



Royal Highness,  
Excellencies,  
Ladies & Gentlemen,  
Dear colleagues & friends,

I am delighted to be here and have the opportunity of speaking to such a high ranking audience. It is a real pleasure to share with you some thoughts on Luxembourg and its financial centre.

Why has Luxembourg, which was essentially an agricultural country, and which became wealthy thanks to its steel industry, acquired a leading position in the financial world ?

What are the criteria that make a financial centre attractive?

The principal characteristics of a world class financial centre are regulation, trust & predictability, quality of education, lifelong learning & security.\*

I shall try to demonstrate with a few charts that Luxembourg is well positioned to fulfil all these criteria.

I shall start with some figures showing you the real dimension of the Luxembourg financial centre and its weight in relation to the national economy and shall then describe the main types of international financial activities that have taken root in Luxembourg.

\*Sir Nicolas Goodisson, former Chairman of London Sstock Exchange  
US Senate, US Global financial services leadership


# The Luxembourg financial centre

## ... at a glance :

- Europe's largest investment fund centre and second worldwide after the US
- N° 1 wealth management centre in the Eurozone
- Europe's leading domicile for captive reinsurance companies

## Competitive environment

International competitiveness indicators	Source	Ranking Luxembourg	Analysed locations/countries
Growth Environment Score (GES)	Goldman Sachs, 2005	1	170
Global Competitiveness Index	IMD Lausanne, 2008	5	55
Growth Competitiveness Index (GCI)	World Economic Forum, 2009	21	133
Index of Economic Freedom	Heritage Foundation & Wall Street Journal, 2009	15	183
Least risky business environment	Global insight, country risk rating 2007	1	203



Many competitiveness indices exist.

The ones which I like most are the Goldman Sachs survey and the Global insight survey where Luxembourg is Number one.

What is Growth Environment Score? It is an index relying on hard macroeconomic data, like inflation, public debt, investment in education, infrastructures and so on. These data are compiled and injected in a model to come up with a final score. And Luxembourg is in the lucky position to come out as Number 1 worldwide in this ranking.

The last one is worthwhile mentioning. Luxembourg has the least risky business environment in the world and, according to Mercer Human Resources, Luxembourg is also the safest city in the world.

Safety & security are important business factors.

To attract international investment as well as mobile brain resources, it is important that a financial centre is able to offer a sound and a secure environment.

## **Luxembourg is not only finance!**

- Large number of European institutions
- Seat of Arcelor-Mittal (world's largest steel producer)
- Seat of SES Global (world leader in global satellite communications)
- RTL Group World Headquarters (Multimedia)
- Cargolux Headquarters (Cargo airline of the year 2005)
- European Headquarters of Amazon, Apple, E-Bay

 Luxembourg for Finance  
Helping on Expertise. Building on Innovation

### European institutions

European Court of Justice

European Court of Auditors

European Investment Bank

Secretariat-General of the European Parliament

## Why finance in Luxembourg

- Located in the heart of Europe
- Multilingual & multicultural population
- Stable legal, political & social environment
- Unique concentration of experts in financial matters
- Excellent infrastructure
- Free movement of capital
- Modern legal and regulatory framework
- Strict but flexible & responsive prudential regulation
- International business environment
- Strict financial privacy laws
- Stock exchange of the Euromarkets



