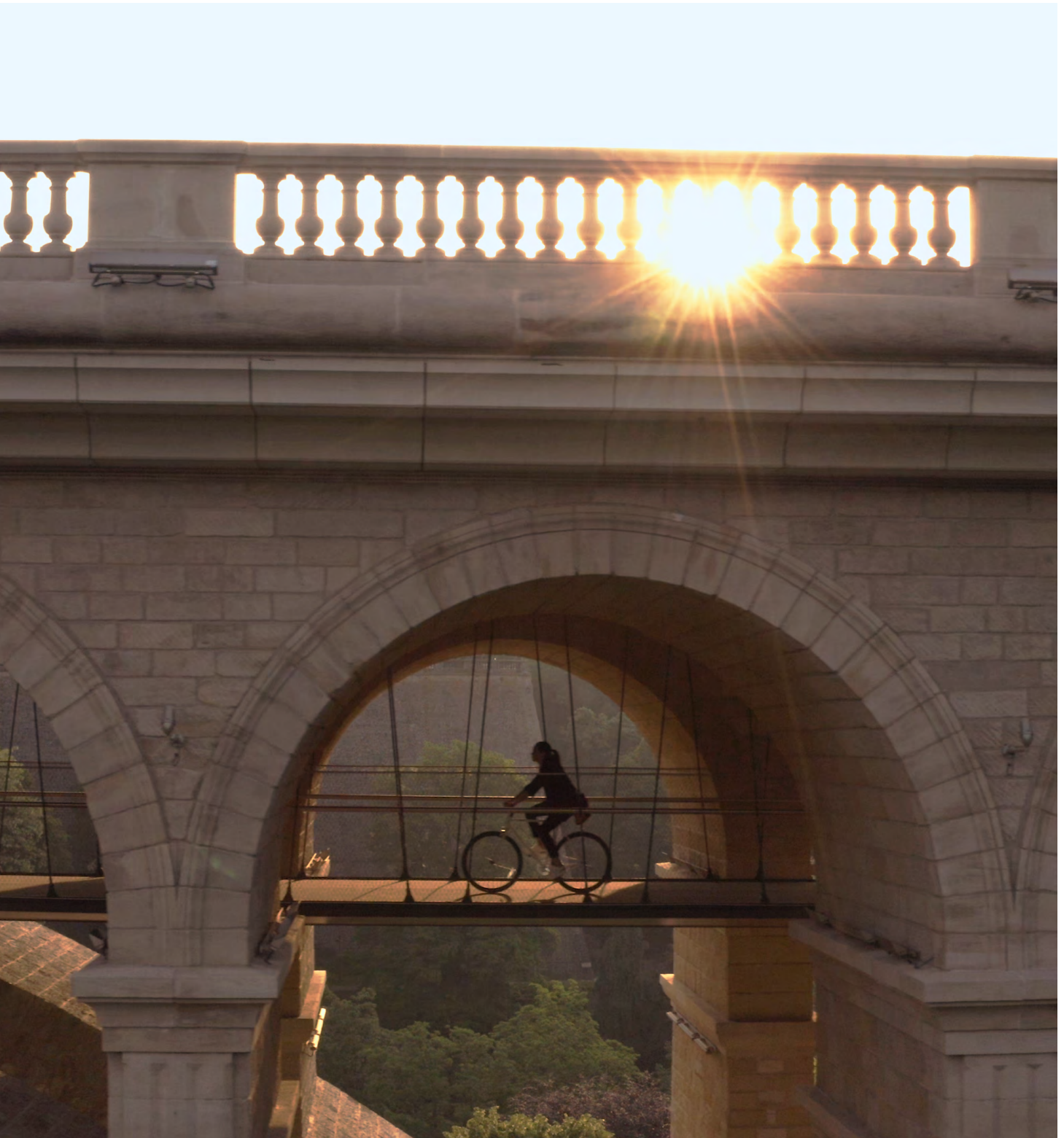
LuxFLAG, a fund labelling agency set up over 12 years ago, grants labels to investment vehicles in ESG, environment, climate-related strategies, microfinance, and to green bonds. It has labelled over 150 products, covering 65 billion euros, across 5 jurisdictions, with promoters from over 14 countries.

Luxembourg will strongly promote the green agenda in its financial services sector in the years ahead. The Government has inscribed this aim as one of the priorities in its coalition agreement. As part of a national Sustainable Finance Roadmap, the government will shortly set up a national Sustainable Finance Initiative to coordinate activities and develop a national strategy to further develop Luxembourg's role as an international platform for sustainable finance. This will take several forms, including incentives for climate related financial services and the development of frameworks for new green financial products in banking, asset management and insurance, notably in the retail space with the aim to further mainstream sustainable finance products. An additional focus will be on investor education on sustainable finance, academic research as well as vocational training for financial services professionals. A new legal framework for green covered bonds is a further illustration of how Luxembourg develops its product range in this sector with the aim of helping to raise capital for sustainable projects.

