ASSOCIATION FOR FINANCIAL PROFESSIONALS

*Underwritten by* PNC

# CASH AND TREASURY MANAGEMENT COUNTRY REPORT

# LUXEMBOURG

# Executive Summary

## Banking

Luxembourg's central bank is the Banque centrale du Luxembourg (BCL). As Luxembourg is a participant in the eurozone, some central bank functions are shared with the other members of the European System of Central Banks (ESCB). Bank supervision is performed by the Financial Sector Supervisory Authority (CSSF).

All transactions between residents and non-resident companies must be reported on a monthly basis to the BCL.

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside Luxembourg. Residents are also permitted to hold fully-convertible domestic currency (EUR) bank accounts outside Luxembourg. Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Luxembourg.

Of the 149 banks operating in Luxembourg, over 90% are foreign-owned; 103 are incorporated under Luxembourg law, while 46 are branches of foreign banks. Luxembourg's only significant domestic bank is the state-owned Banque et Caisse d'Epargne de l'Etat.

## Payments

The two main payment systems used in Luxembourg are the pan-European TARGET2 RTGS system and the Euro Banking Association's pan-European automated clearing house (ACH), STEP2.

The most important cashless payment instruments in Luxembourg are credit transfers, both in terms of volume and value. A high proportion of credit transfers are cross-border, reflecting the key role of the financial sector in Luxembourg's economy. Card payments are also widely used in the retail sector, while direct debit volumes are also growing. Checks are rarely used and volumes continue to diminish.

## Liquidity Management

Companies in Luxembourg have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Cash concentration is a common technique used by companies to manage company and group liquidity. Of the available techniques, zero-balancing is the most commonly used.

Notional pooling is also offered by leading domestic and international banks in Luxembourg.

## Trade Finance

Luxembourg applies the European Union (EU) customs code and all its associated regulations and commercial policies. All trade is free from restriction between Luxembourg and its fellow European Economic Area (EEA) member states.

# PNC's International Services

*PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.*

## International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

## Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

## PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

## Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

## Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

## Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

## Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

## Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.[1]

## Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

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# Contents

# Financial Environment

## Country Information

### Geographical Information

| | |
|---|---|
| **Capital** | Luxembourg |
| **Area** | 2,586 km$^2$ |
| **Population** | 605,764 |
| **Official languages** | Luxembourgish, French, German |
| **Political leaders** | Head of State — Grand Duke Henri (since October 7, 2000)<br>Head of Government — Prime Minister Xavier Bettel (since December 4, 2013) |

### Business Information

| | |
|---|---|
| **Currency (+ SWIFT code)** | Euro (EUR) |
| **Business/Banking hours** | Business hours: 08:00–17:00 (Mon–Fri)<br>Banking hours: 08:30–16:30 (Mon–Fri) |
| **Bank holidays** | 2018 — December 25, 26<br>2019 — January 1, April 19, 22, May 1, 30, June 10, 23, August 15, November 1, December 25, 26<br>2020 — January 1, April 10, 13, May 1, 21, June 1, 23, August 15, November 1, December 25, 26<br>Source: www.goodbusinessday.com |
| **International dialing code** | + 352 |

# Country Credit Rating

FitchRatings last rated Luxembourg on September 28, 2018 for issuer default as:

| Term | Issuer Default Rating |
|---|---|
| Short | F1 + |
| Long | AAA |
| Long-term rating outlook | Stable |

Source: www.fitchratings.com, December 2018.

# Economic Statistics

## Economics Table

| | | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| GDP per capita | (USD) | 106,182 | 111,377 | 113,962 | 102,146 | 101,341 |
| GDP | (EUR billion) | 43.8 | 45.3 | 48.1 | 52.5 | 52.9 |
| GDP | (USD million) | 56,277 | 60,143 | 63,818 | 58,223 | 58,778 |
| GDP volume growth* | (%) | - 0.4 | + 4.0 | + 5.6 | + 4.0 | + 3.1 |
| BoP (goods, services & income) as % GDP | | 6.5 | 5.0 | 4.4 | 3.4 | 4.3 |
| Consumer inflation* | (%) | + 2.7 | + 1.7 | + 0.7 | + 0.5 | + 0.3 |
| Population | (million) | 0.53 | 0.54 | 0.56 | 0.57 | 0.58 |
| Unemployment | (%) | 5.1 | 5.9 | 6.1 | 6.5 | 6.3 |
| Interest rate ** † | (%) | 2.07 | 1.86 | 1.93 | 1.61 | 1.39 |
| Exchange rate‡ | (EUR per USD)† | 0.7783 | 0.7532 | 0.7537 | 0.9017 | 0.9040 |

| | | 2017 | | 2018 | | |
|---|---|---|---|---|---|---|
| | | Q4 | Year | Q1 | Q2 | Q3 |
| GDP per capita | (USD) | – | 107,686 | – | – | – |
| GDP | (EUR billion) | – | 55.4 | – | – | – |
| GDP | (USD million) | – | 62,458 | – | – | – |
| GDP volume growth* | (%) | + 1.8 | + 2.3 | + 5.2 | NA | NA |
| BoP (goods, services & income) as % GDP | | – | 4.8 | – | – | – |
| Consumer inflation* | (%) | + 1.6 | + 1.7 | + 1.1 | + 1.3 | + 1.7 |
| Population | (million) | – | 0.58 | – | – | – |
| Unemployment | (%) | 5.6 | 5.7 | 5.5 | NA | NA |
| Interest rate ** † | (%) | 1.35 | 1.39 | 1.38 | 1.29 | NA |
| Exchange rate‡ | (EUR per USD)† | 0.849 | 0.887 | 0.814 | 0.839 | 0.860 |

*Year on year. **Lending rate to corporations for stocks up to one year. †Period average. ‡Market rate.

Sources: *International Financial Statistics*, IMF, December 2018 and 2018 Yearbook.

