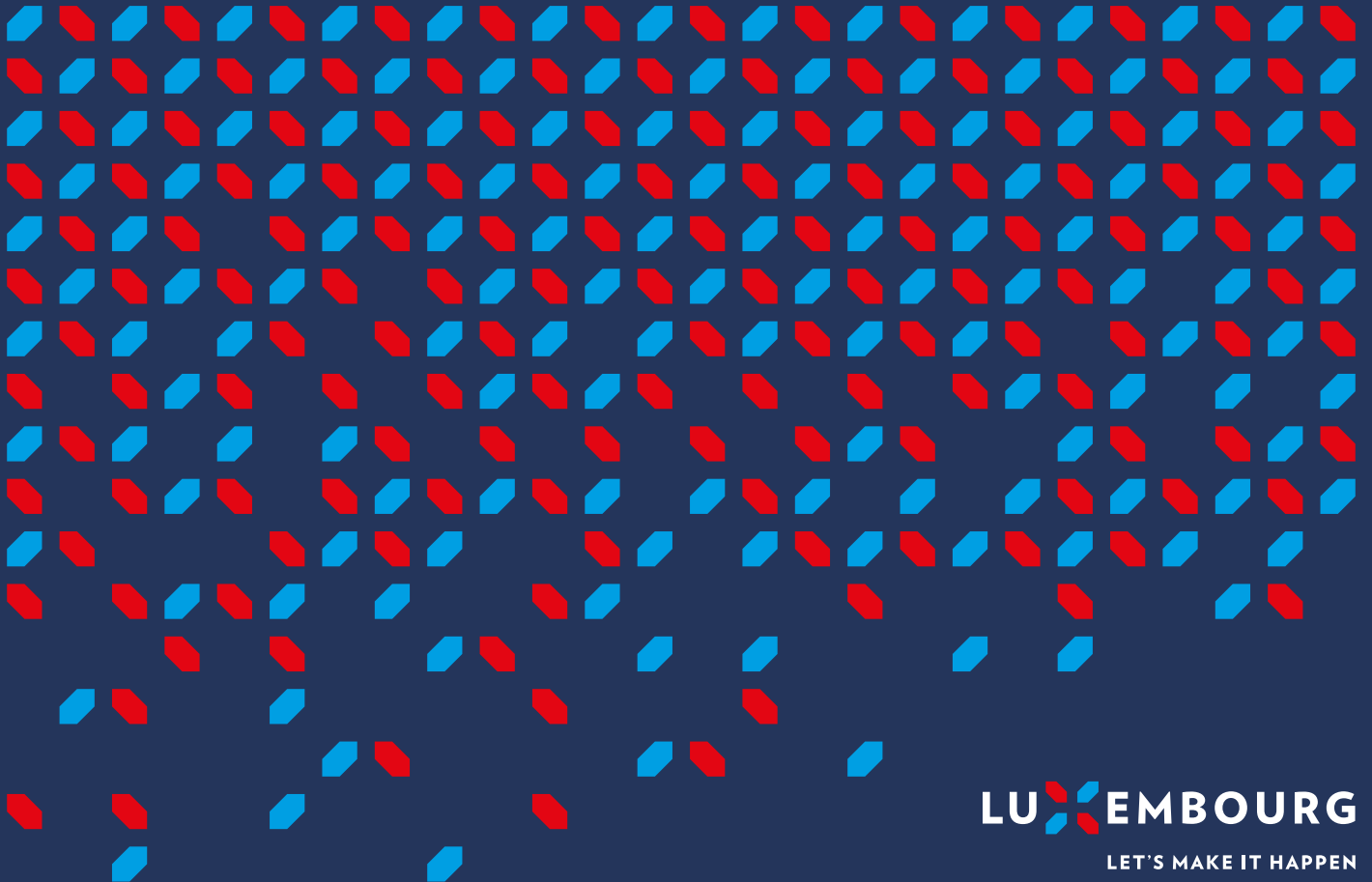




LUXEMBOURG

CONNECTING YOU WITH
FINANCIAL EXPERTISE





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01

**WHERE INTERNATIONAL
BUSINESS AND FINANCE
FEEL AT HOME**

There are so many reasons why large numbers of international companies and financial institutions have chosen Luxembourg as a base for their European operations and why the Grand Duchy consistently ranks as one of the leading financial centres in Europe.¹

As one of only 12 countries in the world with an AAA credit rating from all three major rating agencies, the Grand Duchy provides a predictable and economically, socially and fiscally stable environment where international businesses thrive.

With its open and diversified economy, Luxembourg – the third most globalised economy in the world² – has consistently outperformed overall GDP growth in the EU over the last decade, while employment has doubled over the last 20 years.

Borderless Europe – with the free movement of people, capital, services and goods – is an integral part of life in Luxembourg every day. A founding member of the European Union and a European capital, Luxembourg is also home to key institutions such as the European Court of Justice, the European Investment Bank and the European Court of Auditors.

At the heart of Europe's biggest cross-border region, Luxembourg provides access to a large multilingual and highly skilled talent pool. The country's multicultural population has native fluency in French and German, and Luxembourg is considered one of the most proficient English-speaking nations in the world.³ And it is not just its population that is multilingual – authorisation procedures, reporting and official communication with public administrations and regulators can all be done in English. Even company bylaws and articles of incorporation can be submitted in English.

So it is no surprise that people, investors and companies from around the world have chosen Luxembourg as their European home away from home.

¹ The Global Financial Centres Index (GFCI) ranks Luxembourg as the Eurozone's first financial centre in its last five editions.

² KOF Index of Globalization

³ EF English Proficiency Index 2017

CONNECTING INTERNATIONAL INVESTORS WITH EUROPE, AND EUROPE WITH THE REST OF THE WORLD

Having developed a diversified international financial ecosystem over the past half-century and more, Luxembourg has unrivalled expertise in cross-border financial services and products.

Selling funds and managing investments, businesses and family wealth across many countries and continents can be complex. It takes a special skill set to understand the different legal, fiscal and financial implications of the options available. Luxembourg leads the way in connecting markets, and international investors know they can turn to the Grand Duchy to find professionals who can think and act beyond their national borders.

Luxembourg is a recognised and well-regulated EU hub for banks, asset managers, and insurance and financial technology companies, is the home of the global fund industry and boasts one of Europe's core capital market infrastructures. This unique position allows Luxembourg to connect international investors with Europe, and European investors with the rest of the world.

This is why the majority of the world's leading asset managers have chosen to set up their global fund ranges in the Grand Duchy, why leading private equity houses structure their investments via Luxembourg, why supranational, government and corporate issuers from all over the world choose to list their securities in Luxembourg, and why international banks and insurers serve their European customers out of Luxembourg, leveraging their EU passport.