Thanks to its efficient fund ecosystem and toolbox, including the possibility to set up layered funds, Luxembourg is today a key hub for blended finance, leveraged amongst others by numerous multilateral and development banks. Together with the EIB, the Luxembourg government also set up a dedicated climate finance platform in this context. Blended finance is indeed an ideal tool to help de-risk investments, including in the area of climate finance, and thus encourage private investors' uptake. Further strengthening Luxembourg's role as hub for blended finance, and more generally supporting the development of innovative financing mechanisms involving the public and private sectors are additional priorities.

The taxonomy developed at EU level and initially focused on environmentally sustainable activities, provides a further opportunity for Luxembourg's financial centre to be a first mover and develop new products around the taxonomy as well as adapt and pioneer in the area of financial product labelling, with a view to increasing its market share in the area of green and climate funds and making Luxembourg financial services industry more sustainable overall.





## PUTTING RESPONSIBLE INVESTING IN A WIDER CONTEXT

Sustainable finance encompasses much more than green finance and supports the 17 Sustainable Development Goals laid down by the United Nations.

Luxembourg has always taken its role as an international financial centre to further the development of responsible finance. Indeed, it was a pioneer and early proponent of microfinance. This was the area in which the labelling agency LuxFLAG set out its work when it was created in 2006. Today, 61% of the assets held in micro-finance funds globally are held in Luxembourg investment funds. Luxembourg is also home to a broad ecosystem of inclusive finance experts and more recently a number of Fintech start-ups have developed in the area of inclusive finance, including in the payment sector, microlending as well as inclusive insurance for small hold farmers in developing countries. The Luxembourg House of Financial Technology (LHoFT) hosts a dedicated bootcamp to support Fintech firms active in inclusive finance (Catapult Africa).

Luxembourg has been an early promoter of ethical finance and Islamic finance which defines itself by imposing ethical considerations in finance. In 2014, Luxembourg's government issued the first sovereign sukuk denominated in Euros. The Luxembourg Stock Exchange was the first to list a sukuk outside the Muslim world in 2002 and still today is a leading sukuk listing venue. In terms of assets under management in Sharia compliant investment funds, Luxembourg ranks 5th after Saudi Arabia, Malaysia, Indonesia and Pakistan. It is thus the leading non-muslim domicile for sharia compliant investment funds.

Going forward, we will look into opportunities arising from synergies between the growing appetite for green and more generally sustainable financial products and the expertise acquired in the Islamic finance world.

Based on its long-standing expertise in microfinance, Luxembourg will continue to develop and promote the impact investment sector. While a lot of focus is currently on investments in climate mitigation (i.e. the reduction of CO2 emissions), the needs for investment in climate adaptation, which are arguably even higher and much more complex, notably due to a lack of standardisation as impact measurement tools. Thanks to its expertise and pioneering work in blended finance, the recent launch of a dedicated accelerator for climate finance asset managers, and a toolbox of suitable investment vehicles, Luxembourg is in a position to further strengthen its role in impact investing and help it reach the mainstream.

## CONNECTING MARKETS IN SUSTAINABLE FINANCE

Drawing on its role as a nexus between global investors and markets, Luxembourg is increasingly involved in connecting markets in the area of sustainable finance by driving major sustainable finance innovations.

In 2018, for example, the Luxembourg Stock Exchange has launched a “Green Bond Connect” with its counterpart in Shanghai. The venture provides English language information on green products listed on China’s financial markets. By creating the necessary transparency it helps reinforce trust in the market for international investors looking to diversify their holdings.

Luxembourg is also a proud founding member and lead donor of the UN’s network of Financial Centres for Sustainability (FC4S) and actively supports its work. It is crucial that all financial centres look at this area not in competitive terms but as a cooperative task and knowledge sharing which should aim at pushing the financial industry towards becoming more sustainable.

As an example, the government and the private sector together support a number of international financial assistance programmes, where we share best practices and help grow sustainable finance in other markets. In this way, we have helped scale up green finance efforts around the globe. Our success in this field will be measured not just by how sustainable our own financial industry becomes but also by how much we have helped other centres achieve the same.

The sustainable investment agenda is a global one. Luxembourg is proud to be part of it.



