

# Luxembourg

Luxembourg is a major international financial center located at the heart of Europe. It holds the top position in Europe for asset management and ranks second globally, as well as being a leader in cross-border insurance within Europe. The Luxembourg banking sector is highly diversified and serves as the leading private banking hub in the Eurozone. Its fund services and depositary banking are specifically tailored to support the Luxembourg fund industry's global reach. Luxembourg's corporate banks play a key role in financing European businesses, with 75% of corporate lending focused on international markets, and it also boasts a highly competitive retail banking sector.

Beyond these core industries, Luxembourg offers a unique and comprehensive financial ecosystem, encompassing the full range of services and expertise required to foster and expand the financial sector. This includes market infrastructures, law firms, consultants, education and training providers, IT partners, and FinTech companies. Leveraging these strengths, Luxembourg is positioning itself as a leader in innovative financial technologies, with close collaboration between financial institutions and FinTech firms, facilitated by the ABL and other public-private partnerships.

Luxembourg's strong commitment to sustainable finance has also created an ideal environment for mobilizing international capital to fund green projects. The country is a frontrunner in adopting advanced solutions and implementing new approaches to ensure that sustainable finance products are widely available and constantly evolving. Today, Luxembourg holds the number one position globally for green bonds, with a 57.4% market share of European ESG UCITS assets under management (AuM) and a 76% market share of Europe's microfinance funds, both in AuM and number of funds.

Luxembourg has long attracted international financial institutions, drawn by its AAA credit rating and its economic, social, and political stability. One of Luxembourg's key strengths for clients is its ability to meet the needs of complex international and multijurisdictional situations. This global mindset is shared by Luxembourg's authorities, including the Ministry of Finance and the CSSF regulator, who are highly accessible and attuned to the unique characteristics of the financial center.

As a result, Luxembourg is globally recognized as an international financial hub. It boasts the highest rate of banking internationalization in Europe, with 92.4% of its banks being foreign-owned. Over one-third of these banks originate from outside the European Union and operate cross-border, using the EU financial services passport.

By the end of 2023, 118 banks were registered in Luxembourg, employing 26,285 people. The total balance sheet of these banks remained stable at €946 billion. Luxembourg's banks are well-capitalized, with a capital ratio of 24.73%, far exceeding regulatory thresholds and the European average, allowing them to meet potential challenges and support the economy. However, loans to non-bank customers contracted by 3.1% due to a decline in demand driven by rising interest rates. In private banking, assets under management decreased slightly for the first time in nearly two decades due to market effects, although new net inflows totaled €31.5 billion (compared to €45 billion for Swiss private banks).

Overall, the financial sector is the primary driver of Luxembourg's economy, contributing 23% (€16.8 billion) of the country's total economic output (€73.3 billion) and accounting for 14% (64,592) of total employment (458,200). About 76% of corporate income tax and municipal business tax revenue is generated by the financial sector.