Luxembourg

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Luxembourg	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Offshore Finance Centre Compliance of OECD Global Forum's information exchange standard
Medium Risk Areas:	US Dept of State Money Laundering assessment

Major Investment Areas:

Agriculture - products:

grapes, barley, oats, potatoes, wheat, fruits; dairy and livestock products

Industries:

banking and financial services, iron and steel, information technology, telecommunications, cargo transportation, food processing, chemicals, metal products, engineering, tires, glass, aluminum, tourism

Exports - commodities:

machinery and equipment, steel products, chemicals, rubber products, glass

Exports - partners:

Germany 21.6%, France 15.5%, Belgium 14.5%, UK 5.8%, Italy 5.6%, Switzerland 4.7% (2012)

Imports - commodities:

minerals, metals, foodstuffs, quality consumer goods

Imports - partners:

Belgium 30.9%, Germany 23.4%, France 10.4%, US 8.2%, China 7.2%, Netherlands 5.1% (2012)

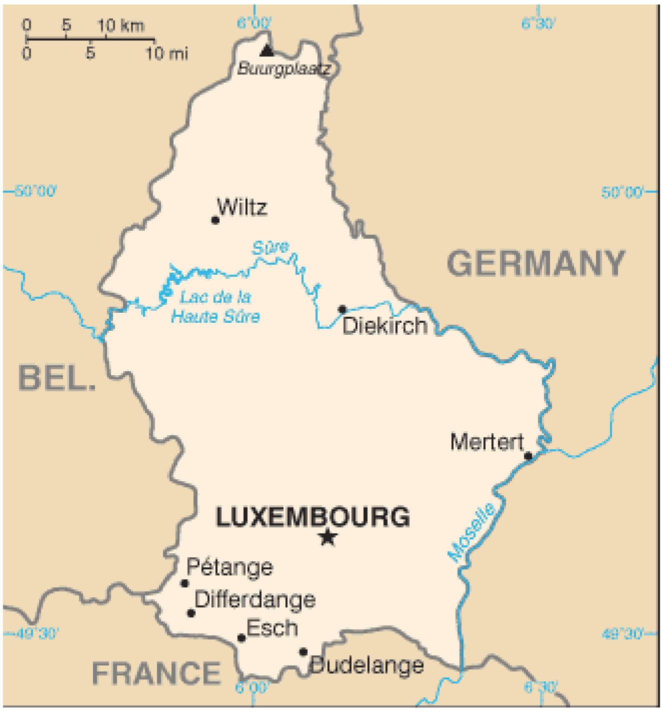
Investment Restrictions:

Information unavailable

Contents

Section 1 - Background

Founded in 963, Luxembourg became a grand duchy in 1815 and an independent state under the Netherlands. It lost more than half of its territory to Belgium in 1839 but gained a larger measure of autonomy. Full independence was attained in 1867. Overrun by Germany in both world wars, it ended its neutrality in 1948 when it entered into the Benelux Customs Union and when it joined NATO the following year. In 1957, Luxembourg became one of the six founding countries of the European Economic Community (later the European Union), and in 1999 it joined the euro currency area. In January 2013, Luxembourg assumed a nonpermanent seat on the UN Security Council for the 2013-14 term.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Luxembourg is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Luxembourg was undertaken by the Financial Action Task Force (FATF) in 2010. According to that Evaluation, Luxembourg was deemed Compliant for 1 and Largely Compliant for 9 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation follow-up (2014)

In February 2014, the FATF reviewed the progress made by Luxembourg in addressing the deficiencies identified in its 2010 mutual evaluation report. Luxembourg was placed in the regular follow-up process as a result of non-compliant (NC) and partially compliant (PC) ratings for twelve of the core and key Recommendations in its 2010 mutual evaluation report.

The FATF has concluded that Luxembourg has made significant process in addressing the deficiencies in the 2010 report and could be removed from the regular follow-up process.

Among the key measures taken by Luxembourg are the following:

Amending the AML/CFT regime with the introduction of new legislation with a view to:

- Reinforcing the legal framework for AML/CFT
- Addressing the deficiencies of the terrorist financing offence
- Introducing criminal liability for legal persons
- Adopting Grand-Ducal Regulations, and other Regulations to implement the provisions of the AML/CFT Regime

US Department of State Money Laundering assessment (INCSR)

No longer catergorised a Jurisdiction of Primary Concern however the 2017 Report has not yet been published and, therefore, below is the 2016 report.