## AMBITION STATEMENT:

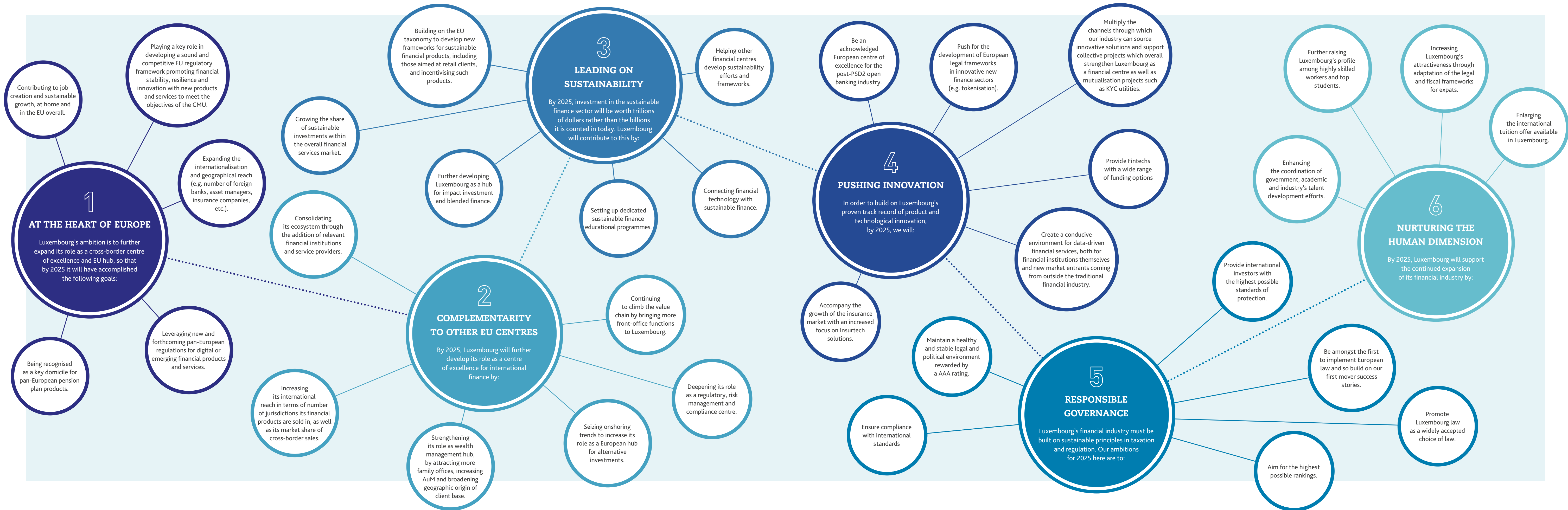
By 2025, investment in the sustainable finance sector will be worth trillions of dollars rather than the billions it is counted in today. Luxembourg will contribute to this by:

- **growing**  
the share of sustainable investments within the overall financial services market
- **building on**  
the EU taxonomy to develop new frameworks for sustainable financial products, including those aimed at retail clients, and incentivising such products
- **further developing**  
Luxembourg as a hub for impact investment and blended finance
- **setting up**  
dedicated sustainable finance educational programmes
- **connecting**  
financial technology with sustainable finance
- **helping**  
other financial centres develop sustainability efforts and frameworks



**AMBITIONS 2025:  
SHAPING  
A SUSTAINABLE  
FUTURE**







A large, white, outlined number '04' is centered in the upper half of a solid blue rectangular area. The '0' is a simple oval shape, and the '4' is a stylized, blocky digit.

**PUSHING  
INNOVATION**

Innovation in finance comes in many guises. Luxembourg takes great pride in a strong track record of product and technological innovation.

## INNOVATING IN FINANCE

Luxembourg has been a pioneer in financial innovation on many occasions.

The international Eurobond market, or Eurodollar market was born in Luxembourg in the 1960s following the listing of the world's first Eurobond (by Autostrade) on Luxembourg's Stock Exchange. This market continues to this day to provide a platform raising over 10 trillion euros in capital globally. At the time, Luxembourg was chosen for its openness to such a new product and the possibility of listing in currencies other than the local one.

Innovation in asset management by the adoption of efficient and widely accepted fund structures has become a cornerstone of the Luxembourg value proposition. Examples of this kind of innovation can be found in Luxembourg's compartmentalised mass-market products such as UCITS umbrella funds or the more recent creation of the Reserved Alternative Investment Fund (RAIF) structure which facilitates rapid time-to-market. In the future, new structures, such as a Real Estate Investment Trust (REIT) will be useful additions to Luxembourg's toolbox.

Another example of Luxembourg's readiness to innovate has been the success of its efforts to connect global investors with China's capital markets. When Chinese authorities decided to open up to foreign investments through different schemes, Luxembourg's securities regulator CSSF was the first European regulator to discuss with its Chinese counterparts how to make the EU framework and the Chinese framework compatible. The result was that the CSSF was in a position to authorise the first UCITS fund to invest through the RQFII scheme in 2013 and the first to invest through the Shanghai-Hong Kong Stock Connect scheme in 2014. Today, this first mover advantage and, more importantly, the expertise gained by both the regulator as well financial services professionals in Luxembourg explain that Luxembourg investment funds hold a leading global market share of close to a third of investment funds investing into Mainland Chinese equities and bonds.

Luxembourg's tradition of innovation often emerges as a direct result of the cooperation that characterises Luxembourg's ecosystem. Industry associations play a key role. The Luxembourg Banker's Association (ABBL), the Luxembourg Insurance and Reinsurance Association (ACA), or the Association of the Luxembourg Fund Industry (ALFI) as well as the Luxembourg Private Equity and Venture Capital Association (LPEA) – each of these provide a high-level professional forum in

which new developments and opportunities in their sectors can be discussed. Such a dialogue exists not only within the associations but also between them and other stakeholders and regulatory authorities. New market trends can in this way be identified and understood as soon as they emerge so that appropriate regulatory frameworks can be put in place and new opportunities spotted.

## DEVELOPING FINANCIAL TECHNOLOGIES

The approach Luxembourg has taken in the area of financial technology is one which puts the transition of the existing industry at the heart of its strategy by aiming to provide the tools which banks, asset managers, insurance companies and all other financial institutions operating in Luxembourg need to make sure we remain leaders going forward. These solutions can be provided by firms, established and start-ups, abroad or at home.