## Sectoral Contribution as a % of GDP

Agriculture – 0.3%

Industry – 12.8%

Services – 86.9% (2017 estimate)

## Major Export Markets

Germany (25.6%), Belgium (17.6%), France (14%), Netherlands (5.1%), Italy (4.1%), UK (4.1%)

## Major Import Sources

Belgium (32%), Germany (24.9%), France (11.1%), USA (5.7%), Netherlands (4.9%)

# Political and Economic Background

## Economics

### Interest Rate Management Policy

As a participant in the eurozone, Luxembourg's interest rate is set through the mechanism of the European System of Central Banks (ESCB). Its main objective is to maintain price stability, defined by the European Central Bank (ECB) as keeping inflation below but close to 2% in the medium term. Interest rates are set at monthly meetings of the ECB's Governing Council.

### Foreign Exchange Rate Management Policy

The Eurosystem's exchange rate policy is determined by meetings of ECOFIN (a meeting of the finance ministers in all the EU member states). Outside formal agreements, the ECB is also permitted to intervene unilaterally or in concert with other central banks to manage the euro exchange rate relative to other currencies. However, no exchange rate activity is permitted to conflict with the main objective, to preserve price stability.

### Major Economic Issues

One of Europe's wealthiest countries (the EU's richest in terms of GDP per capita), Luxembourg's economy has proven largely resilient to the fallout of the global financial crisis - GDP grew by an 2.3% in 2017, down from 3.1% in 2016, and is expected to growth 3% in both 2018 and 2019, according to Statec, Luxembourg's national statistics office. The country's financial services industry has proved crucial to its recovery and long-term economic success – the country's investment fund industry, for example, is second only to the USA globally – so too has its liberal business environment, stable regulatory environment and proactive efforts of the government and central bank to support the financial sector.

In the short-term, Luxembourg's close ties with the UK, particularly in financial services – seven of the 151 credit establishments in Luxembourg are British and the UK represents almost 17% of total investments in Luxembourg abroad – could see it suffer as a result of the UK's decision to leave the EU. However, as one of Europe's most important financial centers, behind the UK, it is likely that a number of UK financial services companies will look to relocate all/part of their functions to Luxembourg in order to preserve their access to European markets.

Having initially built its financial services industry on tax incentives and banking secrecy laws, Luxembourg has diversified significantly in response to EU tax harmonization, offshore competition and anti-money laundering concerns. (In January 2015, the government agreed to introduce the automatic exchange of banking data with other countries and in June 2016, the EU agreed on an anti-avoidance directive to counteract aggressive tax planning by multinationals.) As such, Luxembourg is now a major center for pension funds administration and is the domicile for many special purpose vehicles for private equity and venture capital investors.

In February 2017, the government launched a strategy to promote economic growth which includes attracting FDI and suporting companies looking to diversify in to other markets beyond the financial sector. Its new immigration law, Bill 6992, which introduced new residence permits for investors, for example, is seen as part of its move towards diversification.

## Politics

### Government Structure

Luxembourg is a constitutional monarchy in which the government exercises power with the support of the unicameral parliament. The electoral system of proportional representation means government by coalition is common.

The constitutional monarch is the head of state, but exercises limited executive power. Following his refusal to approve into law a bill on euthanasia passed by the Luxembourg parliament, the Grand Duke had his powers revised in December 2008. The Grand Duke is now only required to sign bills rather than signify his approval for legislation.

#### *Executive*

The executive governs with the support of parliament (the Chamber of Deputies). The current government is headed by the prime minister, Xavier Bettel, who leads a coalition between his Democratic Party, the Luxembourg Socialist Workers' Party (LSAP) and the Green Party.

#### *Legislature*

Luxembourg's parliament is the unicameral Chamber of Deputies, the 60 members of which are elected every five years by popular vote. The Chamber is advised by a 21-member Conseil d'Etat, appointed by the monarch.

The next parliamentary election will be held in October 2023.

#### *International memberships*

Luxembourg is a member of the EU (and was a founder member of the European Economic Community). It is also a member of the Council of Europe, the Organization for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), the North Atlantic Treaty Organization (NATO) and the World Trade Organization (WTO). Luxembourg has strong, long-established economic and political ties with its fellow Benelux countries; Belgium and the Netherlands.

### Major Political Issues

Luxembourg is a particularly stable country politically. The majority of its post-war governments have been coalitions led by the Christian Social People's Party. The continuity of policy, notably in support of the country's finance sector, has contributed to Luxembourg's position as one of Europe's most wealthy countries.



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Snap elections in 2013 saw the Democratic Party, Greens and the Socialists emerge with a small majority over the Christian Social Party which had been in government since 1979. The ruling coalition secured a narrow victory in the October 2018 general elections, wining 31 seats (down from 32) out of 60. Prime Minister Xavier Bettel was sworn in for a second term on December 5, 2018.

Luxembourg is also avowedly pro-EU. A signatory of the original Treaty of Rome, as well as a founder member of European Economic and Monetary Union (EMU) in 1999, it is also home to a number of EU institutions. EU membership has enabled Luxembourg to exercise disproportionate influence internationally. The United Kingdom's decision to leave the 28-member state EU in June 2016, has ushered in a period of economic and political uncertainty.

Domestically, Luxembourg is struggling to manage the migration crisis that has hit most European states.

# Taxation

## Resident/Non-resident

A company is considered resident in Luxembourg if its legal seat or central administration is located there.

The legal seat is the social seat of the company as defined in its by-laws. The central administration is determined according to facts and circumstances. Elements such as the place where board meetings and shareholders' meetings are held, where the employees are located, where the bookkeeping takes place and the place where decisions are made are considered in determining the location of the central administration of a company.

## Tax Authorities

Administration of Direct Contributions; Administration de l'Enregistrement et des Domaines (VAT and other indirect taxes); and Administration of Customs & Excise.

## Tax Year/Filing

The tax year corresponds to the calendar year. If a company's financial year does not coincide with the calendar year, its financial year becomes its tax year.

Corporate income tax, net worth tax and municipal business tax returns must be submitted before May 31 of the following tax year. This date may be extended upon request. Tax returns must be stated in terms of the euro although in certain circumstances, a company can determine its taxable income in a currency other than Euro.

Capital companies (i.e. SAs, Sàrls and partnerships limited by shares) may be entitled to self-assessment.

As from fiscal year 2018, Luxembourg companies must file their corporate income tax, net worth tax and business tax returns via an electronic filing tool.