Luxembourg was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).
Key Findings from the report are as follows: -

Perceived Risks:

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In some cases the Luxembourg subsidiaries of multinationals, that on paper handle hundreds of millions of dollars in business, maintain only a token presence or a simple front address. While corporate tax avoidance is technically legal, in many jurisdictions tax evasion is illegal and a predicate offense for money laundering. The international standards include tax crimes as designated predicate crimes for money laundering.

The Luxembourg Freeport is a highly secure warehouse adjacent to Luxembourg Findel Airport. It offers a variety of tax advantages because the goods warehoused are technically in transit. The Freeport is often used to store art and other valuable items without having to pay customs or sales tax. The services and confidentiality make the Freeport similar to an offshore financial center. With the Law of 24 July 2015, the licensed operators of the Luxembourg Freeport are now subject to the same know-your-customer obligations as apply to all other covered entities under the Law of 12 November 2004. The Law of 24 July 2015 also provides that the licensed operators of the Luxembourg Freeport are supervised by the Luxembourg Administration for Indirect Taxation regarding their AML/CFT obligations.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10,423: January 1 - November 30, 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

money laundering criminal Prosecutions/convictions:

Prosecutions: 486: January 1 - November 30, 2015

Convictions: 257: January 1 - November 30, 2015

Records exchange mechanism:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Luxembourg is a member of the FATF.

Enforcement and implementation issues and comments:

During 2015, Luxembourg continued to strengthen its AML/CFT system with the adoption of new legislation and the implementation of its AML/CFT framework. The Law of 24 July 2015 extends the scope of the Law of 12 November 2004 on the fight against money laundering and terrorist financing to include the licensed operators of the Luxembourg Freeport. On December 16, 2015 Parliament adopted Bill of Law Nº6761 to implement UNSCR 2178, extending the money laundering offense to include the financing of incitation, recruitment, and training for terrorist purposes.

In 2015, the Supervisory Authority of the Financial Sector, the CSSF conducted 29 onsite AML/CFT inspections. The Supervisory Authority of the Insurance Sector (CAA) performed 25 on-site visits involving AML/CFT compliance checks (16 of life insurance companies and nine of insurance brokers). The choice of inspection subjects was based on the professionals' risk profile or other relevant data from desk-based supervision. In 2015, the CAA issued circular letter 15/8 on the adoption of the Life Insurance Charter of Quality which sets common principles in terms of combating money laundering and terrorist financing. Insurance undertakings have to comply with this charter or provide explanations to the CAA as to why they refrain from subscribing. The CAA also met with professionals of the insurance sector to discuss the AML/CFT risk assessment of the sector.

In 2015, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations also became the supervisory authority for all licensed operators of the Luxembourg Freeport. AIT teams conducted 40 AML/CFT onsite inspections of its supervised entities. In addition, the AIT organized in-house AML/CFT courses for all its agents during 2015 and AML/CFT outreach to the private sector through a dedicated committee.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. In 2015, the FIU also contributed to the completion of a project aiming to intensify the cross-border cooperation among European FIUs. The FIU was one of the leaders on this project.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Luxembourg does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

EU White list of Equivalent Jurisdictions

Luxembourg is currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Luxembourg is considered to be an Offshore Financial Centre

US State Dept Trafficking in Persons Report 2016 (introduction):

Luxembourg is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Luxembourg is a destination country for men, women, and children subjected to sex trafficking and forced labor. Victims of sex trafficking from Europe, Africa, Asia, and South America are exploited in prostitution in cabarets, private apartments, and on the street. Forced labor, sometimes involving Chinese or Eastern or Southern European men, women, and children, occurs in various sectors, including restaurants and construction. Traffickers reportedly transport an unknown number of Romani children from neighboring countries for forced begging in Luxembourg. Groups vulnerable to trafficking include migrant workers in domestic work, catering, construction, and begging, as well as unaccompanied foreign children, and people in Luxembourg's legal and illegal commercial sex industry.