Luxembourg helps open up global markets for the European financial services industry. Not only is it the second-largest fund centre in the world, but thanks to nearly 60,000 distribution agreements in 70 markets across the world, Luxembourg also plays a crucial role in bringing international investors to Europe.

The Luxembourg financial sector and insurance regulators are unmatched when it comes to long-standing experience in authorising and regulating financial institutions that offer their services and products throughout the EU and beyond. As is the case for Luxembourg's financial industry, operating within an international framework is part of the day-to-day routine of Luxembourg's regulators. The regulators' international outlook, responsiveness and openness to new trends translate into concrete benefits for Europe and its financial services industry. For instance, Luxembourg's financial

sector regulator was the first to authorise European funds to invest in mainland China's interbank bond and equity markets via new mechanisms launched by the Chinese authorities.

The Luxembourg financial centre is solution-driven and provides a complete range of services within a stable and well-regulated environment. And, thanks to a comprehensive and continuously updated toolbox of investment vehicles suited for all types of investments and investors, regardless of whether they come from a civil or common law background, Luxembourg is more often than not the default choice when a purely domestic solution will not do.

Simply put: Luxembourg is the shortest route when it comes to connecting international investors and investments.

HELPING FINANCE THE EUROPEAN ECONOMY

Looking beyond its borders and those of Europe, Luxembourg truly acts as a catalyst and a platform to raise finance globally and attract international investments to Europe – by giving retail and institutional investors from across the world access to funds investing in European equities as well as European sovereign and corporate bonds, by acting as an EU hub for wealthy international clients and their families, by channelling private equity and venture capital from Asia, the Middle East or North America into the EU, and by allowing European companies and governments to raise finance abroad by listing bonds on Luxembourg's international stock exchange.

Moreover, Luxembourg's highly capitalised banks act as important providers of liquidity to their groups, which in turn is made available as loans to businesses and households across Europe.

With its expertise in international finance, ranging from fund distribution to capital market services, Luxembourg's financial centre attracts significant business investments and capital to Europe, helping to drive the European economy as a whole.

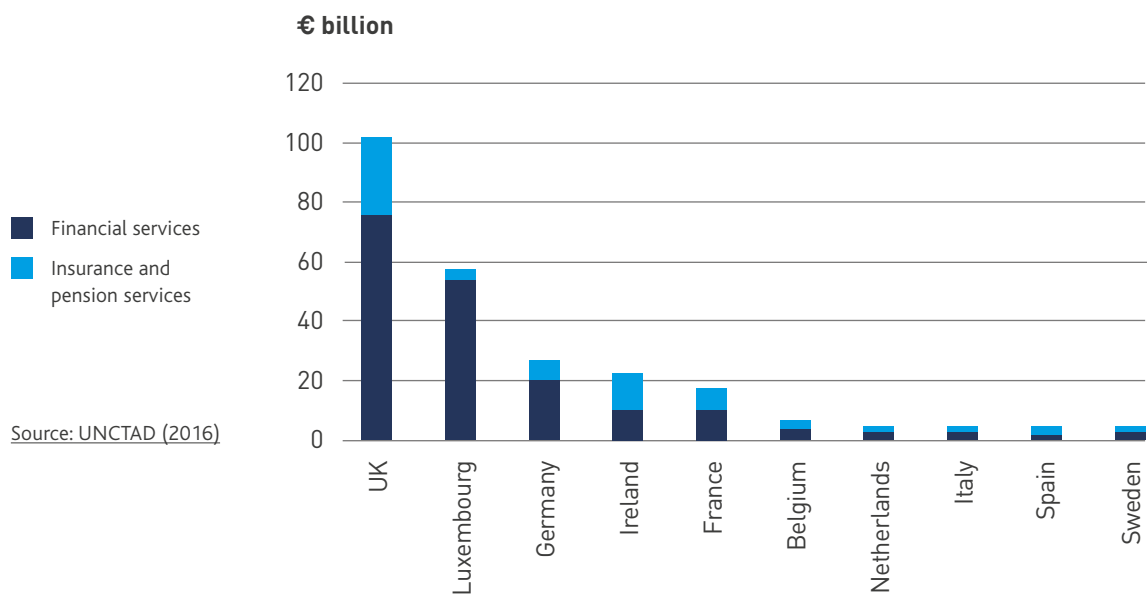
Leading financial centre of the Eurozone, second in the EU after London (GFCI 21, 2017).

Four core activities:

- **Investment funds:** Second-largest fund centre in the world after the US; Luxembourg investment funds are distributed in 70 markets across the world.
- **Banking and wealth management:** European banking hub and competence centre for international private banking, fund administration and custody.
- **Insurance:** European hub for cross-border life insurance and reinsurance.
- **Capital markets:** International bond listing centre, with the LuxSE listing bonds in 55 currencies and securities from more than 100 countries, and post-trade services hub.

Luxembourg is **AAA-rated** by the three major rating agencies. With sovereign debt at **22.1% of GDP**, Luxembourg is far below the EU average of 85%. **GDP growth** in Luxembourg, at 3.7% in 2016 (Statec), is consistently above the EU average.

Largest financial services exporter in the Eurozone



Funds domiciled in Luxembourg invested €1,422 billion in Euro-area corporations and governments in 2016, with a further €358 billion invested in other EU Member States.





LUXEMBOURG'S GOT TALENT!

LUXEMBOURG GIVES YOU ACCESS TO A LARGE, HIGHLY SKILLED AND MULTILINGUAL TALENT POOL

A LARGE TALENT POOL

+11 million inhabitants
Luxembourg lies at the heart of Europe's largest cross-border region

5 million people live within a 1 hour commute to Luxembourg City

+175'000
daily cross-border commuters from France, Germany and Belgium

+135'000 Students
6 universities within a 100km radius, cooperating closely as part of the University of the Greater Region

ATTRACTING TALENT FROM ACROSS THE WORLD

Best
country globally to work abroad¹

Part of the Schengen **visa-free** travel zone and availability of EU Blue Card work permits

47% of the population is foreign
Multicultural
170 different nationalities

2nd in the world for retaining talent²

3rd in the world for attracting talent²

A MULTILINGUAL, HIGHLY SKILLED WORKFORCE

1st the Eurozone's leading financial centre³

Most **multilingual** country in Europe: Luxembourg's population speaks an average of **3.6** languages⁴

84% of the population speaks at least **2** languages⁴

Fluent in English:

7th in the world for English proficiency⁵

1st Luxembourg has the highest labour productivity in the EU⁶

Average **2.5%** annual employment growth rate

Largest share of **highly skilled workers** in the world: **62%** of all workers in Luxembourg are in high-skilled employment⁷



02

**A PAN-EUROPEAN
BANKING CENTRE WITH
GLOBAL REACH**

Europe has several financial and banking centres, some of them focusing more on the domestic market than others and some specialising in certain business lines. Over many decades, Luxembourg has developed a unique specialisation in serving international clients and investors across multiple jurisdictions. For many international financial institutions, Luxembourg acts as a cross-border centre of excellence in wealth management, commercial banking, treasury services, fund administration and custody, among others. To support their international business development, these institutions also benefit from a fully developed ecosystem of service providers, including lawyers, accountants, IT specialists, third-party management companies, and international listing and post-trade services.