Fiscal consolidation is allowed for corporate and municipal business tax purposes, but not for net worth tax purposes. A fiscal unity may be formed only by a Luxembourg company, or a Luxembourg permanent establishment of a foreign company subject to tax corresponding to Luxembourg corporate income tax, and its wholly owned (at least 95%) Luxembourg subsidiaries/ Luxembourg permanent establishments of a foreign company that are subject to a tax equivalent to Luxembourg corporate income tax.

Under certain conditions, a horizontal fiscal unity also is possible between companies with the same direct or indirect parent company (without the parent company forming part of the consolidation).

## Corporate Taxation

Resident companies are subject to taxation on their worldwide income. Non-resident companies are subject to taxation only on their Luxembourg-sourced income.

Foreign-source income derived by residents generally is subject to corporation tax in the same way as Luxembourg-source income. Branches are taxed in the same way as subsidiaries.

For companies whose taxable income exceeds EUR 30,000, corporation tax is levied at a flat rate of 18% and a 7% surcharge is levied for the unemployment fund.

For companies whose taxable income does not exceed EUR 25,000, the basic flat rate is 15%.

A municipal business tax may be imposed at rates ranging from 6% to 12%, depending on where the undertaking is located.

As from January 1, 2016, the minimum corporate income tax is abolished and is replaced by a minimum net worth tax (see below "Minimum net worth tax").

Losses incurred up to the fiscal year that ended on December 31, 2016 may be carried forward indefinitely. Losses incurred as from 2017 are restricted to a period of 17 years. The carryback of losses is not permitted.

## Participation Exemption

Dividends and capital gains derived by a qualifying entity from a qualifying shareholding may be exempt from Luxembourg corporate income tax and municipal business tax, notably, if the entity deriving the income holds or commits to hold the participation, directly or indirectly, for an uninterrupted period of at least 12 months and the participation does not fall below 10% or below an acquisition price of EUR 1.2 million (EUR six million for capital gains) throughout that period.

Dividend payments received by an eligible Luxembourg parent entity from an eligible subsidiary located in another EU member states are not exempt under the participation exemption regime in cases where the payments are deductible in that other member state. The benefits of the participation exemption regime also will not apply where the transaction qualifies as an abuse of law under the general anti-abuse rule.

## Minimum Net Worth Tax

A net worth tax of 0.5% on total net assets up to EUR 500 million and 0.05% on total net assets of EUR 500 million or more (subject to the minimum net worth tax requirements described below) is imposed on taxpayers subject to corporate income tax, but an exemption from, or a reduction in, the tax may be available.

Luxembourg collective entities that own qualifying holding and financing assets exceeding 90% of their total balance sheet, and whose total balance sheet exceeds EUR 350,000, are subject to a minimum net worth tax of EUR 4,815; the minimum net worth tax is EUR 535 where the total balance sheet is up to EUR 350,000.

Other Luxembourg companies are subject to a progressive minimum net worth tax, depending on the total balance sheet asset value. The tax ranges from EUR 535 (for a total balance sheet up to EUR 350,000) to EUR 32,100 (for a total balance sheet exceeding EUR 20 million).

For tax-consolidated Luxembourg collective entities, all entities in the group are subject to the minimum net worth tax (payable by the parent entity). However, the aggregate amount due by a tax consolidated group is limited to EUR 32,100.

The minimum net worth tax is reduced by the corporate income tax due the previous year.

## Incentives

A global investment tax credit is available of 7% of the acquisition value of the first EUR 150,000 of investments made during the year and 2% of the excess over EUR 150,000. A supplementary investment tax credit of 12% of the acquisition value of qualifying investments made during the tax year also is available.

The intellectual property regime was abolished in 2016. A new IP regime, which is expected to be voted in 2018, likely would apply as from fiscal year 2018. Based on the draft law, the new regime would provide for an 80% exemption on income derived the commercialization of certain IP rights, as well as a 100% exemption form net worth tax. However, under grandfathering rules, IP rights introduced before July 1, 2016 still could benefit, through June 30, 2021, from the old regime (under which 80% of income resulting from the exploitation of the rights and 80% of the capital gains arising from disposal of the rights are exempt from net worth tax).

Qualifying investment fund vehicles are not subject to corporate income tax and municipal business tax.

## Advance Tax Rulings

The administrative practice in Luxembourg allows (without obligation) tax inspectors to give binding confirmation within the scope of the law, regulation and case law of the tax treatment that would be applicable in the specific case submitted by a taxpayer or their representatives – Advance Tax Analysis. This binding information is based on a bona fide principle, meaning that the facts and tax law on which it is based do not change.

An administrative fee will apply.

## Withholding Tax (Subject to Tax Treaties)

| Payments to: | Interest | Dividends | Royalties | Other income | Branch Remittances |
|---|---|---|---|---|---|
| Resident companies | 0%/15% | 0%/15% | None | None | NA |
| Non-resident companies | 0%/15% | 0%/15% | None | None | None |

A withholding tax of 15% is levied on interest paid to both resident and non-resident companies, derived from profit-sharing bonds (subject to tax treaty reduction) and profit listed debt instruments. All other interest is exempt to the extent that the rate and conditions are at arm's length.

A withholding tax of 15% is levied on dividends (except liquidation payments) paid to resident and non-resident companies. No tax is withheld on dividends paid to a qualifying company under the EU parent-subsidiary directive, unless the transaction qualifies as an abuse of law under the general anti-abuse rule. Luxembourg has extended the benefits of the directive to parent companies resident in non-EU tax treaty countries, provided conditions similar to those under the Luxembourg participation exemption are satisfied and the parent company is subject to a tax similar to Luxembourg corporate income tax.

Domestic law in Luxembourg does not levy withholding tax on royalty payments to resident/non-resident companies (whether an EU member or not).

A tax credit is available under tax law in Luxembourg for any tax withheld. The credit allowed is limited to the amount of Luxembourg income tax due on the net income from the foreign country concerned (alternatively a global method is also available). If effective foreign taxes cannot be fully credited because they exceed the limit, the excess may be deducted as an expense from taxable income. Double taxation treaties may contain more favorable tax credits.