The Government of Luxembourg does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, the government maintained the number of cases investigated and traffickers convicted, funded an anti-trafficking conference, allocated 100,000 euros ($114,000) for an awareness campaign, and continued to provide strong protections to identified trafficking victims. However, the government only concluded two prosecutions, continued to issue short and suspended sentences, did not provide adequate resources to its anti-trafficking police unit, and failed to finalize a national referral mechanism for victim identification and protection or a national action plan.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index - 2013	82
World Governance Indicator – Control of Corruption - 2013	98

Corruption does not constitute a problem for businesses in Luxembourg. The country has a strong legal framework to curb corruption, and anti-corruption laws are effectively enforced. Nonetheless, some corruption cases have revealed conflicts of interest between the private and public sectors, tainting transparency in the country. The legal framework criminalises bribery, facilitation payments, gifts and abuse of office, among other offences. Neither bribery nor facilitation payments are widespread in Luxembourg. **Information provided by GAN Integrity.**

Section 3 - Economy

This small, stable, high-income economy has historically featured solid growth, low inflation, and low unemployment. The industrial sector, initially dominated by steel, has become increasingly diversified to include chemicals, machinery and equipment, rubber, automotive components, and other products. The financial sector, which accounts for about 36% of GDP, is the leading sector in the economy. The economy depends on foreign and cross-border workers for about 39% of its labour force.

Luxembourg experienced uneven economic growth in the aftermath of the global economic crisis that began in late 2008. Luxembourg's GDP contracted 3.6% in 2009, rebounded in 2010-12, fell again in 2013-14, but recovered in 2015. Unemployment has remained below the EU average despite having increased from a historically low rate of 4% in the 2000s to 7.1% in 2014.

The country continues to enjoy an extraordinarily high standard of living - GDP per capita ranks among the highest in the world and is the highest in the euro zone. Luxembourg has one of the highest current account surpluses as a share of GDP in the euro zone, and it maintains a healthy budgetary position and the lowest public debt level in the region.

Luxembourg has lost some of its advantage as a favourable tax location because of OECD and EU pressure. In 2015, the government’s compliance with EU requirements to implement automatic exchange of tax information on savings accounts - thus ending banking secrecy - has depressed banking activity and dampened GDP growth. Likewise, changes to the way EU members collect taxes from e-commerce has cut Luxembourg’s tax revenues, requiring the government to raise additional levies and to reduce some direct social benefits.

Agriculture - products:

grapes, barley, oats, potatoes, wheat, fruits; dairy and livestock products

Industries:

banking and financial services, construction, real estate services, iron, metals, and steel, information technology, telecommunications, cargo transportation and logistics, chemicals, engineering, tires, glass, aluminium, tourism, biotechnology

Exports - commodities:

machinery and equipment, steel products, chemicals, rubber products, glass

Exports - partners:

Germany 22.1%, Belgium 16.7%, France 16.6%, UK 4.7%, Italy 4.6%, Netherlands 4% (2015)

Imports - commodities:

commercial aircraft, minerals, chemicals, metals, foodstuffs, luxury consumer goods

Imports - partners:

Belgium 27.6%, Germany 22.9%, China 11.7%, France 9.5%, US 8.4%, Netherlands 4.2%, Mexico 4.1% (2015)

Banking

Banking is the largest sector in the Luxembourg economy. The country has specialised in the cross-border fund administration business. As Luxembourg's domestic market is relatively small, the country's financial centre is predominantly international. At the end of March 2009, there were 152 banks in Luxembourg, with over 27,000 employees. Political stability, good communications, easy access to other European centres, skilled multilingual staff, a tradition of banking secrecy and cross-border financial expertise have all contributed to the growth of the financial sector. Germany accounts for the largest-single grouping of banks, with Scandinavian, Japanese, and major U.S. banks also heavily represented. Total assets exceeded €929 billion at the end of 2008. More than 9,000 holding companies are established in Luxembourg. The European Investment Bank—the financial institution of the European Union—is also located there.

Stock Exchange

Established in 1927, the Luxembourg Stock Exchange is today the principal centre for the listing of international securities. It currently lists around 45,000 securities, of which some 30,000 bonds issued by 3,500 issuers based in some 105 countries around the world. The second segment in order of importance is that of undertakings for collective investment, with more than 7,000 different instruments. This is followed by Global Depositary Receipts issued by companies based in countries that are moving towards industrialisation, such as India.

The Luxembourg Stock Exchange offers two markets to issuers: a market regulated by European rules and the Euro MTF market which enables non-European issuers who do not require a European passport nevertheless to obtain a listing in a recognised financial centre in Europe.