We have created the Luxembourg House of Financial Technologies (LHoFT) to serve as our national Fintech platform and as the interface of other Fintech hubs around the world from where we source solutions for the financial industry operating in Luxembourg. The LHoFT brings together financial institutions, Fintech innovators, research and academia as well as public sector authorities to drive forward innovation and the development of solutions to meet specific industry needs. It acts moreover as a soft-landing platform for Fintech companies from abroad who want to access the local financial sector and market their solutions across the European Union.

Besides the LHoFT, Luxembourg is home to a number of incubators and accelerators, which help to ensure that the country is at the vanguard of the latest technology developments in the field. Through its relevant research, the University plays an active part in the ecosystem and engages in demand-driven applied research projects together with the financial industry through the university's interdisciplinary centre for security, reliability and trust (the SnT), producing genuine, long-lasting competitive advantages for companies with a presence in Luxembourg. Besides numerous partnership with financial sector firms, the SnT recently signed a partnership with the Luxembourg financial sector regulator CSSF: a first project will revolve around leveraging AI to increase the speed and efficiency of analysing fund documentation.

Innovation obviously also requires funding. While government-backed funding programmes, such as the Luxembourg Future Fund or the Digital Tech Fund are available in Luxembourg, private funding needs to be ensured as well. To this end, our objective shall be to connect Luxembourg based Fintech start-ups with VC funds abroad as well attract as many as possible of them to set up operations in



Luxembourg.

Regulatory expertise, risk management and compliance are key strengths of Luxembourg's financial services industry. Unsurprisingly, a significant number of Fintech companies in Luxembourg focus on serving the regulatory and compliance needs of Luxembourg's financial centre: ranging from KYC and fraud detection to fund reporting and investor information tools. By using the latest technologies, many financial institutions are today focusing on reducing their regulatory and compliance costs for tomorrow.

New and emerging technologies such as the use of Distributed Ledger Technology (DLT) for financial services in Luxembourg are numerous, in areas such as payments, fund administration, reporting, clearing, and even ownership tracking of alternative assets. A number of Fintech companies in Luxembourg have therefore focused on developing blockchain-based solutions to meet industry needs. As an example, the Luxembourg Stock Exchange provides "digital signatures" on all documents publicly disclosed by issuers via decentralised public blockchain based on Ethereum, and the Luxembourg based FundsDLT consortium has built a blockchain-based fund purchase platform, allowing investors to purchase funds through a decentralised platform on their smartphones. Other Luxembourg start-ups in this space have developed pioneering tokenisation platforms.

The CSSF was the first European regulator to adopt a clear legal position with regard to virtual currencies, leading to the licensing of two major crypto exchanges as payment institutions in 2016 and 2017. In 2019, Luxembourg parliament passed a law on the usage of distributed ledger technology for the circulation of securities. The law provides greater transparency and legal certainty around the use of distributed ledgers and blockchain technology by considering their usage equivalent to other secured electronic recording mechanisms for the transmission of securities. This was only a first step, and Luxembourg is committed to adapt its legislative framework in order to encourage innovation by the financial industry in leveraging DLT while providing legal certainty.

Considering Luxembourg's central role in finance through its investment fund and capital markets activities, Luxembourg indeed should be taking sound positions on the tokenisation phenomenon which has the potential of changing the way in which capital is being raised.

Besides DLT, the other technology that will (and is already) fundamentally re-shaping financial services, from the back-office to client relations, is artificial intelligence. While Luxembourg sits on a wealth of data on cross-border investment flows, much of this remains untapped, not only from a business

perspective but also a research perspective where it could shed valuable light on global trends in investments. Luxembourg will look into means to facilitate use and management of such data, on an anonymised or pseudonymised base, to encourage the development of new solutions, for instance in the area of Regtech, notably as a source for training algorithms. Moreover, there exists a strong potential for synergies with the EuroHPC super computer project, which is led by Luxembourg.

## **FINDING STRENGTH IN DIVERSI- FICATION**

Throughout its history, Luxembourg has time and again demonstrated its capacity to adapt rapidly to a changing environment. In the finance sector in particular, Luxembourg has been especially adept at redefining itself and seizing new opportunities.

Most recently, Luxembourg has emerged as a key European payment and e-money hub. Leading international players in the payments sector, such as PayPal, Amazon Payments and Rakuten have chosen Luxembourg in the mid 2000s as their EU hub, along with an array of B2B and B2C third-party payment providers. This role has been confirmed with the relocations of a number of payment firms in relation to Brexit, among them giants like Alipay and trendsetters such as AirBnB. With the advent of PSD2, Luxembourg has established itself as home to one of the largest open banking platforms in Europe with specialised providers of API gateways catering to the needs of banks.

Going forward, Luxembourg will look into other avenues of diversification of its financial industry, building in particular on the already existing activities in corporate finance and capital markets activities. These areas should indeed be boosted by leveraging multiple aspects of Luxembourg's ecosystem, such as the multi-jurisdictional and international law expertise the solid corporate law framework, its state-of-the-art legislation on securitisation, and the stability of the country.

Building on its success in attracting many non-life insurance companies to set up their EU hubs in Luxembourg as a hedge against the risks arising from Brexit, Luxembourg will adopt a more systematic approach towards encouraging the development of this important sector. It will aim to consolidate this new cluster and to become one of the EU's leading insurance hubs. This should go hand in

hand with a strengthened focus on developments in Insurtech.