## Tax Treaties/Tax Information Exchange Agreements (TIEAs)

Luxembourg has exchange of information relationships with 86 jurisdictions through 86 double tax treaties and no TIEAs (www.eoi-tax.org, March 2018).

On January 27, 2016, Luxembourg, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries ("the MCAA"). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

As of December 2017, there are 68 signatory countries, including:-

- Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Russia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.

## Transfer Pricing

Luxembourg has specific transfer pricing legislation requiring transactions between related parties to be conducted on arm's length terms. The tax authorities can request documents to investigate transactions with related parties.

Tax payers should be able to justify their transactions and provide a valid business rationale, through transfer pricing documentation based on a functional and risk analysis.

Country-by-country reporting, in line with the OECD's BEPS action 13, is required for fiscal years commencing as from January 1, 2016.

New tax measures have been introduced to support Luxembourg as a prime financial center, including new guidance and clarification on the transfer pricing rules for Luxembourg entities engaged in intragroup financing activities.

A company may request an advance pricing agreement from the Luxembourg tax authorities.

## Thin Capitalization

There are no specific regulations in Luxembourg on thin capitalization. However, the general principle of dealing at arm's length applies (see Transfer Pricing). If a loan is provided in circumstances where an independent party would not have lent the funds, the debt, or part of the debt, could be reclassified as capital. Consequently, interest payments may be regarded as hidden profit distributions.

In practice, the tax administration generally applies a debt-to-equity ratio of 85:15 for the holding of participations. Where this ratio is exceeded, the surplus may be considered a contribution to capital. Interest on this surplus may be deemed non-deductible, and treated as a dividend distribution potentially subject to a withholding tax of 15% (which may be reduced under the provision of the relevant double tax treaty).

## Stamp Duty

Stamp duty is levied at various rates on the registration of notary deeds, baliff deeds and certain acts of the judiciary.

## Sales Taxes/VAT

VAT is levied on the supply of goods and the provision of services.

The standard rate is 17%.

There is an intermediate rate of 14% for certain types of wine, management and safekeeping of securities, publicity and marketing goods.

A reduced rate of 8% on gas and electricity, as well as a special rate of 3% on books, water, pharmaceutical products, most food products, etc.

VAT exemptions may apply on certain services, including some financial, health and medical services and leasing of immovable property.

Exports are zero-rated.

In principle, taxpayers must be VAT registered (derogation may apply under certain conditions).

## Capital Gains Tax

Short-term capital gains are taxed as current income (at progressive rates up to 42%); long-term gains receive more favourable treatment, including an exemption of EUR 50,000 for gains realized in a 10-year period and taxation of the remaining long-term gains at 50% of the taxpayer's global rate. Gains derived by an individual from real estate are considered long-term. A temporary regime is applicable until December 31, 2018 under which long-term gains for real estate are taxed at 25% of the taxpayer's global tax rate. Gains on an individual's private residence normally are exempt.

Gains derived by an individual on shares are long-term if the shares were held for more than six months, and are taxable only if the shareholding exceeds 10%. Gains on movable assets are exempt if the assets were held for more than six months.

## Transfer Tax

The transfer tax mainly concerns the transfer of immovable property. The basic rate is 6%, plus a 1% transcription tax. Fore real estate located in the municipality of Luxembourg, an additional charge amounting 50% of the transfer tax is imposed. Exemptions are available.

## Real Property Tax

Municipalities in Luxembourg impose a land tax of 0.7%–1% on the unitary value of real property, including industrial plants. This is multiplied by coefficients fixed by each municipality and varying by the type of real property.

Also see "Transfer tax" section.

## Financial Transactions/Banking Services Tax

There are no specific tax rules relating to financial transactions or banking services.

## Cash Pooling

Luxembourg has no specific tax rules regarding cash pooling arrangements.

## Company Registration Fee

A registration fee of EUR 75 is imposed on incorporation or amendments to bylaws.

## Other Taxes

Other taxes include gift tax, customs duty, subscription tax and registration taxes (e.g. lease contracts and loan agreements).

## Payroll and Social Security Taxes

There is no payroll tax payable by employers.

Taxes are withheld from employment income through payroll. Withholding depends on the tax class of the individual (this is normally stated on the tax card received annually). Tax rates are progressive, up to 42%. An employment fund surcharge increases the income tax by 7%, (9% for income exceeding EUR 150,000) depending on the level of income received. In addition, dependence insurance of 1.4% is levied through payroll.

Employers must make social security contributions (including pension, illness and accident insurance) on behalf of their employees at a total rate of 12.45%–15.20%, depending on various factors.

Contributions are payable by the employer and the employee on gross remuneration, up to a ceiling which is tied to changes in a cost-of-living index. They are deductible for corporate tax purposes.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2018 (www.deloitte.com).

# Cash Management

## Banking System

### Banking Regulation

#### Banking Supervision

*Central bank*

The responsibilities and authority of Luxembourg's central bank, the Banque centrale du Luxembourg (BCL), are derived from the laws of April 22, 1998 and December 23, 1998 and their amendments.

As Luxembourg is a participant in the eurozone, responsibility for setting and implementing monetary policy is shared with the other members of the European System of Central Banks (ESCB). Within the ESCB, the main objective is to maintain price stability. In addition, the BCL issues currency under authority from the ECB.

*Other banking supervision bodies*

Since November 4, 2014, the ECB has been granted a supervisory role to monitor the financial stability of banks within the eurozone via the Single Supervisory Mechanism (SSM), in accordance with the EU's SSM Regulation No 1024/2013 conferring specific tasks on the ECB with regard to the prudential supervision of credit institutions. The ECB has final supervisory authority while member states' national supervisors now provide a supporting role. The ECB directly supervises each eurozone member state's 118"most significant" banks.

The ECB possesses the  authority to conduct supervisory reviews, on-site inspections and investigations; grant/withdraw banking licences;  assess bank acquisitions; ensure compliance with EU prudential rules; and, if required, to set higher capital requirements to counter financial risks.