This explains why Luxembourg has become a major hub for international banks serving a pan-European and international client base. For banking groups from the US, Canada, Switzerland, Latin America and Asia, Luxembourg acts as the primary gateway to the EU, benefitting from an EU passport offering products and services across the Single Market. At the same time, international and major European banking groups – whether from Germany, France, Italy or Scandinavia – have established international centres of excellence in Luxembourg in key business lines such as wealth management, fund services and global custody, serving their own groups as well as their clients across multiple jurisdictions.

From the very beginning, Luxembourg's banking industry has specialised in offering international and pan-European services with a view to facilitating foreign trade and investment across many countries and in various currencies. The majority of banks in Luxembourg operate under a universal banking license and offer a wide range of financial services to private, corporate and institutional investors.

A CENTRAL ROLE IN GLOBAL CUSTODY AND FUND SERVICES

Luxembourg is home to more than 65 depository banks and has developed unrivalled expertise in serving the global asset management industry. Luxembourg banks act as global custodians both for their own groups and their institutional clients around the world, and can offer the whole value chain of fund services: from shareholder services, risk management and the supervision of all fund transactions to portfolio clearance, fund order processing, distribution and fund reporting. This expertise is leveraged to offer high-quality custody services for other business lines, such as wealth management, retail and corporate banking, and the Eurocurrency market.

SERVING CORPORATIONS ACROSS BORDERS

Having played an instrumental role in the creation of the Eurodollar markets in the 1960s, Luxembourg banks have long-standing expertise in serving corporate clients, notably with cash pooling and treasury services, as well as with intragroup financing. And Luxembourg's banks have traditionally been important liquidity providers for their groups. Many banks offer corporate banking services tailored to the international DNA of their corporate clients in Luxembourg and have specialised in providing payment services, international trade services, cash management services, and automated reporting and lending. The international focus of Luxembourg's banks means that non-financial groups often select the Grand Duchy to host their internal financing operations. Some, like the American John Deere Group and Italy's Danieli Group, have even chosen to base their in-house banks in Luxembourg. FinTech companies such as PayPal and Rakuten have set up their pan-European banks in Luxembourg.

Luxembourg also offers a toolbox of pension vehicles and pension pooling services for multinationals, as well as different types of covered bonds (debt security guaranteed by a cover pool specifically allocated to these securities).

A CENTRE OF EXCELLENCE FOR INTERNATIONAL PRIVATE BANKING AND WEALTH MANAGEMENT

Luxembourg's expertise in cross-border financial services also gives it an edge as an EU-onshore hub for international private banking. The country's comprehensive wealth management ecosystem includes private banks, wealth managers, family offices, life insurers, law firms, tax advisers, and corporate and trust services.

To offer the best possible service, the private banking ecosystem works closely with specialists from the asset management industry, capital markets and life insurance providers. Luxembourg's private banks, wealth managers and life insurers can, for example, leverage the local fund industry ecosystem to offer tailor-made wealth management solutions.

Banks in Luxembourg offer a one-stop shop for global wealth management solutions encompassing all of a client's assets and business interests across multiple countries – investment advice, asset management, family office services, wealth planning, real estate management, succession planning and philanthropy. Luxembourg's professionals have unique expertise in managing the different fiscal, legal and financial implications for clients with international lifestyles and investments and businesses in several countries, all in full compliance with international and EU rules and regulations. Luxembourg's know-how is not limited to European jurisdictions; indeed, 42% of clients' assets in private banking originate in non-European countries.⁴

Very wealthy clients can entrust their assets to independent single-family offices, which group all service providers in one place. They even go beyond wealth management to take care of personal issues like finding schools, making travel arrangements, managing art collections and providing secretarial services.

Multi-family offices serve a maximum of five families. They are designed for affluent clients with a fortune of up to €200 million. Luxembourg is one of only a few countries in the world that regulates the activities of multi-family offices, providing clients an extra level of investor protection.

⁴ ABBL Private Banking Group, Luxembourg (PBGL), June 2016

The Luxembourg Freeport

Inaugurated in 2014, the state-of-the-art **Luxembourg Freeport** allows financial sector professionals to extend their wealth management services to encompass art or wine collections and acts as custodian of those assets in a secure setting. Investment funds that invest in physical assets can use the facility to store them.

At the Luxembourg Freeport, a customs check and inventory are conducted when assets arrive.

Philanthropy

The Fondation de Luxembourg is an important asset for Luxembourg's private banking sector. The Fondation is an umbrella organisation for the creation, management and supervision of charitable foundations through which long-term engagements are managed. It acts as an expert advisor, offering a simple, secure and rapid solution to individuals and corporate donors. As a fully independent, non-profit initiative, it also benefits from government support. The Fondation has a global scope and focuses on five broad areas: health and research, poverty and social cohesion, culture and diversity, universal education, and biodiversity and climate change.

QUICK FACTS

GATEWAY TO THE EUROPEAN UNION FOR INTERNATIONAL BANKS



Access to the European Single Market, **EU-wide passport** for services



Cross-border centre of excellence in private banking, treasury and corporate banking, custody and investment fund services



A fully developed **ecosystem** of service providers to support banks in their international development

ONE-STOP SHOP FOR WEALTH MANAGEMENT



Unique expertise in **international wealth management** and **succession planning**

Over **€350** billion in assets under management in **private banking** (PBGL 2015), with a **35%** growth rate over the past five years

48% of clients are from the EU, **42%** from non-European countries (PBGL 2015)



Comprehensive **wealth management toolbox** for a sophisticated international clientele



Experience with **single- and multi-family offices**

READY FOR THE DIGITAL AGE: A EUROPEAN CENTRE FOR FINANCIAL TECHNOLOGY

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

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

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

Luxembourg House of Financial Technology

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

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

Luxembourg also provides the necessary technological infrastructure, boasting one of the most advanced data-centre parks in Europe and, located in the centre of the 'Golden Loop', the Luxembourg ultra-low-latency network, with connections to the major European Internet hubs in Amsterdam, Brussels, Frankfurt, London and Paris.

