

The Financial Market Luxembourg – A Success Story with High Cross-border Attractiveness

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Luxembourg is a picturesque small country with a land area of just 2,586 km², bordered by France, Belgium, and Germany. The country has a population of about 460,000 people. Approximately 280,000 are Luxembourgers, the remaining percentages are foreigners. About 120,000 commuters come to work in Luxembourg every day from the three surrounding neighbor countries: 62,000 from France, 32,000 from Belgium, and 26,000 from Germany. The citizens have their own language: Luxembourgish. They also speak French – the official language of the country – and German. The result is a thriving multi-national, multilingual environment, where many other languages are spoken as well.

Labor costs are low and underpin strong performance. Unemployment has seen some increase in recent years, but as of 2006, still remained at a relatively low 4.4%.

The architecture of the country, where one sees both the modern offices of the European Union institutions and the futuristic lines of numerous financial headquarters standing comfortably next to lovingly restored museums, bears witness not only to the vitality of Luxembourg society, but also to the long term commitment of Luxembourg to develop a robust, world class financial centre that will stand the test of time.

Today, Luxembourg is home to some 154 banks originating from 26 different countries. With more than 24,300 employees, the financial sector is a strong pillar of the local economy and accounts for 17% of national employment. Its share of GDP is 30% and its contribution to public finances and also to national economic growth is just under 40%. Now growing in maturity, innovation, and adaptability, Luxembourg is one of the top countries for Private Banking globally. The world of private banking is one of attention to detail and high level services. Wealthy clients seek personalized service, long term relationships with private bankers they can trust, and made to measure solutions. Ranking 8th in importance worldwide, with a market share of 3.9%, the Luxembourg Financial Centre offers an abundant choice of innovative products and services. The local banks have both the expertise and the capability to satisfy the investment needs and advisory requirements of private customers.

Investment fund activities play a significant role in the growth and success of the Luxembourg Financial Centre. Two significant trends can be identified: For about ten years Luxembourg has assumed a position as European leader in standard funds and more recently the adaptability of Luxembourg's regulatory bodies has allowed for the evolution of alternative types of funds and has been supporting new opportunities. Along with this impressive growth, Luxembourg has amassed a reputation of expertise and trust. All Luxembourg funds are authorized and supervised by the financial regulator, the Commission de Surveillance du Secteur Financier (CSSF).



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Nearly 10,000 investment funds and a volume of 2,000 billion Euro make Luxembourg the second largest fund market in the world and show clear evidence of the scale on which Luxembourg continues to be an attractive financial centre.

In summary, Luxembourg's likeability factors are: Luxembourg tops Mercer's list of the world's safest cities, infrastructure (transport, IT, health care), personal and corporate taxes, educational system. An OECD pension study cited Luxembourg as the best place for retirement.

In 2007, the Grand Duchy of Luxembourg will be honored to organize for the second time after 1995 as European Capital of Culture more than 1,000 events and festivities in partnership with the Greater Region (Saar-Lor-Lux-Rhineland-Palatinate-Wallonia). Highlighting the wealth, diversity, and shared characteristics of European cultures and contributing to a better mutual understanding between the citizens of the European Union these events also emphasize – beside all importance of business – the attractiveness in the greater region of Luxembourg.

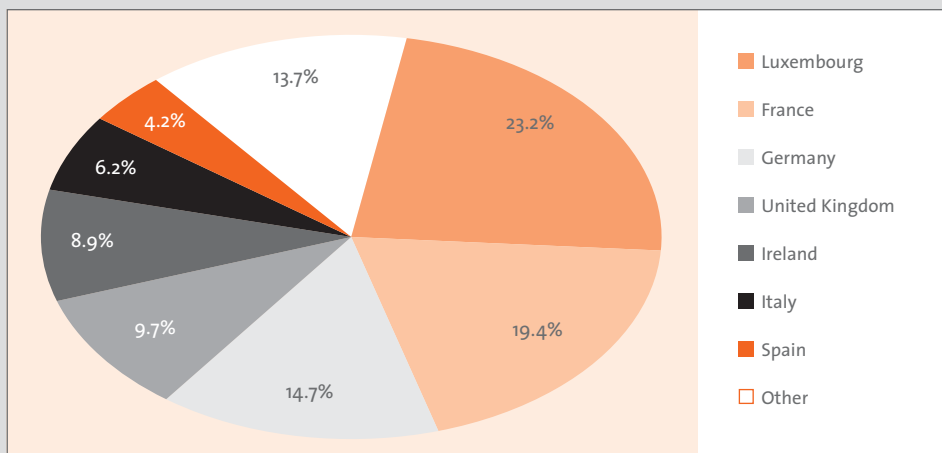


Figure 1: Luxembourg represents 23% of the European investment fund market