Echoing our recent publication entitled the "Amazonisation is the future of European financial services", we will study the development of platforms in greater depth and look in particular at ways in which Luxembourg could position itself vis-à-vis financial services platforms that will emerge in the future. At the same time, we will closely monitor the ongoing trend of non-financial firms that are developing ancillary financial services, such as payment services integrated into other services such as hospitality services, car-sharing or more generally mobility. Here again, Luxembourg's financial services ecosystem, combined with best in class ICT infrastructure, R&D support and a data-driven economy strategy at government level will be in a position to host the financial services activities of these new and emerging players.

Diversification also has a geographic component. While Luxembourg has been very successful at building solid relationships with markets outside the EU over the last couple of years, with China being the prime example, it will certainly strive to emulate such successes with other markets, in particular certain emerging markets.

## AMBITION STATEMENT:

In order to build on Luxembourg's proven track record of product and technological innovation, by 2025, we will:

- **be an acknowledged**  
European centre of excellence for the post-PSD2 open banking industry
- **provide**  
Fintechs with a wide range of funding options
- **push**  
for the development of European legal frameworks in innovative new finance sectors (e.g. tokenisation)
- **accompany**  
the growth of the insurance market with an increased focus on Insurtech solutions
- **multiply**  
the channels through which our industry can source innovative solutions and support collective projects which overall strengthen Luxembourg as a financial centre as well as mutualisation projects such as KYC utilities
- **create**  
a conducive environment for data-driven financial services, both for financial institutions themselves and new market entrants coming from outside the traditional financial industry

05

# RESPONSIBLE GOVERNANCE

As a leading European financial centre Luxembourg is well aware of its responsibility to ensure solid regulation and fair taxation. The financial crisis of 2008 and the debt crisis have shown that both are required to be seen as a credible financial centre. We must strive to ensure that the regulatory and fiscal foundations of our financial industry remain robust, sound and beyond reproach.

## COMMITTED TO TAX TRANSPARENCY

One of the direct consequences of the financial crisis was a global push towards an increased transparency in tax matters. Long known for its banking secrecy, Luxembourg has embraced tax transparency by adopting automatic exchange of information at both EU and OECD level. It applies in this the same standards as all members of the EU and the OECD.

Information relating to revenues generated by Luxembourg investment products, whether in the banking, asset management or insurance sector, for clients residing outside the country are automatically transmitted by the relevant financial institution to the Luxembourg tax authorities which share this information automatically with the tax authorities of the country of residence of the beneficiary of the revenues. In the OECD peer reviews on tax transparency, Luxembourg enjoys today the same ranking as Germany, the UK and the US, for instance.

Some critics saw this new framework as heralding the demise of Luxembourg as a wealth management hub. In fact the contrary has happened. Assets under management in Luxembourg's private banking industry have grown from 285 billion dollars in 2010 to 395 billion dollars in 2018. This increase provides strong evidence that Luxembourg's success today as a leading private banking hub in Europe is not built on tax secrecy but on the expertise available in its banking community. With its specialisation in catering to the needs of clients with multi-jurisdictional aspects in their portfolios, Luxembourg has become over the years a true centre of excellence in wealth management and major banks have set up their intra-group competence centres for this particular segment of clients in their Luxembourg entity.

The sophisticated toolbox of investment vehicles available in Luxembourg also attract numerous family offices to Luxembourg whose taxes are paid in the country of residence of the beneficiaries.

While taxation of multi-nationals is not an issue linked to the activities of Luxembourg's financial services industry, it has in the recent past cast a shadow on Luxembourg's overall reputation. Public opinion as well as the media do not make a distinction between the activities of banks, asset managers or insurance companies and the questions arising from the way multi-national companies arrange their tax affairs.

Be this as it may, Luxembourg has been at the forefront of the redesigning of the international tax rules, in particular with the OECD's initiative on Base Erosion and Profit Shifting (BEPS). At EU level, Luxembourg used its time at the helm in the second semester 2015 to push for a political agreement on automatic exchange of information on tax rulings.

Today, Luxembourg has implemented all of OECD's BEPS recommendations and transposed the EU's ATAD 1 and ATAD 2 directives.

Luxembourg not only acts as a competence centre for managing wealth and investment products but also investment flows.

Most often foreign direct investment transactions are structured through investment hubs in order to ensure a sound and stable basis for the transaction. Indeed, a hub like Luxembourg is very often part of these international transactions because parties to it want to rely on the structuring expertise available in Luxembourg as well as the toolbox of structuring vehicles.

Contrary to popular belief, the choice of Luxembourg is not motivated by a wish to reduce the taxes linked to a transaction. Most industrialised countries have very similar double tax treaty networks which could achieve similar results as regards taxation.

In the area of asset management as well as in others, Luxembourg applies tax neutrality. This means that the investor is taxed in his country of residence and Luxembourg does not add a layer of taxation to this. Such a tax neutrality is an internationally applied principle.

Moreover, in today's transparent world, whether the investor is an individual or a company, the tax authorities of the country of residence have access, through an automatic transfer of information by Luxembourg's tax authorities, to all the relevant information regarding the investment made.