Absence of strikes

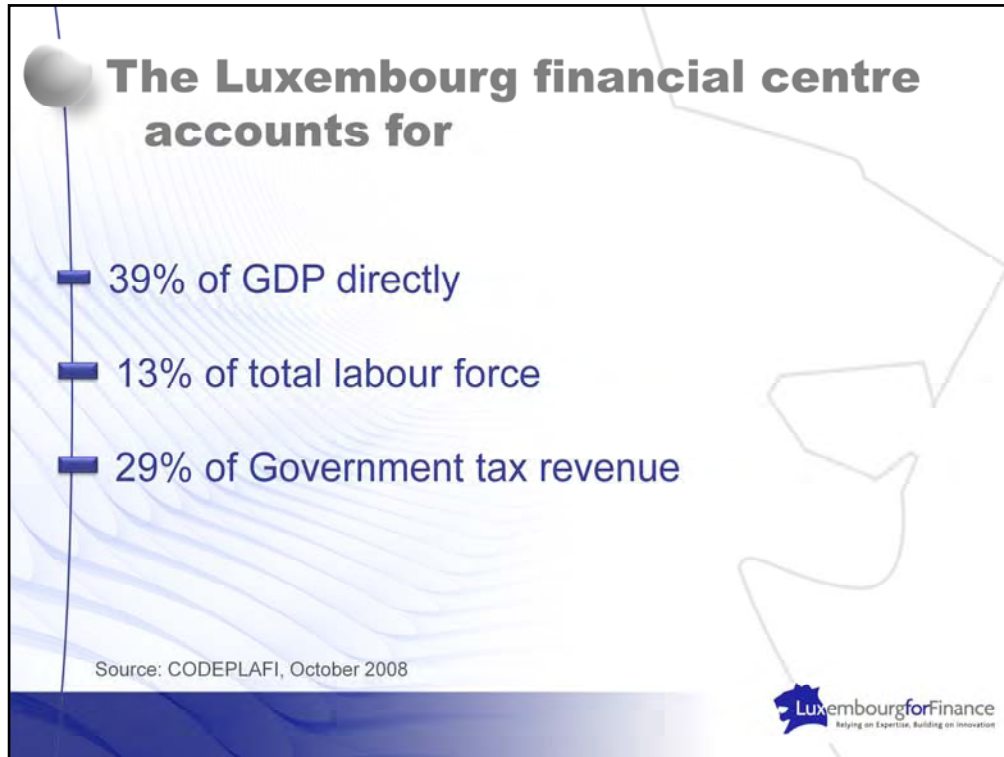
Infrastructures: 5 % of GDP invested in infrastructure development

Business is transacted where regulation permits, but above all where people trust the regulation and the regulator.

Luxembourg is the country of quick and short ways. Continuous and close contacts between government representatives, the legislator and business leaders foster effective transposal of European directives.

As an example, I would like to mention the European directive on investment funds – we call it UCITS. As Luxembourg was the first country to implement the European directive on cross-border distribution of investment funds, Luxembourg could grow to become the 2<sup>nd</sup> largest investment fund centre in the world.

From a modest start in 1929, the Luxembourg **Stock Exchange** has managed to become the exchange for international debt issues. With more than 46.000 securities listed here, our Stock Exchange lists 75 % of all international bond issues.



Our financial centre is profoundly international in outlook, with virtually all its activities focused on foreign countries. This can be illustrated by two very different figures:

- 39% of GDP
- 13% of total labour
- 29% of Government tax revenue

This is the **direct** contribution made to the Luxembourg economy by the financial institutions established in Luxembourg (banks, insurance companies, financial intermediaries and investment fund management companies).

If we add to these figures the indirect impact (brought by law and audit firms, hotels and restaurants, service providers, etc), the Luxembourg financial activities contribute for:

- 45% of GDP (39% directly and 6% indirectly)
- 21% of total labour force (13% directly and 8% indirectly)
- 34% of Government tax revenue (29% directly and 5% indirectly)

CODEPLAFI = Comité pour le développement de la place financière

## The Luxembourg financial centre in figures

**Banks**  
148

**Investment funds**  
> 3,450

**Insurance**  
Life : 53  
P&C : 40  
Reinsurance : 261

**Professional intermediaries**  
(asset managers, brokers, transfer agents...)  
290



BIS (Bank for International Settlements)  
fosters cooperation among central banks for monetary and financial stability