Bank supervision within Luxembourg is performed by its national competent authority, the Financial Sector Supervisory Authority (Commission de Surveillance du Secteur Financier/CSSF), which is responsible for the prudential supervision of all financial institutions in Luxembourg, with the exception of insurers. The CSSF also grants bank licenses under authority of the Minister of the Treasury.

#### Central Bank Reporting

*General*

Central bank reporting is required for balance of payments monitoring purposes under the Grand Ducal Decree of November 10, 1944 (and its amendments), the Grand Ducal Execution Regulation of July 19, 1997, the Ministerial Decree of November 13, 1998, and the Regulation of the BCL 2011/ No.7 of April 24, 2011.

### *What transactions – listed*

All transactions between residents and non-resident companies are usually required to be reported on a monthly basis to the BCL. Some reporting agents may choose to report transactions on a daily basis. Reports must be provided within ten working days of the end of the reporting period. Resident credit institutions must also report their transactions with non-residents which have an impact on their profit and loss account.

### *Whom responsible*

Information is collected via direct reporting and surveys from resident credit institutions and the P&T Luxembourg (postal service).

### *Additional reporting for liquidity management schemes*

Cross-border netting operations are usually required to be reported to the BCL on a monthly basis.

## Exchange Controls

### *Exchange structure*

Luxembourg is a full participant in the eurozone. Its former currency, the Luxembourg franc (SWIFT code LUF), was converted to the euro on January 1, 1999 at the conversion rate of EUR 1 = LUF 40.3399. The euro has a free floating exchange rate.

### *Exchange tax*

There is no exchange tax.

### *Exchange subsidy*

There is no exchange subsidy.

### *Forward foreign exchange market*

There are no restrictions on forward foreign exchange markets.

### *Capital flows*

There are restrictions on the acquisition of securities by residents from non-EU residents if the assets exceed 5% of an insurance company's or private pensions fund's technical provisions.

Restrictions also apply in the case of foreign investment in airlines, where investors from outside the EU are prohibited from acquiring majority stakes.

### *Loans, interest and repayments*

There are restrictions on financial loans granted by residents to non-residents if the assets form part of an insurance company's or private pensions fund's technical provision cover.

### *Royalties and other fees*

There are no restrictions.

### *Profit remittance*

There are no restrictions on the remittance of profits into or out of Luxembourg.

## Bank Account Rules

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside Luxembourg. Residents are also permitted to hold fully-convertible domestic currency (EUR) bank accounts outside Luxembourg.

Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Luxembourg. Non-residents are also permitted to hold domestic currency acccounts outside Luxembourg.

Luxembourg permits both residents and non-residents to hold interest-bearing current accounts in domestic or foreign currency; term deposits are also available.

## Anti-money Laundering and Counter-terrorist Financing

- Luxembourg has enacted anti-money laundering legislation, including legislation implementing the first four EU anti-money laundering directives and counter-terrorist financing legislation. Recent legislation includes Law of February 13, 2018 (“the Amending Law”) introducing amendment to, among others, the Luxembourg Law of November 12, 2004 on the fight against money laundering and terrorist financing, as amended (“the 2004 Law”). The “Amending Law”, which entered into force on February 18, 2018, implemented a substantial part of the 4th EU anti-money laundering directive. The provisions of the 4th EU anti-money laundering directive regarding the implementation of a register of beneficial owners and a register of trusts are not covered by the “Amending Law” and are treated separately in two other bills of law that are still going through the legislative process. There have also been a series of related Grand-Ducal Regulations and the Commission de Surveillance du Secteur Financier (CSSF) has also issued a number of related Regulations, most notably No. 12-02 of December 14, 2012 which confers a legally binding obligation to previous CSSF Regulations.
- A Financial Action Task Force (FATF) member, Luxembourg observes most of the FATF+49 standards.
- Luxembourg has established a financial intelligence unit (FIU) which is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder, including beneficial owners.
- When customer identity is being established, financial institutions must require customers to supply them with a statement to the effect that they are, or are not, operating on their own behalf. This information must be regularly updated.
- All credit and financial institutions have to identify occasional customers for transactions amounting to or exceeding EUR 15,000.
- The identification requirement does not apply if the client is a national or foreign financial institution subject to equivalent identification requirements.

- Relationships with shell banks are prohibited.
- Financial institutions in the broadest sense are required to record and report suspicious transactions to the FIU-LUX and are expected to send a report to their respective supervisory authorities.
- Individuals entering or exiting the EU must declare currency of EUR 10,000 to the customs authorities.
- Financial institutions are required to retain records for at least five years. Additional commercial rules require certain bank records to be kept for up to ten years.

Data as at March 2018.

## Banking Sector Structure

### Major Domestic Banks

| Bank | Total assets (USD million) December 31, 2017 |
|---|---|
| BGL BNP Paribas | 59,545 |
| Banque et Caisse d'Epargne de l'Etat | 54,600 |
| Société Générale Bank & Trust | 48,472 |
| Deutsche Bank Luxembourg | 45,203 |
| Banque Internationale à Luxembourg | 28,497 |
| Intesa Sanpaolo Bank Luxembourg | 26,638 |
| DZ Privatbank | 18,788 |

Source: www.accuity.com

### Overall Trend

The Luxembourg banking system consists largely of foreign-owned institutions attracted by the country's open regulatory and fiscal regime as well as its expertise in private banking, asset management, custody services, fund administration and clearing and settlement services.

Of the 149 banks operating in Luxembourg, over 90% are foreign-owned; 103 are incorporated under Luxembourg law, while 46 are branches of foreign banks. Luxembourg's only significant domestically-owned bank is Banque et Caisse d'Epargne de l'Etat, a state-owned institution that provides universal banking services to the Luxembourg domestic market and is also banker to the Luxembourg government.  The government retains a 34% in BGL BNP Paribas and a 10% share in Banque Internationale à Luxembourg.

A number of the foreign-owned institutions supply banking services to the local market, but the majority offer specialist services to an international client base. The financial services industry generates over a third of Luxembourg's GDP.

Since January 1, 2015, the EU Savings Tax Directive, requiring the automatic exchange of tax information on accounts held by citizens abroad with its fellow EU member states, has been enforced in Luxembourg. Luxembourg is a signatory to the OECD's global standard on automatic information exchange (which is being gradually implemented over 2017/2018), and of the US Foreign Account Tax Compliance Act (FATCA).