## DRAWING ON STABILITY

Luxembourg's financial industry is characterised by a great stability which stems from the political, economic and social stability prevalent in the Grand Duchy as well as from the diversified make-up of the industry. This long-term stability has been another strong attraction of Luxembourg's financial centre for international investors.

Political stability is best summed up in the fact that since World War II only 8 Prime Ministers and 8 Ministers of Finance have served the country. This political longevity has allowed for more long-term objectives to be considered in the strategic development of Luxembourg's financial services industry.

The last decade has clearly shown that responsibility also includes sound and sustainable public finances, in particular as one of Europe's leading financial centres.

Luxembourg takes great pride in having managed its budgets in such a way as to be able to boast today a debt to GDP ratio of barely 21%. This needs to be seen in perspective, namely as being about half the Swiss ratio, a third of Germany's ratio and a quarter of the EU's average.

Luxembourg is rewarded for this prudent and responsible management of its public finances with an AAA rating with stable outlook from all the major rating agencies. This puts Luxembourg in a very select club of only 10 countries around the world which enjoy this recognition.

For international investors, this translates into the faith that their investments are safe in Luxembourg. It also means that in Luxembourg the pressure to increase taxes is certainly not as high as in other countries with much higher debt to GDP ratios. In fact, the government has already announced its intention to continue reducing the tax rate by another percentage point.

The knowledge of the safety of their investments is for most investors more important, by far, than the possibility of benefiting from the lowest possible tax rate.

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

Luxembourg's government has made its commitment to this stability clear and set itself the firm target of maintaining the AAA rating.



The stability Luxembourg can boast is also related to the fact that its financial industry is built on a very solid bases with several anchor activities, first and foremost fund domiciliation and administration but also wealth management, insurance, payment services and capital markets activities. In all of these sectors, the respective financial institutions hail from multiple geographic origins. Luxembourg is thus not dependent on any one activity sector nor within any of them on one or several oversize players or players from any particular country.

## MAINTAINING A SOUND LEGAL FRAMEWORK

The legal framework Luxembourg offers is to a very large degree originating from EU law which Luxembourg prides itself to implement very fast in order to benefit from a first mover advantage. This was certainly the case when the UCITS framework was created. Most often Luxembourg is not gold-plating by adding requirements above and beyond what EU laws require. Furthermore, in areas that are not fully harmonised, Luxembourg maintains state-of-the-art legal frameworks.

Luxembourg's attractiveness 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.

Luxembourg'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 banks, insist on relying on Luxembourg when structuring investment projects.

Luxembourg law is increasingly being chosen by international public institutions in financial markets. Indeed, as a consequence of Brexit, the European Union and the European Atomic Energy Community (Euratom) have decided to switch the legal framework of their debt issuance programmes from English to Luxembourg law. The European Stability Mechanism, one of the largest debt issuers globally, has also announced recently that it will use Luxembourg law going forward. The European Investment Bank, the world's largest lender, is itself moving from English law to Luxembourg law for its lending activity.

The choice of Luxembourg law as contract law is very often made in conjunction with the choice of Luxembourg courts which are well known for their professional approach and their widely accepted use of English as a language of proceedings.

Luxembourg regulators, in particular 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, enjoy a very high regard within the international market for their expertise in the activities Luxembourg's industry has specialised in, as well as their responsiveness in addressing the needs of the market players.

Both regulators, as do generally all Luxembourg authorities, gladly accept the use of English (besides French, German and Luxembourgish) in their exchanges with firms, both verbal and in writing. Needless to say that English proficiency is very high at all levels of hierarchy.

## AMBITION STATEMENT:

Luxembourg's financial industry must be built on sustainable principles in taxation and regulation. Our ambitions for 2025 here are to:

- **ensure**  
compliance with  
international standards
- **maintain**  
a healthy and stable legal  
and political environment  
rewarded by a AAA rating
- **be amongst**  
the first to implement European  
law and so build on our first  
mover success stories
- **aim**  
for the highest  
possible rankings
- **promote**  
Luxembourg law as a widely  
accepted choice of law
- **provide**  
international investors  
with the highest possible  
standards of protection

06

**NURTURING  
THE HUMAN  
DIMENSION**

Financial services cannot exist without the professionals that serve in it and thus that live in a financial centre like Luxembourg. In order to allow its financial industry to continue thriving, Luxembourg is working to constantly adapt the working environment by upgrading infrastructure and improving quality of life.

## ENSURING ACCESS TO TALENT

Luxembourg's financial services workforce employs some 56,000 people of which about 50% work in the banking sector (including fund servicing activities), 31% in the fund industry (part not performed by banks), 8% in insurance and around 11% in support services. The financial sector obviously has important indirect effects in terms of employment and value added for the overall Luxembourg economy.

A large number of those who work in Luxembourg's financial services industry live in the neighbouring countries, France, Belgium or Germany and commute on a daily basis to Luxembourg. Indeed, Luxembourg employs 100,000 French residents, 50,000 German residents and 50,000 Belgian residents. Together, these commuters make up about 2/5 of Luxembourg's workforce. In Europe's borderless internal market, the boundaries of the nation States have little impact on where people live and work. This also strengthens Luxembourg's multi-lingual and multi-cultural dimension. It furthermore allows Luxembourg to draw on a large talent pool of some 4 million people living within a one-hour commute of its capital. Luxembourg draws its talent from a far wider area which today is not only covering all of Europe but has become truly global, mirroring the ever-expanding reach of our financial services activities and the origin of our industry and of their clients.