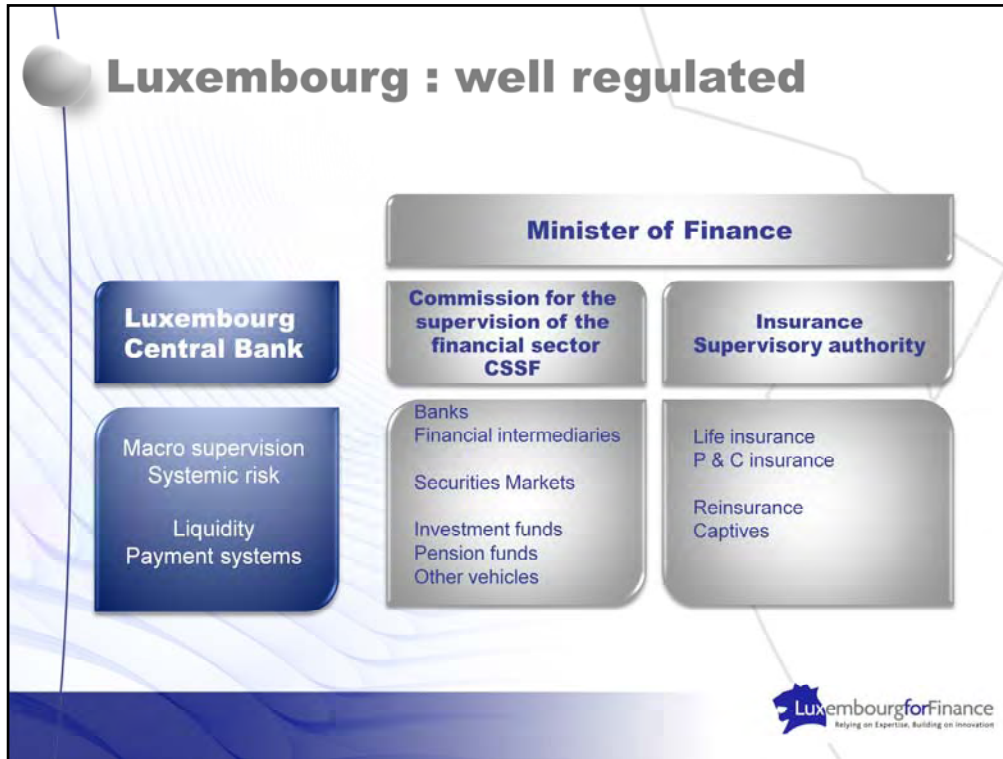
IOSCO (International Organisation of Securities Commissions)  
promotes standards of regulation in order to maintain just, efficient and sound markets.

IAIS (International Association of Insurance Supervisors)  
promotes cooperation and sets international standards for insurance

FATF (Financial Action Task Force)  
promotes international policies to fight money laundering and financing of terrorism (GAFI)

OECD (Organisation for Economic cooperation and Development)  
provides a setting in which governments can compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies.