The Luxembourg Stock Exchange offers specialised media and data vending companies a range of information products that provide institutional and private investors with data on all 46,000 listed securities. This information is supplemented by data available via the portal of Finesti S.A., a company specialising in the collection, processing and dissemination of Luxembourg and European investment fund data that has been an integral part of the Luxembourg Stock Exchange since May 2002.

The Luxembourg Stock Exchange is a founding member of the World Federation of Stock Exchanges and the Federation of European Securities Exchanges.

Section 4 - Investment Climate

Summary

Luxembourg, the only Grand Duchy in the world, is a landlocked country in northwestern Europe surrounded by Belgium, France, and Germany. While the second-smallest European Union (EU) Member State (after Malta) with a population of only 560,000, Luxembourg is the richest country in the EU on a Gross Domestic Product (GDP) per capita basis. Over the past decade, Luxembourg's economy has evolved and flourished significantly, through sectorial diversification and greater openness in both regulations and foreign direct investment opportunities. Diversification of the economy away from the historically-dominant financial industry (including banking and investment fund services) – after the decline of steel and iron-ore which made the fortunes of the country over a century ago - began in earnest in 2004. Key "future" (innovative) industries were selected and supported as economic growth vectors: logistics; information and communications technology (ICT); health technologies (including biotechnology and biomedical research); clean or "green" energy technologies (solar, wind, and alternative energy sources); and more recently, space technologies (focusing on satellite development and asteroid mining) and *FinTech*, the digitization of financial services, combining Luxembourg's niche expertise in both finance and technology.

Luxembourg remains a financial powerhouse thanks to the exponential growth of the investment fund sector through the launch and development of cross-border funds, *Undertakings for Collective Investments in Transferable Securities* (UCITS), in the 1990s. Luxembourg is the world's second-largest investment fund asset domicile, after the United States, with nearly $4 trillion of assets in custody in financial institutions.

- The above dynamic sectors have fueled and sustained Luxembourg's strong GDP growth rate (over 3%, or double the EU average) and offer a diverse and stable platform and outsized growth potential for a wide variety of U.S. investments and trade within the EU and beyond.

- Luxembourg is consistently ranked as one of the world's most open and transparent economies and has no restrictions on foreign-ownership.

- Luxembourg is consistently ranked as one of the world's most competitive and least-corrupt economies.

- Luxembourg has successfully combatted money-laundering and terrorist-financing, as well as tax evasion, through major fiscal reforms over the past decade. These reforms, culminating in 2015 with the elimination of banking secrecy (for non-resident account holders), the implementation of the bilateral *Financial Account Tax Compliance Act* (FATCA) agreement to comply with that U.S. law, and the automatic exchange of financial account information, have been lauded by the Organization for Economic Cooperation and Development (OECD) and have served to counter Luxembourg's historic "tax haven" image.

- The Government of Luxembourg (GoL) is actively seeking logistics companies to expand the new logistics hub at Findel Airport, integrated into the Luxair Cargo Center, the leading air cargo hub in Europe, and connected via railway and trucking routes to the new multimodal logistics platform center in Bettembourg, near the French border. Luxembourg is home to Europe's leading all-cargo airline, Cargolux, and is currently expanding its air passenger terminal to accommodate more flights and the accompanying increase in usage (over two and a half million passengers per year, close to the current capacity of three million). Luxembourg is also prospecting for ICT companies to use the existing high-security, state-of-the-art datacenters, affording high-speed internet connectivity to major international data hubs (Paris, Frankfurt, Amsterdam). U.S. biomedical research and biotechnology firms are already actively invested and working in the growing BioBank, co-founded with U.S. institutes of biomedical research in Phoenix, AZ and Seattle, WA in 2008.

Luxembourg has positioned itself as "the gateway to Europe" to establish European company headquarter operations by virtue of its central European location and advanced road, railway, and air connectivity.