The CSSF (Commission de Surveillance du Secteur Financier) has set up a dedicated, tech-savvy FinTech and was the first European regulator to take a position on virtual currencies, acknowledging them as scriptural money and authorising operators in this space under existing financial services regulations. As a result, Luxembourg became the first country to grant a payment institution license to a virtual currency operator and was the first to regulate a bitcoin exchange with EU-wide passporting.

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

03

**HOME OF THE
GLOBAL FUND
INDUSTRY**

Luxembourg is the world's leading hub for global fund distribution. It handles 65% of distribution of cross-border funds worldwide and is the second-largest investment fund centre in the world in terms of assets under management (AUM), behind the US. Luxembourg funds are distributed in 70 markets, with particular emphasis on Europe, Asia, the Middle East and Latin America.

Luxembourg is also the most popular domicile for Undertakings for Collective Investment in Transferable Securities (UCITS), the world's only truly global fund product, offering the highest possible levels of investor protection. Originally designed as retail investment products and benefiting from a passport for distribution throughout the EU, UCITS are now widely sold both to the public and to institutional investors across the globe. Pension funds in particular rely on UCITS to diversify their portfolios with a well-regulated product.

A first mover in implementing European fund regulation, Luxembourg has played a key role in opening up markets for fund distribution across the globe and providing European retail and institutional clients access to international investments.

It is not surprising that the world's leading asset managers have chosen Luxembourg as the hub for their international fund ranges. The Grand Duchy offers unrivalled international expertise, a wide-ranging toolbox of investment vehicles and excellent recognition for its funds across the globe. Of Europe's Top 100 asset managers, 98 have funds domiciled in Luxembourg.

Over the last 25 years and more, Luxembourg has developed a comprehensive and vibrant ecosystem dedicated to global fund distribution. This ecosystem includes fund administrators, risk managers, compliance experts, lawyers, consultants, custodians and depositary banks. Luxembourg has the right solutions and service providers to meet the needs of the global asset management industry, whether asset managers prefer to set up their own fund ranges or choose to launch sub-funds under an existing umbrella fund, and whether they launch their own management company or decide to work with third-party fund administrators.

LEADING THE WAY FOR ALTERNATIVE INVESTMENTS

Luxembourg is a prime location for private equity and venture capital, hedge funds and real estate funds, with more than €550 billion worth of assets under management in alternative funds. Moreover, an estimated 90% of global private equity (PE) investments are structured using Luxembourg vehicles⁵, while the top 13 PE houses in the world have operations in Luxembourg.⁶ The ecosystem offers a number of structures to facilitate PE and real estate acquisitions with cross-border features. Some of the largest sovereign wealth funds have also chosen to centralise their international real estate and PE investments in Luxembourg.

The rapid implementation of the Alternative Investment Fund Managers Directive (AIFMD), which grants a European passport to the managers of alternative funds, helped Luxembourg consolidate and further develop its role as a well-regulated hub for the global alternative investment industry.

To ensure maximum compatibility and flexibility, Luxembourg took the opportunity of the AIFMD implementation in 2013 to overhaul and modernise its limited partnership regime and introduced a special limited partnership that does not have a legal status distinct from that of its limited partners, a structure that is familiar to asset managers from English-speaking countries. This is another example of Luxembourg's ability to combine the specific characteristics of various jurisdictions to offer clients and financial professionals solutions with which they are already familiar. Luxembourg can accommodate the needs of clients who come from both common-law- and civil-law-based jurisdictions.

⁵ Oliver Wyman: Domiciles of Alternative Investment Funds, 2014

⁶ Preqin data

LUXEMBOURG'S INVESTMENT TOOLBOX: A VEHICLE FOR EVERY PURPOSE

Luxembourg's diverse fund toolbox offers a range of structures to suit every type of asset manager and investor. Updated on a regular basis, it includes:

- **UCITS**, a regulated fund for retail and institutional investors,
- **SIF** (Specialised Investment Fund), a flexible, efficient multipurpose vehicle,
- **SICAR** (Société d'Investissement en Capital à Risque, or *Investment Company in Risk Capital*), specifically designed for private equity investment and venture capital,
- **UCI** (Undertakings for Collective Investment) Part II, a flexible, more regulated pooled vehicle,
- **RAIF** (*Reserved Alternative Investment Fund*), a fund with quick time-to-market, indirectly regulated via the alternative investment fund manager.

SUSTAINABLE INVESTING

The Luxembourg financial centre has built up an ecosystem that is uniquely suited to raising international capital for responsible investment, made possible by close cooperation between the public, private and civil sectors, stimulated by the presence of the European Investment Bank, the world's largest lender and an expert in public-private investment projects.

With a market share of almost 40%, Luxembourg is also Europe's leading domicile for responsible investments. As it meets the increasing demand of investors for socially responsible investment strategies, it has become the European location of choice for impact funds, funds with environmental strategies, renewable energy funds, water funds and funds with other specific environmental investment strategies. In each of these categories, Luxembourg is the European market leader in terms of assets under management.

The financial centre's expertise in microfinance funds dates back to 1998, when the world's first-ever microfinance fund was launched in Luxembourg. Today, more than 60% of global assets in MIVs (Microfinance Investment Vehicles) are domiciled in Luxembourg.

LuxFLAG, the Luxembourg Finance Labelling Agency, has been an important driver in promoting socially responsible funds. Founded in 2006 and initially focused on microfinance, the agency has played a pioneering role in driving the development of internationally valid standards. The agency offers four recognised labels for responsible investors in the areas of microfinance, ESG (Environment, Social, Governance), environment and climate finance. The awarding of a label is subject to strict due diligence based on defined criteria with the aim of supporting responsible investment products and increasing transparency in the sector.





QUICK FACTS

THE WORLD'S LEADING CROSS-BORDER
FUND DISTRIBUTION CENTRE AND
SECOND-LARGEST INVESTMENT
FUND CENTRE (BEHIND THE US)
IN TERMS OF AUM

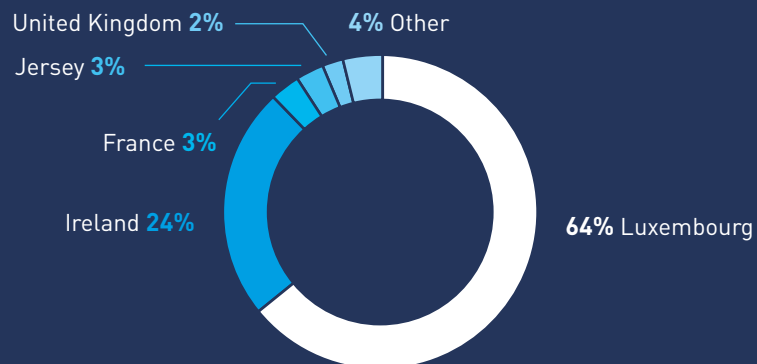
More than

€3,800 billion in assets
under management

+4,100 funds with **+14,500** funds units

Source: CSSF, as of February 2017

Domicile share of authorisations
for cross-border distribution



Source: PwC Global Fund Distribution Poster, 2016

The home of **UCITS**
the only truly global investment
fund product

Of the top 100 **asset managers** in Europe,
98 have domiciled funds
in Luxembourg