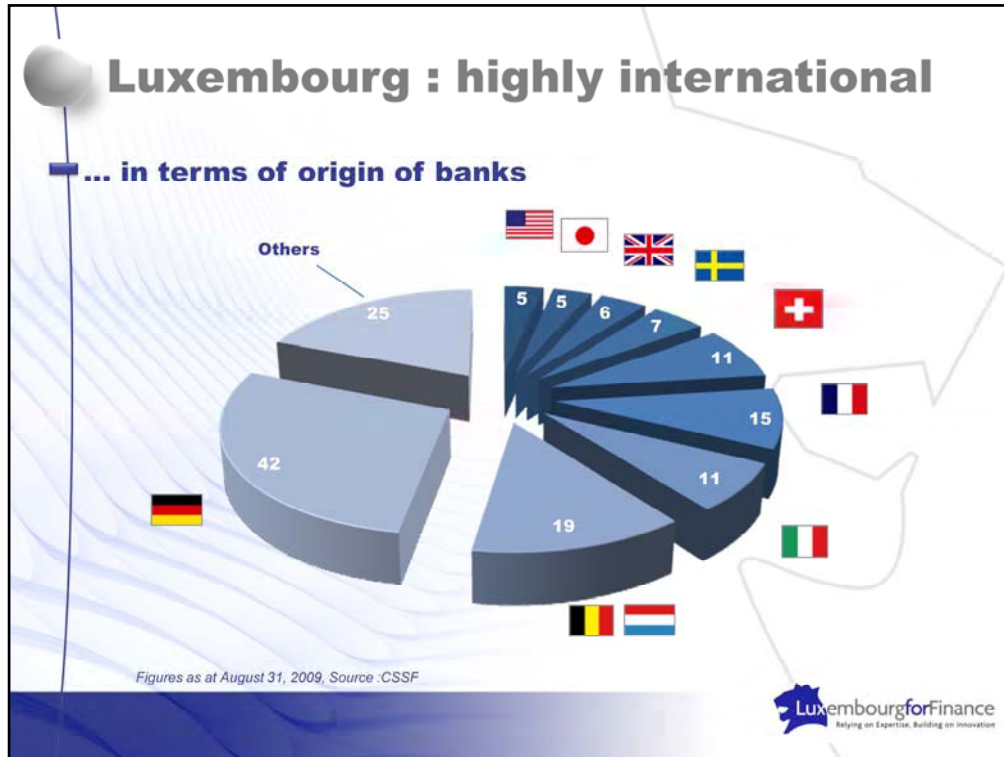
I would also like to underline that the Grand Duchy is not, has never been and will never be a tax haven. There is no tax provision that distorts international competition, since the taxation of banks and business is on a par with the European average, and the direct taxation of private individuals is sometimes higher than in some other EU countries. This enables our authorities to establish non double taxation treaties with most industrialised countries. I think, rather than a tax haven, Luxembourg is simply a country unburdened with bureaucracy that has a sound and stable legal and fiscal environment.



Luxembourg has 3 supervisory authorities.....

As you can see, we are not in the tradition of some southern European countries where the central bank is also the supervisor. Luxembourg has adopted a model which is more similar to the German or Swiss ones where these responsibilities are split among several players.

You will also notice that the CSSF supervises securities markets together with financial intermediaries, a mission that is sometimes entrusted to a separate legal entity.



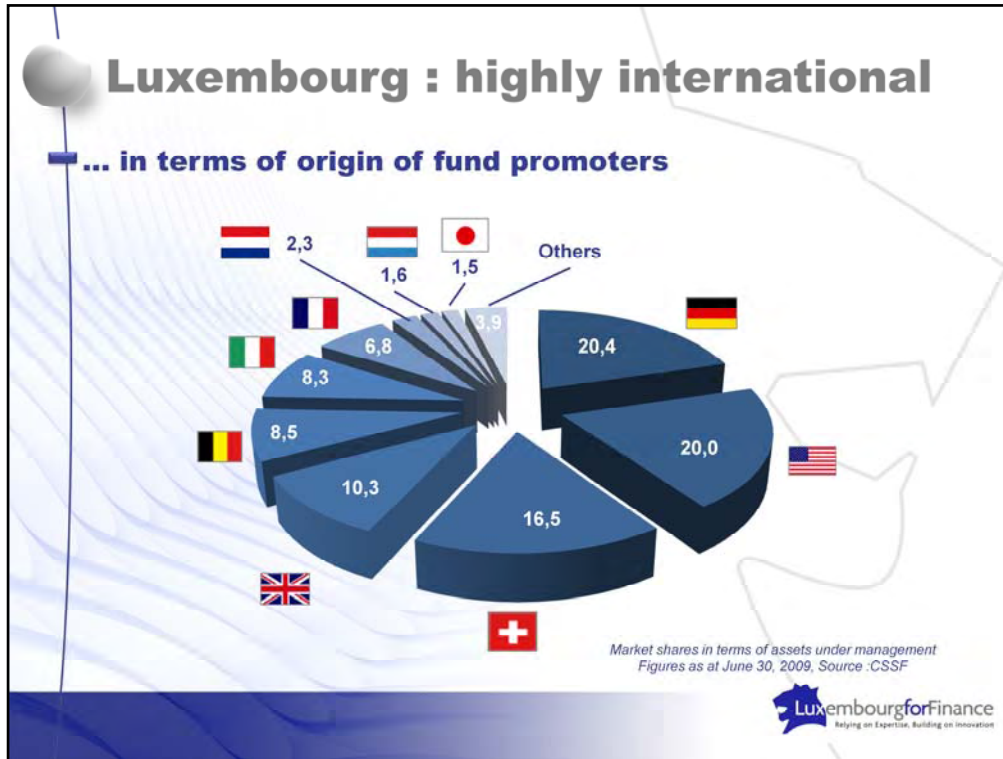
The financial centre is essentially multinational, as witnessed by the fact that 98% of its banks are of foreign origin, ranging across some twenty-five different nationalities.