- However, as Luxembourg continues to modernize its regulatory framework – reducing bureaucracy and streamlining processes for work visas and new company registrations – issues of the size of the domestic market, government centralization, and labor market rigidities.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Luxembourg offers a public policy framework and political stability which remain highly attractive for foreign investors, particularly for U.S. investors, given the historically-strong bilateral relationship between the two countries. Commensurate with its open-mindedness shaped over decades by its small size and successful integration of immigrants, Luxembourg has maintained a very favorable and welcoming attitude toward FDI. Successive Luxembourg governments have furthered a pro-business attitude and flexibility with respect to business development and innovation - a unique model in Europe. Luxembourg has also increased its support in the form of incentives for new ventures, including capital investment subsidies, financing of equipment, and aid to start-up entities, through the state lending agency, SNCI. As a result, Luxembourg has attracted new investment in medium, light, and high-tech industries, especially in the areas of Health Technologies and Research and Development (R&D), and most recently in Space technology (satellites), and Financial Technology ("FinTech"). Luxembourg remains the most promising location for business investment in Europe, along with Switzerland, with the advantage of being a member of the European Union (EU).

Thanks to the competitiveness of its economy and its central European location, many international firms find it effective to locate European headquarters or holding companies in Luxembourg. The country's openness to foreign cultures, the high quality of life and consumer purchasing power, as well as the highly-qualified workforce, are competitive advantages. Approximately 46 percent of Luxembourg residents and over 60 percent of the workforce are composed of foreigners (non-Luxembourgers), mainly from EU countries (Italy, Portugal), and especially from neighboring countries (160,000 cross-border workers daily from Belgium, France and Germany).

There is no overall economic or industrial strategy that has discriminatory effects on foreign investors. There are no limits on foreign ownership or control (for example, all the banks are wholly-owned subsidiaries of their parent entities). General screening of foreign investment exists in line with that of domestic investment, with routine and non-discriminatory screening mechanisms. There are no major sectors/matters in Luxembourg in which foreign investors are denied national treatment (equivalent to domestic firms). While Luxembourg has sought to simplify administrative procedures, it still takes an average of six months for a company to register, even with the support of the Luxembourg Chamber of Commerce, which requires all commercial enterprises to become members by registering.

Other Investment Policy Reviews

The World Bank's *Doing Business 2015 Economic Profile* provides additional detail on Luxembourg's investment climate.

Laws/Regulations on Foreign Direct Investment

Luxembourg has assimilated the laws of neighboring countries according to the nature of the laws: German tax law, French civil law, and Belgian commercial law (written and consistently applied). Judgments of foreign courts are accepted and enforced by the local courts, and Luxembourg does have a written and consistently applied bankruptcy law, which is based, like in other European countries, on EU-wide legislation. Monetary judgments are usually made in local currency (euro).

There is no government or authority interference in the court system that could affect foreign investors. Website: www.guichet.lu

Business Registration

The registration process for a new business in Luxembourg is now clearly summarized on the following webpage: http://www.investinluxembourg.lu/en/invest/doing-business-luxembourg

A new business must be registered with the Registry of Commerce *(Registre du Commerce)* Website: https://www.rcsl.lu/. Foreign companies can use the site (after translating from the original French language via Google Translate), but it is best to consult with a local lawyer or fiduciary to complete the overall process. It is necessary to engage a notary to submit the company's by-laws for registration. The required minimum capitalization of a new company is 12,500 euro, which must be deposited in a bank account in the company's name. After receiving a certificate from the Registry of Commerce, companies must register with and pay annual dues to the Luxembourg Chamber of Commerce (legally-mandated), as well as the Social Security Administration, the Tax Administration *(Administration des Contributions Directes)* and the Value-Added-Tax Authority *(TVA = taxe à la valeur ajoutée).* The company will receive an official registration number reflecting the date of inception of the entity, and this number will be used in all business transactions and correspondence with administrative authorities.

There are many "micro" companies of fewer than ten employees (often with just one principal), and small- and medium-sized (SMEs) enterprises are generally understood as having fewer than 50 (small) and 100 (medium) employees. All companies, including foreign-owned ones, receive the same level of service.

Industrial Strategy

For the past few years, Luxembourg for Business, an agency created specifically to promote Luxembourg as an attractive location for economic activity, has acted as the investment promotion agency to facilitate foreign investment. The services are available to all investors, regardless of the amount of investment or number of employees. This agency works in close tandem with the Ministry of Economy and Foreign Trade and helps support trade missions abroad to recruit foreign investors. Programs are on the site: www.luxembourgforbusiness.lu

For over a decade, Luxembourg has followed a diversification strategy to reduce its economic dependence on the historically-dominant financial sector. This diversification, focused on "new" and innovative sectors of activity, has yielded strong economic growth from the logistics, information and communications technology (ICT), health technologies, “green” energy, and now space technology and satellites. The GoL also strongly supports manufacturing to increase job growth via incentives for plant openings and hiring.