# Payment Systems

## Overview

The two main payment systems used in Luxembourg are the pan-European TARGET2 RTGS system and the Euro Banking Association's pan-European automated clearing house (ACH), STEP2.

Luxembourg migrated to the TARGET2 RTGS system on November 19, 2007. TARGET2's Single Shared Platform (SSP) is operated by the Bundesbank, along with the Banque de France and the Banca d'Italia.

Low-value credit transfers and direct debits are cleared by the EBA's STEP2 retail payments system.

Checks are cleared and exchanged bilaterally between banks.

## High-value

| | |
|---|---|
| **Name of system** | TARGET2<br>Luxembourg's national component is TARGET2-LU. |
| **Settlement type** | Real-time gross settlement |
| **Settlement cycle** | Transactions are settled in real-time with immediate finality. |
| **Links to other systems** | TARGET2 links payment systems in all 24 participating EU member states. |
| **Payments processed** | High-value and urgent electronic payments, both domestic and cross-border. |
| **Currency of payments processed** | EUR |
| **Value and other limits to processing** | There are no value thresholds. |
| **Operating hours** | 07:00–18:00 CET, Mon–Fri. |
| **System holidays** | TARGET2 does not open on weekends and on New Year's Day, Good Friday, Easter Monday, Labor Day (May 1) and December 25, 26. |
| **Cut-off time** | Customer payments =17:00 CET.<br>Interbank payments =18:00 CET. |
| **Participants** | 33 direct participants, including the BCL, 36 indirect participants, plus three ancillary systems. |
| **Access to system** | Banks connect via SWIFTNet FIN Y-Copy service. Payments are submitted using SWIFT standard message types. |
| **Future developments** | NA |

## Low-value

| | |
|---|---|
| **Name of system** | STEP2 |
| **Settlement type** | Multilateral net settlement. |
| **Settlement cycle** | Net settlement of SEPA credit transfers (SCTs) takes place via TARGET2 at 07:30, 09:45, 12:15, 14:45 and 16:20 CET, Monday to Friday. In addition to the five day-time cycles, there are two optional SCTs night-time cycles, with settlement taking place at 21:40 and 02:00 CET. The net settlement of STEP2 Core SEPA direct debits (SDD Core) and STEP2 B2B SDD takes place between 12:00 and 12:45 CET and between 13:00 and 13:45 CET, respectively. |
| **Links to other systems** | STEP2 links TARGET2, as well as the EBA-operated EURO1 and STEP1 clearing systems. |
| **Payments processed** | Low-value SEPA credit transfers and direct debits, both domestic and cross-border. |
| **Currency of payments processed** | EUR |
| **Value and other limits to processing** | SEPA payments have no maximum value limit. |
| **Operating hours** | STEP2 operates continuously for 24 hours, Monday to Friday. |
| **System holidays** | STEP2 operates on all TARGET2 working days. |
| **Cut-off time** | Same-day settlement for SEPA credit transfers (SCTs) = 16:00 CET.<br>Overnight settlement for SCTs = 21:00 CET.<br>Next-day settlement for SCTs = 01:00 CET.<br>Same-day settlement for Core (consumer) SEPA direct debits (SDDs) = 11:00 CET.<br>Same-day settlement for B2B (business-to-business) SDDs = 12:00 CET. |
| **Participants** | Eight direct participant banks based in Luxembourg. Others participate via the direct participant banks. |
| **Access to system** | Banks can connect via SWIFT. |
| **Future developments** | NA |

# Payment and Collection Instruments

## Overview and Trends

The most important cashless payment instruments in Luxembourg are credit transfers, both in terms of volume and value. The particularly high value of payments effected by credit transfer reflects the key role played by the financial sector in Luxembourg's economy; a high proportion of credit transfers are, in fact, cross-border. Card payments are also widely used in the retail sector. Checks are rarely used.

Since January 1, 2008, all debit cards issued by banks in Luxembourg have been Single Euro Payments Area (SEPA)-compliant. The country's banks offer pan-European SEPA credit transfers (SCTs) for EUR-denominated payments and SEPA direct debits (SDDs).

In January 2016, a Revised Directive on Payment Services (PSD2) entered into force. The overall objective of the PSD2 is to increase the competition on the European Union payment market, facilitate innovative payment services and ensure that payment services are safe and offer complete consumer protection. As of May 2018, Luxembourg was one of 23 (out of 28) EU members to have fully transposed the directive into their national laws. The deadline had been January 13, 2018.

## Statistics of Instrument Usage and Value

| | Transactions (million) | | % change | Traffic (value) (EUR billion) | | % change |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2017/2016 | 2016 | 2017 | 2017/2016 |
| Checks | 0.3 | 0.3 | 0.0 | 0.5 | 0.4 | - 20.0 |
| Credit transfers | 61.4 | 66.9 | 9.0 | 1,397.9 | 1,638.0 | 17.2 |
| Direct debits | 18.5 | 18.2 | - 1.6 | 10.1 | 10.3 | 2.0 |
| Debit card payments | 61.9 | 70.7 | 14.2 | 3.4 | 3.7 | 8.8 |
| Credit card payments | 62.1 | 72.4 | 16.6 | 5.1 | 5.8 | 13.7 |
| Card-based e-money | neg | neg | - | neg | neg | - |
| **Total** | **204.2** | **228.5** | **11.9** | **1,416.5** | **1,658.2** | 17.1 |

neg = negligible. N/A = Not available. Source: *ECB payment statistics,* September 2018.

## Paper-based

### Checks

Check usage in Luxembourg is increasingly rare. Banks no longer provide check books.

Checks are exchanged physically and processed bilaterally between banks.

## Electronic

### Credit Transfer

Electronic credit transfers are a popular payment method in Luxembourg, used by companies to pay suppliers and salary payments. They are also used to make treasury, tax and benefit payments, and for payments between banks.

#### *High-value*

High-value and urgent EUR-denominated domestic and cross-border credit transfers can be settled via TARGET2. All payments settled through TARGET2 are done so in real-time and with immediate finality.