The world's
top 13 PRIVATE EQUITY
houses have operations in Luxembourg

Leading sustainable
investment fund centre*:

61% of AUM in global
microfinance funds
61% of AUM in European
impact funds
45% of AUM in European
environment strategy funds
57% of AUM in European
social strategy funds
42% of AUM in European
ethical strategy funds

Global champion in
microfinance
funds: 61%
global AUM in MIVs is
domiciled in Luxembourg

*Source: KPMG Responsible Investing Fund Survey
2016/17, LuxFlag; Symbiotics/CGAP: Microfinance
Funds – 10 years of research & practice

A DRIVER FOR CHANGE: CLIMATE FINANCE

The COP21 Paris Agreement committed the nations of the world to work together towards the common goal of limiting global warming, curbing carbon emissions and improving resilience in the face of climate change. If they are to be reached, these ambitious objectives will need strong financial support, not only from public sources but also from private and institutional investors. One of the main agreed-upon goals was to mobilise \$100 billion per year to help developing countries tackle the future effects of climate change and adapt to existing impacts.

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

Luxembourg is the European leader in responsible investment fund assets, accounting for 31% of funds and 39% of all assets under management. In terms of underlying *environmental, social and governance* (ESG) strategies, Luxembourg has the leading European market share of investment funds with environmental (38%), social (23%) and ethics strategies (56%).⁸

Testimony to Luxembourg's role as a green finance hub, the International Finance Corporation's world's largest green-bond fund dedicated to emerging markets, the Green Cornerstone Bond Fund, is domiciled in Luxembourg.

Luxembourg is also a pioneer in and the global hub for green bonds. In 2007, the Luxembourg Stock Exchange (LuxSE) listed the world's first green bond, issued by the Luxembourg-headquartered European Investment Bank (EIB).

⁸ KPMG Luxembourg, Responsible Study 2017

THE WORLD'S FIRST AND ONLY GREEN EXCHANGE

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

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

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

The Luxembourg government, which has set up a climate finance task force to bring together public and private players, is doing its share to actively support climate finance efforts. One example is the dedicated Climate Finance Platform, set up by the Luxembourg government and the European Investment Bank (EIB) to mobilise investments for projects with a strong impact in the fight against climate change. Luxembourg is the first EU member state to initiate such a partnership for innovative climate finance with the EIB.

The Luxembourg Green Exchange accounts for over 50% of global outstanding listed green bonds assets⁹:

\$69.7 billion
134 listed green bonds

All other exchanges: **\$66.1** billion
209 listed green bonds

⁹ Bloomberg, May 2017

A MULTI-PURPOSE TOOLBOX OF INVESTMENT VEHICLES AND STRUCTURES FOR ALL INVESTORS

	Asset management vehicles				
Vehicle	UCITS (Undertaking for Collective Investments in Transferable Securities)	UCI Part II (non-EU UCITS)	SIF (Specialized Investment Fund)	SICAR (Société d'Investissement en Capital à Risque)	RAIF (Reserved Alternative Investment Fund)
Investible assets	Restricted to transferable securities	Unrestricted assets	Unrestricted assets	Investment in risk capital	Unrestricted assets
Amount of regulation	✓ ✓ ✓	✓ ✓	✓	✓	
Target investor & clients	Retail investors	All investors	Professional investors	Professional investors	Professional investors
Cross-border passporting	EU Passport	National rules	EU Passport	EU Passport	EU Passport
Typical industries:					
Fund industry					
Alternative funds					
Real estate					
Private equity					
Wealth management					
Multi-purpose					
Other					

All information in this table is subject to the applicable legal framework for each specific vehicle. This is a summary table for information purposes only; certain details may not automatically apply for a vehicle unless the necessary requirements are met. For more information, please see the specific regulations for each vehicle or contact Luxembourg for Finance directly.

		Multi-purpose vehicles				
SCS & SCSp Limited Partnership (including special)	IORP (Pension fund vehicle)	SOPARFI Financial Holding Company	Securitisation vehicle & fund	Fiduciary contracts	Family Wealth Management Company (SPF)	Life insurance contracts
Unrestricted assets	Investible assets defined by IORP Directive	Holding a portfo- lio of investment assets	Securitized assets	Unrestricted	Unrestricted	Holding a portfo- lio of investment assets
	✓		*			✓
Professional investors	Employees	Natural and legal persons	Natural and legal persons	Natural and legal persons	HNWI	HNWI
EU Passport	EU passport via employer scheme					EU Freedom to Provide Services
	Multinationals	Financial holdings	Capital markets			Insurance industry

* Regulated if shares are issued to the public on a regular basis.

04

TRAILBLAZER IN INTERNATIONAL CAPITAL MARKETS

A well-functioning capital market environment is crucial for a healthy global economy. Luxembourg is home to one of Europe's core market infrastructures and offers an entire ecosystem dedicated to international capital market operations. It includes not only Europe's leading exchange for securities listings and several post-trade service providers, but also bankers, administrative agents, domiciliation agents, paying agents, transfer and register agents, lawyers, chartered accountants and tax advisors. They are a vital part of the financial centre's ecosystem and play an important role in connecting international investors with the world.

As a cross-border financial centre, Luxembourg offers the perfect framework for setting up a group finance vehicle to access international capital markets. Banks in Luxembourg not only have the expertise to advise on the best structure and terms for an issue to ensure that it triggers investor interest but can also assist the issuer in dealing with investors. Local consultants and service providers help determine the most effective legal and tax structure, including the issuer's corporate structure, and can be counted on to ensure that the required conditions are present in Luxembourg. Local clearing and settlement are available, as well as admission to listing and trading on the Luxembourg Stock Exchange if required.

Many international companies have set up their group treasury operations in the Grand Duchy, encouraged by the efficient, seamless interaction between this ecosystem of service providers who work together regularly.

SECURITISATION: SECURED BY LAW

Throughout the years, Luxembourg has maintained its position as one of the leading centres for securitisation and structured finance vehicles. A special securitisation law, which ensures innovation and legal certainty in securitisation structures, explains its pre-eminence in this area.

Under Luxembourg law, an extremely wide range of assets can be securitised: securities (shares, loans, subordinated or non-subordinated bonds), risks linked to debt (commercial and other), movable and immovable property (whether tangible or not) and, more generally, any activity that has a certain value or a future income.