Limits on Foreign Control and Right to Private Ownership and Establishment

There is no overall economic or industrial strategy that has discriminatory effects on foreign investors. There are no limits on foreign ownership or control (for example, all the banks are wholly-owned subsidiaries of their parent entities). General screening of foreign investment exists in line with that of domestic investment, with routine and non-discriminatory screening mechanisms. There are no major sectors/matters in Luxembourg in which foreign investors are denied national treatment (equivalent to domestic firms). Bureaucratic procedures, including those for licenses and permits, are sufficiently streamlined and transparent.

There is a right for foreign and domestic private entities to establish and own business enterprises and engage in all forms of remunerative activity.

Privatization Program

Foreign investors are allowed to participate equally in ongoing privatization programs, and the bidding process is transparent with no barriers erected against foreign investors at the time of the initial investment or after the investment is made. Moreover, there are no laws or regulations specifically authorizing private firms to adopt articles of incorporation or association which limit or prohibit foreign investment, participation, or control, and there are no other practices by private firms to force local ownership or restrict foreign investment, participation in, or control of domestic enterprises. Potential conflicts of interest (GoL officials sitting on boards of directors, for example) do not impact freedom of investment in the private sector.

Screening of FDI

The Luxembourg government actively seeks foreign investment, and there are no special procedures for the approval of foreign direct investment. The government particularly encourages environmentally-friendly light industries, such as communications, finance, and information technology, as a way to diversify the economy and provide new employment in industries with high value-added, in which high wage costs will not put Luxembourg at a disadvantage. Responsibility for attracting foreign investment lies with the Board of Economic Development. According to the board, Luxembourg offers a full range of tailored investment incentives for new ventures. The government may grant support for funding specific projects for small and medium-sized companies; located in development areas; research, development, and innovative investment focusing on new products, services or processes; and environmental protection or the efficient use of energy. Financial support may take the form of capital grants and medium and long-term loans by the National Credit and Investment Corporation (SNCI).

Competition Law

The Competition Inspectorate, a department within the Ministry of the Economy, is in charge of investigating competition cases.

2. Conversion and Transfer Policies

Foreign Exchange

There are no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, lease payments) into a freely usable currency and at a legal market-clearing rate. There have also not been any recent changes to remittance policies with respect to access to foreign exchange for investment remittances. There is no difficulty in obtaining foreign exchange, which has been freely-traded since the 1960s, and the Luxembourg stock market trades in forty different currencies, so it is truly international.

The average delay period currently in effect for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal, legal channels is quite brief, approximately 24 hours. Investors can remit through a legal parallel market including one utilizing cash and convertible negotiable instruments (such as dollar-denominated host government bonds issued in lieu of immediate payments in dollars). There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs.

All this said, since the implementation of the bilateral agreement for Luxembourg's compliance with the U.S. Foreign Account Tax Compliance Act (FATCA) in 2015, some banks have been refusing to open an individual bank account for an American (mainly due to the complexity and volume of the necessary paperwork mandated to be shared with the IRS.)

Remittance Policies

There have not been any recent changes to remittance policies with respect to access to foreign exchange for investment remittances. There is no difficulty in obtaining foreign exchange, which has been freely traded since the 1960s, and the Luxembourg stock market trades in forty different currencies, so is truly international and expanding at a fast rate.

The average delay period currently in effect for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal, legal channels is quite brief, approximately 24 hours. Investors can remit through a legal parallel market including one utilizing cash and convertible negotiable instruments (such as dollar-denominated host government bonds issued in lieu of immediate payments in dollars). There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs.

3. Expropriation and Compensation

The laws governing expropriation of property are quite complex, and the process can be arduous and lengthy, depending on the property. The Ministry of the Interior, along with the Ministry of Justice, sets forth the specific regulations according to each type of case. There have been no known expropriations in the recent past or policy shifts which would indicate such actions in the near future. There are no tendencies by the Luxembourg government to discriminate against U.S. investments, companies, or representatives in expropriation.