Many banks have settled in Luxembourg to benefit from the liberal monetary, prudential and tax environment.

For example, in 1960 the first **US bank** set up in Luxembourg in reaction to the adoption of the regulation Q (in 1958) by the United States. This regulation imposed a ceiling in the interest that American banks could apply to their customers deposits in USD.

A few years later, a large number of **German banks** were encouraged to settle in Luxembourg because of funding restrictions in their home market. They reorganised their loan portfolios from outside Germany.

Let me also mention the **Swiss Banks**. They mainly use Luxembourg as a hub for cross-border distribution of investment funds and private banking products. As Switzerland is not a member of the EU, cross border distribution of financial services from Luxembourg is easier for these banks.

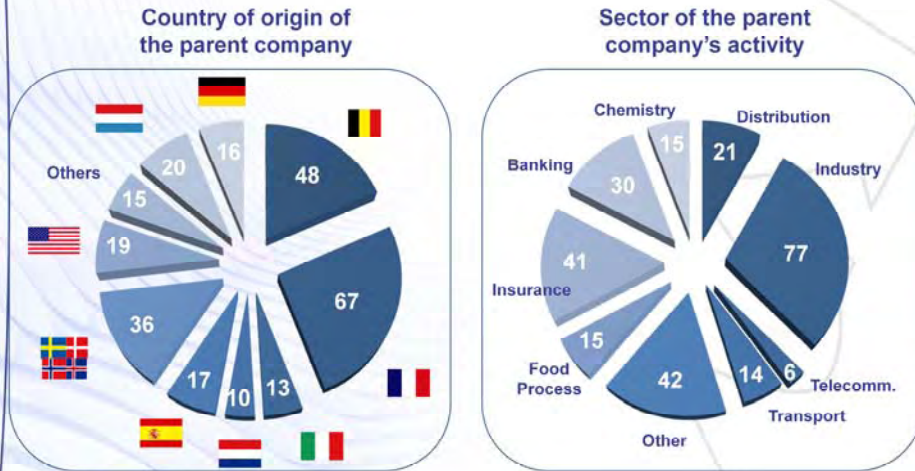


Our financial centre is profoundly international in outlook, with virtually all its activities focused on foreign countries. This can be illustrated by different figures:

More than 98% of fund promoters are of foreign origin

# Luxembourg : highly international

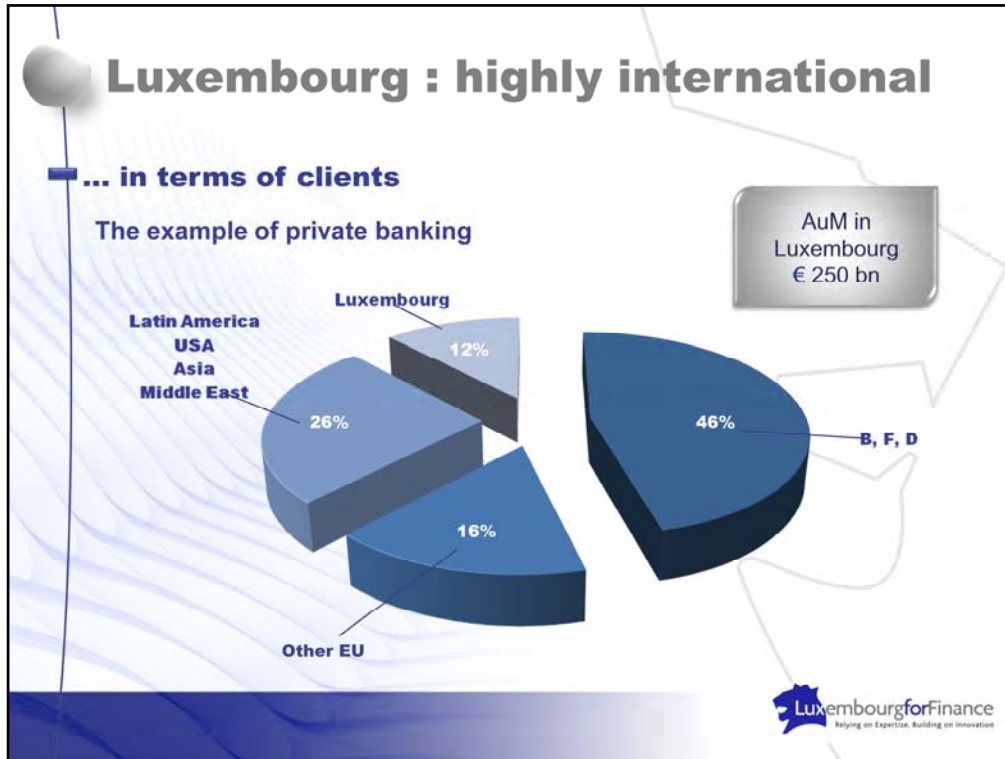
## ... in terms of origin of captive reinsurers