THE LUXEMBOURG STOCK EXCHANGE: GLOBAL PIONEER AND LEADER IN INTERNATIONAL LISTINGS

Luxembourg's capital markets are at the forefront of market innovation. The Luxembourg Stock Exchange (LuxSE) is the global leader for international securities listings. Today, more than 2,600 international issuers from more than 100 countries list their securities on the LuxSE in 54 different currencies.

The LuxSE is globally recognised – by both issuers and investors – as a listing exchange of choice for several types of securities:

- Debt instruments (including high-yield bonds, green bonds, dim sum bonds, sukuk and covered bonds);
- Investment funds;
- Asset-backed securities;
- Equities and global depository receipts (GDR);
- Warrants.

The LuxSE has a long history of pioneering in capital markets. In 1963 it listed the first-ever Eurobond (from the Italian company Autostrade) in a foreign currency (\$) and based on English law. Further milestones were the first listing of sukuk in 2002, the listing of the world's first green bond in 2007 and the first listing of a dim sum bond in Europe in 2011. This innovative, international approach has made the LuxSE indispensable on international capital markets.

The LuxSE operates two markets: the Bourse de Luxembourg, requiring approval from the regulator, and Euro MTF, requiring approval from the LuxSE. Being listed in Luxembourg includes admission to trading.

The Euro MTF, Europe's largest multilateral trading facility for listed securities, makes it possible for issuers without a European passport to obtain a listing in an international financial centre in Europe.

Listing a security in Luxembourg has two main advantages: visibility for the issuer and transparency for the investor, since all relevant information, including the prospectus, is centralised in a public database.

In light of Luxembourg's thriving investment fund sector, the LuxSE has also specialised in the listing of funds. Listed funds broaden the scope for potential institutional investors, who often have to include a share of listed portfolios in their own portfolio.

With the launch of the Luxembourg Green Exchange (LGX) in September 2016, Luxembourg again became an international standard setter. This move marked a turning point in the international fight against climate change. The LGX is the world's first platform entirely dedicated to green securities. It imposes stringent eligibility criteria, providing an environment issuers and investors can count on to fulfil their green objectives (for more information on the LGX and green finance, see page 28). The LGX accounts for over 50% of global outstanding listed green bonds assets.

POST-TRADE: SERVING THE ENTIRE GLOBE

The securities servicing industry is supported by a sophisticated intermediation structure that brings investors, issuers and trading parties together.

Post-trading includes clearing, settlement, custody and asset servicing. Alongside the growing Luxembourg Stock Exchange, the country launched its own post-trade services provider in 1970. Now called Clearstream, it is the leading international central securities depository (ICSD). Through its services, Clearstream connects issuers and investors around the world.

Post-trade processes include:

- Clearing – the process of managing procedures between trade date and settlement date;
- Settlement – the process whereby the buyer receives the purchased securities and the seller receives the corresponding cash in exchange;
- Custody – the safekeeping of assets by intermediary banks, brokers and central securities depositories (CSDs) on behalf of investors;
- Asset servicing – income collection, corporate action processing, tax reclamation and proxy voting services.

In addition to Clearstream, three other post-trade providers are hosted in Luxembourg and offer access to the European Central Bank. Their combined services include the issuance, settlement and custody of securities, as well as investment fund services and global securities financing. With this density of service providers, Luxembourg has become a hub for collateral management.

QUICK FACTS

LUXEMBOURG CAPITAL MARKETS: OFFERING A WINDOW TO INTERNATIONAL INVESTORS



The **Luxembourg Stock Exchange** (LuxSE) is the world's largest securities listing centre: over **37,000** securities in more than **50** currencies are listed on the LuxSE by more than **2,600** issuers (as of January 2017).



Frontrunner in innovation: first listing of a **Eurobond** in 1963, first listing of **sukuk** in 2002, first listing of **green bonds** in 2007 and first listing of **dim sum bonds** in 2011 at the LuxSE.



The LuxSE is a popular destination for the listing of bonds, investment funds, asset-backed securities and IPOs.



**LUXEMBOURG
GREEN EXCHANGE**

Launch of the first dedicated exchange for **green securities** in the world

40%

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

Home of **Clearstream**,
the leading ICSD

The LuxSE offers

two markets

the Bourse de Luxembourg and EuroMTF, with

99% of securities listed within two days.



European hub for **collateral management**



CONNECTING WITH CHINA: INTERNATIONAL RENMINBI HUB

Over the past years, Luxembourg has become one of the leading hubs in Europe for cross-border renminbi (RMB) investment products, playing a significant role in establishing the renminbi as a recognised global investment currency.

Since Luxembourg is a gateway to the European Union and a preferred platform for international financial institutions serving European and international clienteles, six Chinese banks have set up their continental European hubs in Luxembourg: Bank of China, Industrial and Commercial Bank of China (ICBC), China Construction Bank, Agricultural Bank of China, China Merchants Bank and Bank of Communications. Several other major Chinese banks will join them in the near future.

In 2014, ICBC was designated by the People's Bank of China as Luxembourg's official renminbi clearing bank.

Today, Luxembourg is the second-largest (behind Hong Kong) global domicile for investment funds investing in mainland China, while approximately 65% of all European investment funds investing in mainland China are domiciled in Luxembourg. It is also the main European domicile for RMB Qualified Foreign Institutional Investor (RQFII) funds.

Numerous Mainland and Hong Kong-based renminbi fund promoters develop their renminbi business from Luxembourg. Among them are many of the most prestigious names in the industry, such as China Universal, China Asset Management and Oriental Patron. International asset managers like Ashmore, Deutsche Asset, JPMorgan and Pictet follow the same strategy.

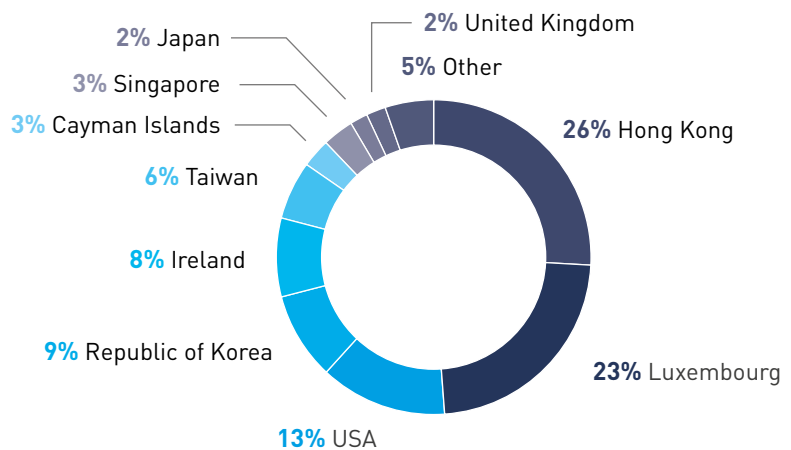
The Commission de Surveillance du Secteur Financier (CSSF), Luxembourg's financial services regulator paves the way for European funds to access the Chinese interbank bond market and A-shares

equity markets. In 2013, the CSSF authorised the first European RQFII Undertakings for Collective Investment in Transferable Securities (UCITS) fund, and in 2014 it granted the first authorisation to a UCITS fund to trade through the Shanghai-Hong Kong Stock Connect.