Instances of indirect expropriation or governmental action tantamount to expropriation, such as confiscatory tax regimes, that might warrant special investigation, are non-existent.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Luxembourg is a parliamentary representative democracy headed by a constitutional monarch. The Constitution of 1868 provides for a flexible separation of powers between the executive and the parliament, with the judiciary watching over proper execution of laws.

Luxembourg Chamber of Commerce and the Mediation Center offer the services of domestic dispute settlement and, on an international level, with the International Chamber of Commerce. There have been no known investment disputes over the past few years involving U.S. or other foreign investors or contractors in Luxembourg.

Bankruptcy

Luxembourg has assimilated the laws of neighboring countries according to the nature of the laws: German tax law, French civil law, and Belgian commercial law (written and consistently applied). Judgments of foreign courts are accepted and enforced by the local courts, and Luxembourg does have a written and consistently-applied bankruptcy law, which is based on European Union-wide legislation. Monetary settlements are usually made in local currency.

Investment Disputes

Investment disputes involving U.S. or other foreign investors in Luxembourg are extremely uncommon.

Within the WTO, there are no known dispute settlement cases involving Luxembourg either as a complainant, respondent, or third-party entity.

International Arbitration

The government accepts international arbitration of investment disputes between foreign investors and the state, and the courts recognize and enforce foreign arbitral awards. International arbitration is accepted as a means for settling investment disputes among private parties, and there is a domestic arbitration body within the host economy, the Centre de Médiation (Mediation Center).

Luxembourg is a member state to the convention known as International Centre for Settlement of Investment Disputes (ICSID Convention).

ICSID Convention and New York Convention

Luxembourg is a member state to the International Center for Settlement of Investment Disputes (ICSID Convention). Luxembourg is a signatory of the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution – Local Courts

As investment disputes are extremely rare or non-existent, there is no information available concerning the duration of a resolution in the local courts.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Luxembourg has been a World Trade Organization (WTO) member since 1995 and has not notified the WTO of any measures that are not consistent with its Trade Related Investment Measures (TRIMs) obligations.

The government does not maintain any measures that U.S. business allege are inconsistent with the WTO TRIMs obligations.

Investment Incentives

Luxembourg is considered to be a very attractive tax location for conducting business: low effective corporate tax rates (currently 21 percent with additional incentives just passed in the 2016 budget package); the lowest VAT (value-added tax) rate in Europe at 17 percent; relatively low personal tax burden, compared to the neighboring countries for high-income individuals (although the maximum rate on annual incomes about 200,000 euros was just raised to 42% from 38.9%); and a variety of tax incentives (investment tax credits, new business tax credit, audiovisual certificates for film productions, venture capital investment certificates, small business incentives, regional and national incentives, research and development incentives, environmental incentives).

Research and Development

U.S. and foreign firms are able to participate in government/authority-financed and subsidized research and development programs.

Performance Requirements

The host government does not mandate local employment. The work visa process has been much improved in past years, reflecting input from companies, embassies, and applicants themselves. If the application is in order, a work visa should normally take only two months to clear. The difficulty in obtaining a Residence permit is on a par with other western European countries, once all pertinent information has been supplied to the authorities and the local district of residence (commune).

Luxembourg has been making job creation a priority for the past several years and has thus provided additional performance incentives to manufacturing companies to retain employees (job schemes with cost-sharing between the companies and the government to avoid lay-offs and unemployment payments) and create new positions.

These incentives are applied uniformly to both domestic and foreign investors and are applied as fairly as possible.

Data Storage

Data storage has been greatly enhanced via new state-of-the-art data centers, built by the government as part of the long-term massive ICT infrastructure development plan. These centers have served to optimize international connectivity to large hubs such as Paris, Amsterdam, and Frankfurt, and have attracted major ICT and e-commerce players, such as Amazon and PayPal, which located their EU headquarters in Luxembourg. The centers are rated at the highest security level for data storage.

6. Protection of Property Rights

Real Property

Secured interests in property in Luxembourg, both movable and real, are recognized and enforced through intellectual property and community laws. The legal system that protects and facilitates acquisition and disposition of all property rights, such as land and buildings, is based on a land register called *cadastre* in French, where each parcel of property is documented in terms of ownership and duration. There is adherence to key international agreements on intellectual property rights, as well as adequate protection for: intellectual property, patents, copyrights, trademarks, and trade secrets.