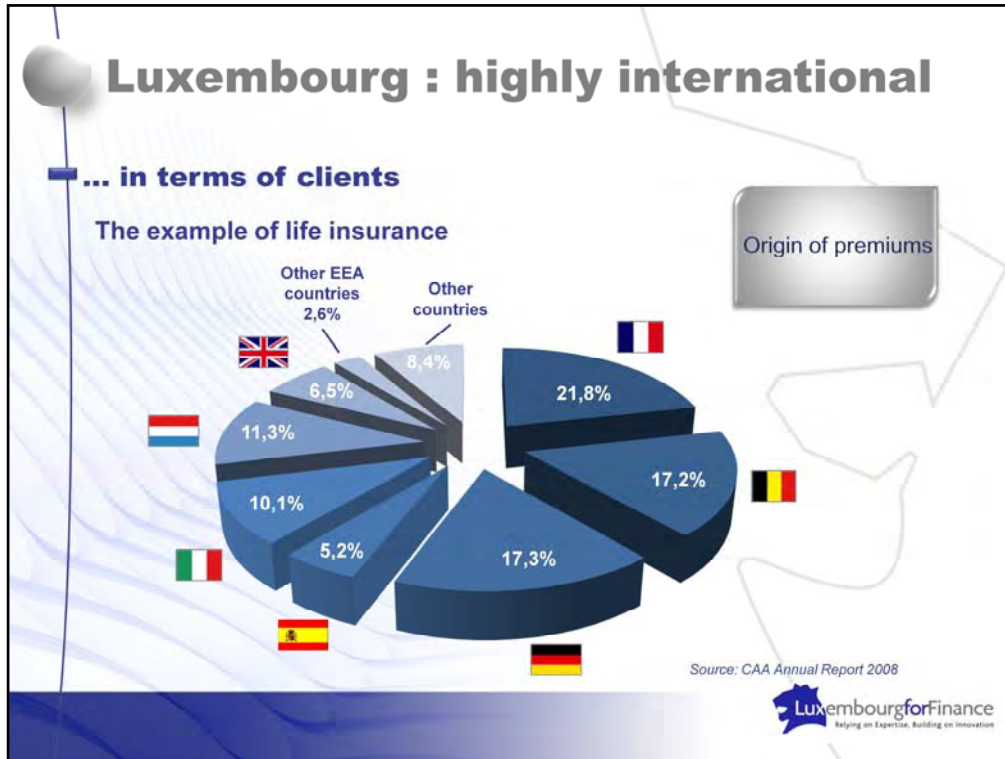
Source: CAA Annual Report 2008



Only 20 captive reinsurance companies (out of 261) are of Luxembourg origin



78% of assets under management in Luxembourg belong to foreign clients, mainly from EU countries.



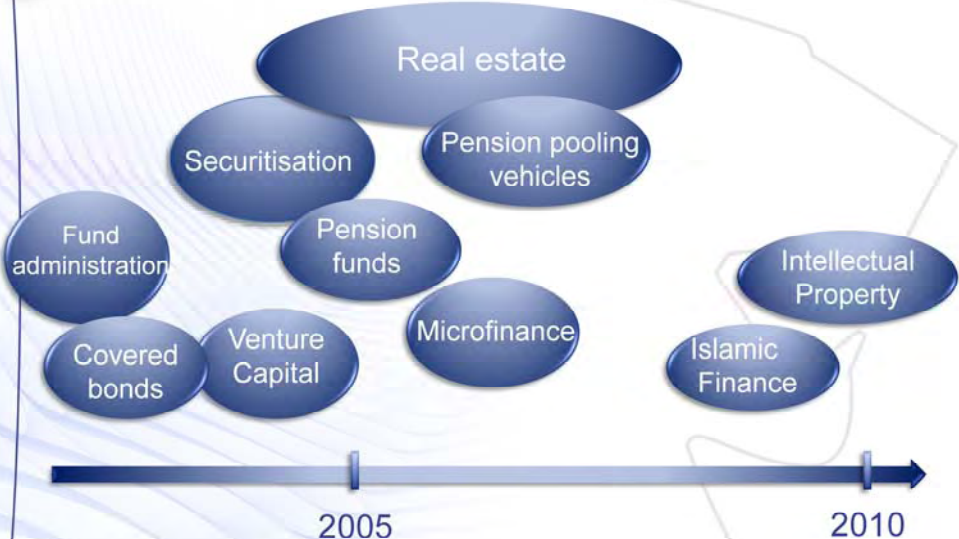
89% of life insurance premiums are issued abroad, primarily within the framework of the free provision of services in the European Union.

## Luxembourg : highly international

### ... in terms of population and work force

- More than 40% of the Luxembourg population are non Luxembourgers
- 145,000 commuters from Germany, Belgium and France are working in Luxembourg
- 66% of working population is of foreign origin
- Most Luxembourgers speak 2 or 3 foreign languages

# Ongoing diversification



## ● Our challenges for the future?

- Intensify and personalise relations with our clients
- Continue to innovate in the field of product development
- Develop ethical investment opportunities in Luxembourg
- Attract new clients from outside Europe
- Mutualise certain activities (i.e. back-office) in order to reduce production costs and be able to concentrate resources on quality of products
- Develop excellence in financial training through the Luxembourg School of Finance (university) and the Luxembourg Institute for Training in Banking (IFBL)
- Attract the best manpower and brains
- Invest in infrastructure



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In conclusion, I can say that Luxembourg today has reached a high degree of maturity and enjoys wide recognition as a strong market place in the global market bringing its own contribution to worldwide banking in a worldwide economy

**Thank you!**

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