As in other areas, the Luxembourg Stock Exchange (LuxSE) has also been a pioneer in RMB-denominated bonds: the first dim sum bond issued by a European company was listed on the LuxSE in May 2011, and in 2014, the 'Schengen Bond', the first RMB-denominated bond issued by a mainland China company in the Eurozone, was listed in Luxembourg. Continuing this innovative track record, the LuxSE is the market leader in Europe for the listing of dim sum bonds.

Through its renminbi activities, Luxembourg actively contributes to linking the onshore and offshore renminbi markets while paving the way for international market participants

**Origin of global investment funds investing into Mainland China
(% by AuM, December 2016)**



is the leading exchange in Europe for the listing of **Dim Sum bonds** and **#2** in the world behind the Hong Kong Stock Exchange

Sources: PwC Market Research Centre, Lipper, LuxSE
 Note: The charts include mutual funds and ETFs with a geographic focus on China (excluding China domiciled funds).

05

**THE EU CENTRE FOR
CROSS-BORDER
INSURANCE AND
PENSION VEHICLES**

In most financial centres in Europe, insurance contracts focus primarily on local needs, but the Luxembourg insurance industry has long been a champion of providing services and products across the EU. In fact, 80% of life insurance premiums in Luxembourg originate from cross-border contracts under the Free Provision of Services (FPS) regime.¹⁰

While Luxembourg-based insurers are overseen by the Commissariat aux Assurances (CAA), Luxembourg's insurance regulator, insurance contracts sold outside of Luxembourg fall under the supervision of the policyholder's national regulator. The Luxembourg insurance industry offers diverse geographic outreach, sales teams that speak the client's local language and long-standing expertise in providing insurance products to clients across the EU that are fully in line with local regulations and tax rules.

THE HIGHEST LEVEL OF INVESTOR PROTECTION

The Luxembourg insurance sector offers the highest possible level of investor protection. Not only does Luxembourg have a dedicated insurance regulator, but insurers must at all times have a solvency ratio high enough to cover all outstanding assets. Luxembourg's 'triangle of security' offers an extra degree of investor protection unique in Europe.

The 'triangle of security' is comprised of three elements:

- The **regulator** must approve the choice of the insurer's custodian bank and can freeze the assets of a life insurance company in the event of a risk.
- A **tripartite agreement** between the insurance company, the regulator and the custodian bank specifies that the custody of assets is governed by all three parties. Furthermore, assets linked to life insurance contracts must be separated from the insurance companies' other assets and be deposited in a different bank account.
- The **custodian bank** must also separate assets linked to life insurance contracts from other assets.

¹⁰ Source: Commassu Annual Report 2015/16

Another aspect is the 'Super Privilege' guarantee, which ensures that holders of insurance contracts have a preferential claim over all other involved parties in case of default.

Together, these factors ensure that holders of Luxembourg life insurance contracts enjoy the highest possible level of investor protection.

MAXIMUM FLEXIBILITY IN ASSET ALLOCATION

Luxembourg-based insurance contracts also benefit from a high degree of flexibility when it comes to asset allocation, thanks to an exceptional choice in terms of allowed asset classes (both liquid and illiquid), currencies, geographical regions, management styles and business sectors. Clients have access to the complete range of traditional products with guaranteed returns, as well as unit-linked policies, which can be combined with a broad range of products, including internal funds adapted to client risk profiles and even dedicated funds tailored to the needs of an individual client.

LIFE INSURANCE: A SOPHISTICATED WEALTH MANAGEMENT AND SUCCESSION PLANNING TOOL

Thanks to the proximity to Luxembourg's global fund industry and its life insurance industry's expertise in providing tailor-made solutions, life insurance contracts are an important part of Luxembourg's international wealth management service offer.

Through the designation of third-party beneficiaries (single or multiple), policyholders can specify the transfer of wealth over their lifetime to any beneficiary in any amount. Even unborn children can be designated beneficiaries. This makes Luxembourg insurance contracts an ideal tool for sophisticated succession and estate planning.

THE EU'S NUMBER 1 REINSURANCE HUB

By creating a captive insurer in Luxembourg, companies get direct access to the professional reinsurance market, freeing them from insurance market cycles. They can also benefit from the European passport to distribute their services throughout the EU. As of July 2016, Luxembourg hosted 216 reinsurance companies, the majority of which were captive insurers.¹¹

Captive insurers are created to cover company risks that are difficult to insure in the open market. Luxembourg reinsurance companies are active in a broad range of sectors: industry, assurance, distribution, agro-food, chemistry, banking, transport and logistics, and telecommunications.

PENSION SERVICES FOR MULTINATIONALS

The service offering for multinationals is extended by a choice of pension vehicles that allow companies active in multiple jurisdictions to harmonise pension plans and death or invalidity benefits for their expatriate workforce across borders. Luxembourg offers several pension fund solutions, both for defined benefit (DB) and defined contribution (DC) schemes, including a pension fund vehicle overseen by its insurance regulator, the Commissariat aux Assurances.

Multinationals interested in centralising the pension assets of their European or non-European entities can benefit from several cross-border vehicles for the pooling of pension funds. Pan-European solutions, instead of running local plans in individual countries, save costs and harmonise investment policies while keeping local specificities.

Luxembourg's social and political stability, as well as its strong culture of investor protection, are further reasons why the country is a preferred hub to manage such sensitive portfolios as employee's pensions.

¹¹ Source: Commassu Annual Report 2015/16

QUICK FACTS

**INSURANCE AND PENSION VEHICLES:
A HIGHLY INTERNATIONAL SERVICE
OFFER FOR INDIVIDUALS AND
MULTINATIONALS**

Luxembourg hosts:

46 life assurance
companies
42 non-life assurance
companies
216 Luxembourg-based
reinsurance companies

**LEADING CENTRE FOR
CROSS-BORDER INSURANCE
IN EUROPE**



Luxembourg life insurance contracts are an important part of **international wealth management and succession planning.**

They offer the highest level of
investor protection
in Europe

Life insurance: access to a
wide choice of
underlying assets.