With consistent growth in numerical terms but also in qualitative terms as regards the nature of functions, including with Brexit related relocations, Luxembourg's talent pool has come under stress. However, the government and the industry associations are responding by discussing for instance with the University of Luxembourg how to redefine its curricula in order to adapt its courses to the evolving needs of the local industry. Different other fora, in particular the House of Training and the Competence Centre at the University of Luxembourg, have been set up to cater to the vocational training needs of financial services professionals in an ever-changing industry. The Government's support for upskilling of financial services staff has proven extremely valuable and effective in helping to avoid redundancies and thus increased costs and suffering. Investments in training are crucial success factors for the industry. They are also highly relevant for public sector authorities who need to ensure that their staff remain up-to-speed with the evolution in financial services.

The Government is furthermore in the process of developing a national talent strategy looking at the issue in a holistic way, meaning from multiple angles such as housing, education, taxation and many others.

## ENHANCING THE QUALITY OF LIFE

Luxembourg can certainly point to a very high quality of life, as shown by numerous international studies and rankings, for example:



### 3<sup>rd</sup> in the world

to work abroad

(Expatriate Insider, 2019)

### Safest city

in the world

(Mercer, 2019)



### 1<sup>st</sup> in the EU

for investment and development

(IMD, 2019)

### 3<sup>rd</sup> cleanest

city in the world

(Clearwater, 2019)



### Best country

for economy and job security

(Expatriate Insider, 2019)

### 2<sup>nd</sup> in the world

for attracting talent

(INSEAD, 2019)



### Most multi-lingual

country in Europe: Luxembourg's  
population speaks on average

3.6 languages

(European Commission, 2018)

### 7<sup>th</sup> in the world

for English proficiency

(EF English Proficiency Index, 2018)



## ADAPTING THE INFRA- STRUCTURE

With its economy enjoying consistent above-average growth rates for many years, Luxembourg has had to make significant investments in developing and upgrading its infrastructure. Luxembourg's public investment stands at 4.4% of GDP for 2020 and thus well above EU average.

Entire new city zones have been developed over the last years. In Kirchberg, in Cloche d'Or and also in Belval and many other sites, commercial and residential real estate is being developed to meet the needs of a growing economy and those who work in it.

By the end of 2020, the new tram service will cross the City from Kirchberg to the Central station and by the end of 2021, the line will stretch from the airport to Cloche d'Or, significantly alleviating traffic congestion within the city limits. A new railway station is also to be built in Howald for high-speed trains and the airport will be expanded.

As of March 2020, all public transportation (tram, bus, train) within the country will be free of cost. Luxembourg will thus become the first country in the world to take this important step aiming at encouraging people to use public transportation.