High-value and urgent cross-border electronic payments can also be processed via the Euro Banking Association's EURO1 clearing system for end-of-day value. Seven banks from Luxembourg are participants in EURO1.

Cross-border credit transfers in EUR and other currencies can also be processed via a combination of SWIFT connectivity, correspondent banking relationships and branch network capabilities.

#### *Low-value*

Low-value domestic and cross-border transfers in EUR can be processed via the EBA's STEP2 SCT service.

Low-value cross-border credit transfers may also be processed by the EBA's STEP1 system or through banks' traditional correspondent banking relationships or networks.

Banque Raiffeisen's incoming and outgoing domestic and cross-border SCTs are processed by the Netherlands-registered company, Equens SE.

EBA Clearing and Italy's SIA Group (which already serves as a technical operator for STEP2) have developed and implemented a pan-European real-time infrastructure for instant EUR payments. The service, called RT1, is fully compliant with the SEPA Instant Credit Transfer (SCT Inst) Scheme of the European Payments Council (EPC) and aligns with the ISO 20022 global messaging standards for instant payments. It went live in November 2017, on the launch date of the SCT Inst Scheme.

### Direct Debits

Use of direct debits is increasing from a relatively low base and companies in Luxembourg commonly effect regular collections via this instrument.

SEPA Direct Debit (SDD) CORE and B2B services are available, enabling cross-border, EUR-denominated direct debits to be made. SDD payments are processed via STEP2. STEP2 provides a cross-border SDD processing service, as does Switzerland's SIX Payment Services in conjunction with Swiss Euro Clearing Bank (SECB).

## Payment Cards

The use of payment cards continues to increase in Luxembourg, especially for retail transactions. Approximately 770,000 debit cards and 1.8 million credit cards were in circulation at the end of 2017.

Debit cards are issued in Luxembourg unde the V Pay brand. Most credit cards are issued in affiliation with Visa or MasterCard. American Express, Diners Club and JCB credit cards are also in circulation.

All payment cards in circulation are SEPA-compliant EMV chip cards.

Card payments in Luxembourg are usually cleared via Switzerland's SIX. American Express card payments are cleared by the international credit card company.

## ATM/POS

At the end of 2017, there were approximately 578 ATMs and 13,298 EFTPOS terminals in Luxembourg. All ATMs and EFTPOS terminals in Luxembourg should now be EMV chip-compliant. SIX Payment Services operates the national ATM/POS network.

ATM and POS transactions are cleared via SIX.

## Electronic Wallet

Paysafecard is a prepaid payment instrument provided in Luxembourg for online purchases. The paysafecard can be credited using paysafecard PINs and is not connected to bank accounts. Customers may combine paysafecard PINs with an online bank account.

Contactless card technology is available in Luxembourg.

The Digicash mobile wallet is used by over 25% of the population of Luxembourg.

# Liquidity Management

## Short-term Borrowing

### Overdrafts

Overdrafts are available to both residents and non-residents from banks under credit facilities usually arranged for periods of up to one year, although they are often renewable.

Banks usually charge interest at a margin over Euribor (euro interbank offered rate).

### Bank Lines of Credit / Loans

Short-term loans are available from most local banks.

Banks charge interest at a margin over Euribor.

### Trade Bills – Discounted

A number of Luxembourg banks will discount trade bills, providing short-term liquidity to companies.

### Factoring

Factoring and invoice discounting are both available in Luxembourg from specialist providers, with or without recourse.

### Commercial Paper

Large companies access the European commercial paper market.

### Bankers' Acceptances

Bankers' acceptances are not generally used for short-term funding among Luxembourg companies.

### Supplier Credit

Supplier credit is offered in Luxembourg.

### Intercompany Borrowing, including Lagging Payments

Luxembourg groups are permitted to establish intercompany loans, either as part of a liquidity management scheme or for a longer term.

## Short-term Investments

### Interest Payable on Bank Account Surplus Balances

Interest-bearing current or checking accounts are available to both resident and non-resident entities, in domestic or foreign currency.

### Demand Deposits

Interest-bearing demand deposit accounts are available to both resident and non-resident entities.

### Time Deposits

Banks offer time deposits for terms ranging from one week to one year in either EUR or foreign currencies. Banks may impose minimum investment amounts. Interest rates are determined by market rates.

### Certificates of Deposit

Certificates of deposit (CDs) are available from commercial banks, usually for maturities ranging from one day to one year.

### Treasury (Government) Bills

The Luxembourg government does not issue Treasury bills.

### Commercial Paper

Companies and government bodies issue commercial paper for terms of one day to 12 months.

### Money Market Funds

Money market funds are a popular destination for short-term surplus balances. Sociétés d'investissement à capital variable (SICAVs) are open-ended investment companies open to corporate investors.

### Repurchase Agreements

Repurchase agreements (repos) are actively traded in the interbank market.

### Bankers' Acceptances

Bankers' acceptances are not used as short-term investment instruments by companies in Luxembourg.



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## Liquidity Management Techniques

Luxembourg's open regulatory and fiscal framework for financial services and the presence of many international banks mean that all common liquidity management techniques are widely available.

Luxembourg operated a Business Coordination Center regime between 1989 and 2009 that offered a favorable tax environment for liquidity management and other financial processes. The regime has now been phased out as a result of EU tax harmonization. Luxembourg is now a leader in pension and hedge fund administration.

### Cash Concentration

Cash concentration techniques such as zero- and target-balancing are widely available and used by companies to manage company and group liquidity. Different legal entities and both resident and non-resident bank accounts can participate in a cash concentration structure located in Luxembourg.

There are no regulatory restrictions on cross-border sweeping, but central bank reporting requirements apply. Lifting fees on transactions between resident and non-resident bank accounts may be applied but are typically lower than in other EU countries and usually have a low maximum cap.

### Notional Pooling

Notional pooling is available from the leading domestic and international banks in Luxembourg. Both resident and non-resident bank accounts and multiple legal entities can participate in a notional cash pooling structure located in Luxembourg.

# Trade Finance

## General Rules for Importing/Exporting

A member of the EU, Luxembourg follows the EU customs code and all associated regulations and commercial policies apply.