**REINSURANCE AND PENSION
VEHICLES: A TOOLBOX FOR
MULTINATIONALS**

Luxembourg is the **largest**  **reinsurance hub** and the preferred location for multinationals to cover their risks through a captive insurance **company**



A toolbox of pension vehicles caters for the cross-border needs of multinationals in terms of pension plans and death or invalidity benefits



AN ESTABLISHED ISLAMIC FINANCE PARTNER

In the space of two decades, Islamic finance – a sector expected to grow significantly in the future – has become an integral part of the global financial services industry. Luxembourg is a long-standing partner of the financial communities of Muslim countries in Asia and the Middle East.

Much of Luxembourg's success in Islamic finance is based on such pioneering moves as the establishment in 1978 of the first Islamic finance institution in a non-Islamic country and in 1983 of the first Islamic insurance company in Europe. Luxembourg was also the first country in Europe to list sukuk (Islamic bonds), in 2002, and the first country to issue sovereign sukuk in euros, in 2014.

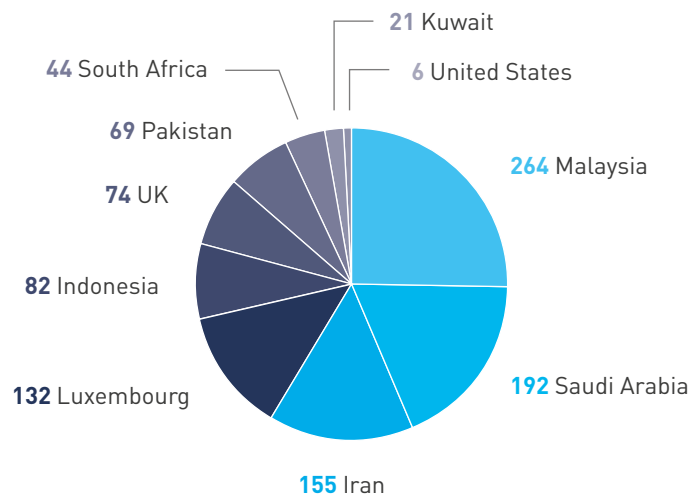
Luxembourg is now home to the largest Islamic finance fund centre outside the Muslim world, and the fourth-largest Islamic fund centre overall, ranked by the number of Islamic funds on the market.

A wide range of financial services is offered to Islamic finance clients in Luxembourg. All the structures in the Luxembourg investment fund toolbox, for example, can be used to set up Sharia-compliant funds, including regulated retail funds, professional private equity vehicles and unregulated products.

Furthermore, all Luxembourg securitisation vehicles can be structured to be Sharia-compliant, while tailor-made Islamic finance structures are available for affluent clients. The Luxembourg Stock Exchange has a long track record in the listing of sukuk, and Islamic investors wishing to invest in an Islamic insurance policy (takaful) find that Luxembourg has the ideal international insurance ecosystem.

Islamic finance experts are present throughout the Grand Duchy's financial centre thanks to the variety of tools and the unique international reach it offers. The entire Luxembourg financial centre – banks, legal advisors, audit firms, fund administrators and other service providers – is ready and able to serve Islamic finance communities.

TOP 10 Islamic fund domiciles by number of funds



Luxembourg is the fourth largest domicile for shariah compliant investment funds, ranked by the number of Islamic funds in the market¹².

¹² Thomson Reuters Islamic Finance Development Report 2016

06

**LIFE IN LUXEMBOURG:
WHAT MORE COULD
YOU ASK FOR?**

LIVEABLE & LOVABLE

The ancient fortress city of Luxembourg is a **Unesco world heritage** site.

High satisfaction with life in the city of Luxembourg: 96% (Flagship publication Urban Europe, Eurostat, 2016).

Luxembourg ranks **62nd globally in terms of cost of living**, making it significantly cheaper than Zurich (3rd), Geneva (7th), Paris (7th), Frankfurt (23rd), London (24th), Brussels (39th) and Amsterdam (55th). (Economist Intelligence Unit)

High-quality sporting facilities: ranks first in the EU (European Commission Flash Eurobarometer 419).

With **11 Michelin-starred restaurants**, Luxembourg City boasts the most stars per capita of any city in the world.

COSMOPOLITAN & MULTILINGUAL

More than **47% of Luxembourg's population is made up of foreign nationals** from **170 countries** (Statec).

The **average number of languages spoken** in Luxembourg is **3.6 per person**, the highest number in Europe (Eurobarometer). Luxembourg ranks **7th worldwide for English proficiency** (EF English Proficiency Index 2016).

FAMILY-FRIENDLY

A broad choice of international schools, both private and public.

Most tax-friendly city worldwide for a family (Knight Frank's Global Lifestyle Review 2016).

SAFE

Luxembourg City is the **safest capital in the world** (Mercer Quality of Living Survey 2016).

NATURAL

35% forest cover, 900km of well-marked cycle paths and 500km of mountain bike tracks.

Highest satisfaction with green spaces in the EU (European Commission Flash Eurobarometer 419).

CONNECTED

Findel Airport offers **direct flights to more than 60 destinations** and is located only 15 minutes from the Luxembourg City central business district.

Ultra-low-latency connections to the main European Internet exchange hubs in London, Amsterdam, Brussels Paris, Strasbourg and Frankfurt.

Ranked **first for technological readiness worldwide** (Global Competitiveness Report, The World Economic Forum 2015).

ATTRACTIVE

Best country in the world for working abroad (Expatriate Insider 2016).





07

USEFUL CONTACTS

Ministry of Financewww.mf.public.lu**Luxembourg for Finance**www.luxembourgforfinance.com**Financial Sector Supervisory
Commission (CSSF)**www.cssf.lu**Luxembourg Association
of Investment Funds (ALFI)**www.alfi.lu**The Luxembourg Bankers'
Association (ABBL)**www.abbl.lu**Luxembourg Insurance
Regulatory Authority (CAA)**www.caa.lu**Association of Insurance and
Reinsurance Companies (ACA)**www.aca.lu**Luxembourg Private Equity and
Venture Capital Association (LPEA)**www.lpea.lu**Luxembourg Family
Office Association (LAFO)**www.lafo.lu**Luxembourg Association of
Corporate Service Providers (LIMSA)**www.limsa.lu**Luxembourg Stock Exchange**www.bourse.lu**University of Luxembourg**www.uni.lu**Luxembourg House of Training**www.houseoftraining.lu**Fondation de Luxembourg**www.fdlux.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 promote the expertise of the financial centre and the diversification of its services abroad through different communication channels.

The agency continuously monitors global trends and evolutions in finance to identify development opportunities for the Luxembourg financial centre and to serve different target markets and target groups. It is also the first port of call for foreign journalists. In cooperation with the various professional associations, LFF develops documentation on products and services available in Luxembourg and their relevant legal and regulatory framework. Furthermore, LFF organises seminars in international business locations and takes part in selected world-class trade fairs and congresses.

EDITORIAL CONCEPTION
Luxembourg for Finance

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