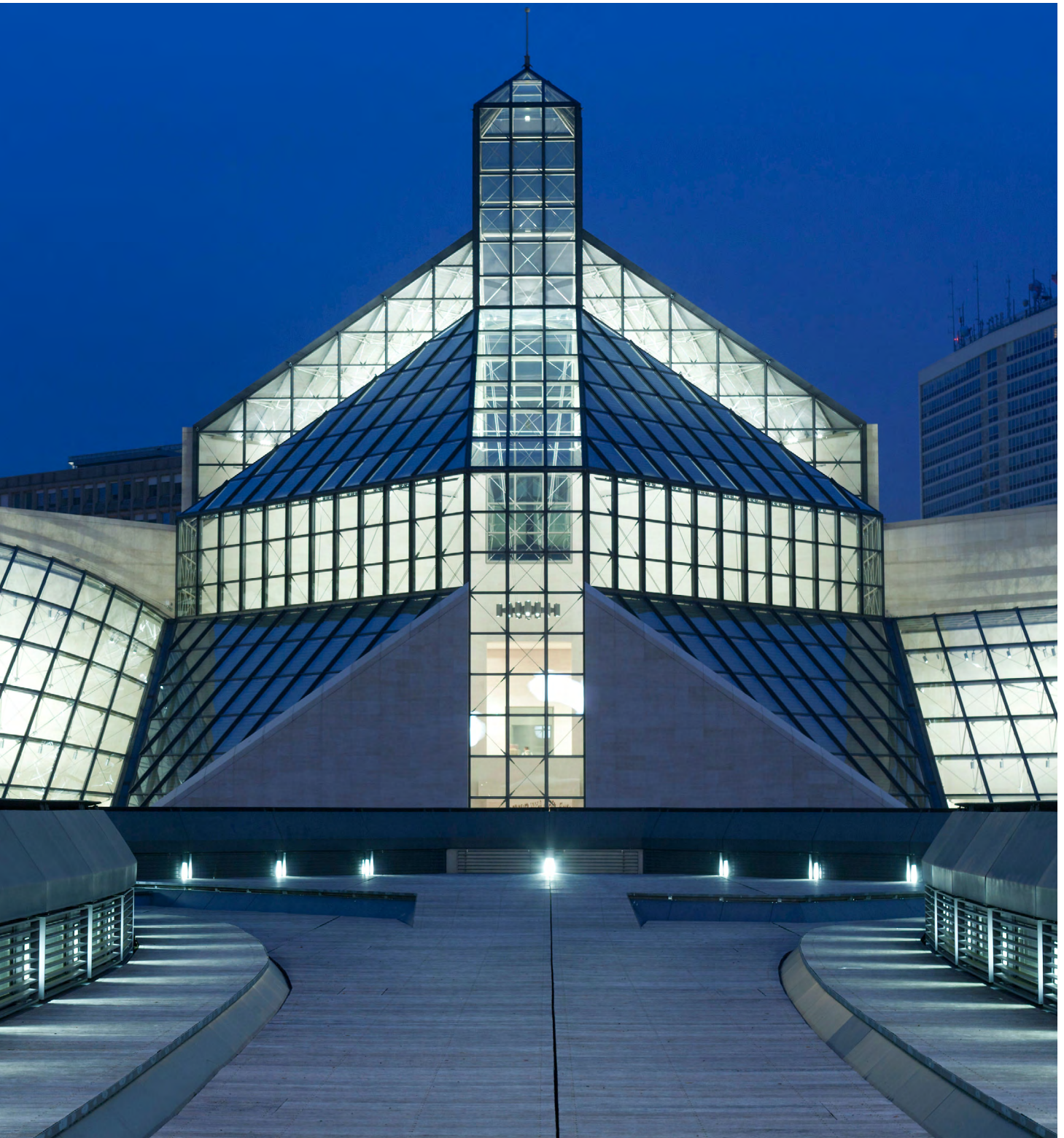
In terms of schools, in particular international schools, Luxembourg continues to expand the offer. It has created in several of the public schools an English-language curriculum leading to the IB or EB diploma. As part of the public school system, this curriculum is free. Next to this, several private, tuition-fee based schools exist in Luxembourg such as the International School, St Georges School, Sainte Sophie and others. In addition, Luxembourg being one of the European capitals and home thus to several EU institutions, houses a large presence of the European School, and subject to certain conditions, admits students from parents not working at the EU institutions.

IT and communication infrastructure are other areas in which Luxembourg is sparing no efforts and costs to remain at the cutting edge of industry standards.

All these investments underscore Luxembourg's commitment to ensuring an environment in which its financial industry can continue to flourish.







## AMBITION STATEMENT:

By 2025, Luxembourg will support the continued expansion of its financial industry by:

- **enhancing**  
the coordination of government, academic and industry's talent development efforts
- **increasing**  
Luxembourg's attractiveness through adaptation of the legal and fiscal frameworks for expats
- **further**  
raising Luxembourg's profile among highly skilled workers and top students
- **enlarging**  
the international tuition offer available in Luxembourg



# USEFUL CONTACTS

**Ministry of Finance**

[www.mf.public.lu](http://www.mf.public.lu)

**Luxembourg for Finance**

[www.luxembourgforfinance.com](http://www.luxembourgforfinance.com)

**The Luxembourg Bankers' Association  
(ABBL)**

[www.abbl.lu](http://www.abbl.lu)

**Association of Insurance and Reinsurance  
Companies (ACA)**

[www.aca.lu](http://www.aca.lu)

**Association of the Luxembourg Fund  
Industry (ALFI)**

[www.alfi.lu](http://www.alfi.lu)

**Chamber of Commerce**

[www.cc.lu](http://www.cc.lu)

**Fondation de Luxembourg**

[www.fdlux.lu](http://www.fdlux.lu)

**Commissariat aux Assurances**

[www.commassu.lu](http://www.commassu.lu)

**Luxembourg Financial Sector Regulator  
(CSSF)**

[www.cssf.lu](http://www.cssf.lu)

**LuxFLAG**

[www.luxflag.org](http://www.luxflag.org)

**Luxembourg House of Financial Technology  
(LHoFT)**

[www.lhoft.lu](http://www.lhoft.lu)

**Luxembourg Private Equity and Venture  
Capital Association (LPEA)**

[www.lpea.lu](http://www.lpea.lu)

**Luxembourg Stock Exchange**

[www.bourse.lu](http://www.bourse.lu)

**University of Luxembourg**

[www.uni.lu](http://www.uni.lu)

**The Central Bank of Luxembourg (BCL)**

[www.bcl.lu](http://www.bcl.lu)

## ABOUT LUXEMBOURG FOR FINANCE

Luxembourg for Finance (LFF) is the Agency for the Development of the Financial Centre. It is a public-private partnership between the Luxembourg Government and the Luxembourg Financial Industry Federation (PROFIL). Founded in 2008, its objective is to develop Luxembourg's financial services industry and identify new business opportunities.

LFF connects international investors to the range of financial services provided in Luxembourg, such as investment funds, wealth management, capital market operations or advisory services. In addition to being the first port of call for foreign journalists, LFF cooperates with the various professional associations and monitors global trends in finance, providing the necessary material on products and services available in Luxembourg. Furthermore, LFF manages multiple communication channels, organises seminars in international business locations, and takes part in selected world-class trade fairs and congresses.

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