All trade with other countries in the European Economic Area (EEA) is free from tariffs and other controls.

The EU has also established trade agreements with a number of countries as well as with other regional trade blocs.

One free zone (Luxembourg Freeport) is currently operating in Luxembourg.

# Imports

## Documentation Required

Imports originating outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Imports originating inside the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

## Import Licenses

Import licenses are rarely required, but are necessary for the import of some textiles, steel products, diamonds and weapons from non-EU countries. Import licenses with quotas are required for some steel imports from Kazakhstan.

## Import Taxes/Tariffs

As a member of the EU, Luxembourg applies the common customs code to all imports originating from outside the EU. In general terms, the customs code applies higher levels of tariffs on agricultural imports.

## Financing Requirements

There are no particular financing requirements for imports.

## Risk Mitigation

Luxembourg does not operate a national risk mitigation program for importers.

## Prohibited Imports

Luxembourg prohibits imports in line with EU regulations or UN Security Council resolutions. Imports are prohibited for safety and moral reasons, to preserve wildlife, and to protect national security.

# Exports

## Documentation Required

Exports to countries outside the EU will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading and a packing list. A certificate of origin may also be required.

Exports to countries within the EU do not require formal supporting documentation, although a commercial invoice should normally be supplied.

## Export Licenses

Any items subject to international controls (e.g. strategic items such as armaments, dual-use items, and diamonds) and exports to countries under UN embargo require export licenses.

## Export Taxes/Tariffs

Luxembourg does not levy taxes or tariffs on exports.

## Proceeds

There are no restrictions on the use of export proceeds.

## Financing Requirements

There are no particular financing requirements for exports.

## Risk Mitigation

Export financing is available from the leading commercial banks.

The state-owned Office du Ducroire is the country's official export credit agency and provides state-supported credit insurance for exports against political or commercial risk under the authority of the Ministry of Finance.

Export credit insurance is also available from several private entities.

## Prohibited Exports

Luxembourg prohibits certain exports in line with EU regulations and UN Security Council resolutions.

# Information Technology

## Electronic Banking

Electronic banking services are widely available from domestic and international banks operating in Luxembourg, both via leased line and internet-based connectivity. Banks offer electronic banking services both via their own proprietary platforms and MultiLine, Luxembourg's version of the German MultiCash system, which offers companies access to the electronic banking services of multiple participant banks via a single common technology platform. MultiLine supports the SEPA-compliant Electronic Banking Internet Communication Standard (EBICS), a secure transfer protocol for the online exchange of XML files. In addition, MultiLine can send invoices for payments by direct debit to be processed by SIX. SWIFT for Corporates is also available to large multinational companies.

Due to the international nature of the commercial and financial sectors in Luxembourg, electronic banking offers particularly strong cross-border as well as domestic functionality, across payment initiation, reporting (intraday and end-of-day) and liquidity management (i.e. automated sweeping) services.

Saferpay is an e-payment solution, provided by Switzerland's SIX, allowing for secure retail purchases and bill payments over the internet from bank accounts.

All the country's leading commercial banks provide online and mobile banking services. Online banking services were used by 73% of individuals in 2016 a six percent increase on 2015; mobile banking services were used by approximately 52% of Luxembourg residents in 2016, up from 39% in 2015.

MyBank is an e-mandate solution which enables online/mobile payments to be made without the need to provide personal bank account details to third parties.

# External Financing

## Long-term Funding

### Bank Lines of Credit / Loans

General revolving lines of credit and loans are available to domestic and foreign-owned companies in EUR and other currencies.

A number of Luxembourg banks act as arrangers for syndicated loans. Bilateral loans are also available.

### Leasing

Finance and operating leases are available in Luxembourg for financing the use of vehicles, machinery and other office equipment.

### Bonds

The Luxemburg Stock Exchange (Bourse du Luxembourg) is a major European listing center for corporate bonds; its international bond issues represent around 60% of the total amount listed on EU markets.

Companies can issue bonds as part of a wider program, including medium-term note issuance.

### Private Placement

The private placement of securities is available in Luxembourg.

### Asset Securitization / Structured Finance

A wide range of securitization and other structured finance techniques can be arranged through Luxembourg banks.

### Government (Agency) Investment Incentive Schemes / Special Programs or Structures

The EU's structural funds are available to finance infrastructural development. However, with the growth in size of the EU, the funds available for such investment have to be distributed to more countries. Funds are also available through the European Investment Bank, the European Investment Fund, the National Credit and Investment Company (Société Nationale de Crédit et d'Investissement – SNCI) and other public authorities in Luxembourg.

Equipment loans can be extended to any merchants and manufacturers operating in Luxembourg for long-term financing between 10 and 14 years, through the SNCI. The state-owned SNCI specializes in investment financing and offers these loans at low, fixed-interest rates.



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# Useful Contacts

## National Treasurers' Association

Luxembourg Association of Corporate Treasurers — www.atel.lu

## National Investment Promotion Agency

Invest in Luxembourg — www.investinluxembourg.lu

## Central Bank

Banque centrale du Luxembourg — www.bcl.lu

## Supervisory Authority

European Central Bank (ECB) — www.ecb.europa.eu

Financial Sector Supervisory Authority (CSSF) — www.cssf.lu

## Payment System Operators

SIX Payment Services — www.six-payment-services.com

paysafecard — www.paysafecard.com

Saferpay — www.saferpay.com

MyBank — www.mybank.eu

## Banks

Deutsche Bank Luxembourg — www.db.com/luxembourg

Société Générale Bank & Trust — www.sgbt.lu

CACEIS Bank Luxembourg — www.caceis.com

Banque et Caisse d'Epargne de l'Etat (BCEE) — www.bcee.lu

BGL BNP Paribas — www.bgl.lu

## Stock Exchange

Luxembourg Stock Exchange — www.bourse.lu

## Ministry of Finance

Ministry of Finance — www.mf.public.lu

## Ministry of Economy

Ministry of Economy and Foreign Trade — www.eco.public.lu



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## Chamber of Commerce

Luxembourg Chamber of Commerce — www.cc.lu

## Bankers’ Association

Luxembourg Bankers’ Association — www.abbl.lu