Intellectual Property Rights

Trademarks, designs, patents, and copyrights are the principal forms of Intellectual Property (IP) protection available to companies and individuals. Luxembourg has been proactive in developing its IP standards and participates in all the major IP treaties and conventions, including:

- Bern Convention
- Patent Cooperation Treaty (PCT)
- Paris Convention
- Patent Law Treaty (PLT)
- Madrid Agreement and Protocol

The country is a signatory of the European Patent Convention, which was set up by the European Patent Office (EPO) and a member state of the World Intellectual Property Organization (WIPO).

Adequate steps have also been taken to implement and enforce the WTO TRIPS agreement (Trade-Related aspects of Intellectual Property Rights). The regulation stipulating the measures to prohibit the release for free circulation, export, re-export or entry for the suspension of counterfeit and pirated goods states that the authority competent to receive applications must be a customs authority. In Luxembourg, this is the Litigation and Research Department (Division des Contentieux et Recherches) of the Directorate of Customs and Excise (Direction des Douanes et Accises). The merits of a case are decided by judicial proceedings, thus the ordinary law courts are responsible for deciding whether there are grounds for a case. A number of provisions within the agreement deal with different intellectual property rights and allow for the possibility of confiscating, or even destroying, counterfeit goods and the tools or implements used for their production. The Luxembourg customs authorities may impose measures for a period of six months, which may be renewed at the request of the rights-holder.

The main rules of civil procedure are contained in the Luxembourg Code of Civil Procedure and in the Administration of Justice Act. In the absence of specific rules concerning material and local jurisdiction for certain intellectual property rights, ordinary law applies.

In an effort to become the prime location for Europe's knowledge-based economy, a new IP tax regime was implemented in Luxembourg in 2008, providing for a very competitive tax rate applicable to a broad range of IP income generated by taxpayers. The level of IP protections and enforcements is thus excellent and benefits from the attractiveness of this fiscal framework. During the past year, no new laws have been enacted. An update of the 2008 law was made in 2013.

The hallmark of the Luxembourg IP tax regime is an 80 percent exemption on royalties and capital gains derived from many types of IP. Companies benefiting from the new regime are subject to an effective tax rate as low as 5.72 percent on qualifying net IP income (i.e. gross revenue from the IP less directly related expenses, depreciation, and write-downs).

The customs office tracks the seizures of counterfeit goods, but this is a negligent portion of the customs work, notably at Findel Airport. There are no public statistics on such seizures.

Luxembourg is not listed in the USTR's Special 301 report or the notorious market report.

Customs officers, part of the Police force of Luxembourg, have every right to seize (but not necessarily destroy) goods, however, most cases are related to lack of open customs declaration by the owner (importing products above the maximum allowable amount for tax-free treatment within the EU), and not to counterfeit goods.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Political-Economic Section:

Office phone: +352 46 01 23
Email: luxembourgpolecon@state.gov

English-Speaking Attorneys in Luxembourg:
http://luxembourg.usembassy.gov/attorneys.html

AMCHAM contact:
Paul-Michael Schonenberg, Chairman & CEO

Office phone: +352 43 17 56

Email: paul.schonenberg@pt.lu

Given that there is no or negligible production or sale of counterfeit goods in Luxembourg, there is no risk of labor rights violations, including child labor, forced labor, or dangerous working conditions.

7. Transparency of the Regulatory System

The GoL uses transparent policies and effective laws to foster competition and establish clear rules of the game. The legal system is quite welcoming with respect to Foreign Direct Investment (FDI). Tax, labor, environment, health and safety, and other laws and policies in no way distort or impede investment. Bureaucratic procedures, including those for licenses and permits, are sufficiently streamlined and transparent, and there is far less red tape than in larger European countries. Luxembourg government websites offer clear and detailed information, previously only in French and German, but now increasingly in English, except for that of the Ministry of Foreign Affairs (MFA), which has limited detail. Various relocation companies in Luxembourg provide assistance with filing the required paperwork.

There are no informal regulatory processes managed by nongovernmental organizations or private sector associations; all procedures are managed by government entities. Proposed laws and regulations are published in draft form for public comment in the Memorial, the government's official journal. In addition, the legal, regulatory, and accounting systems are transparent and consistent with international norms. Regarding the accounting standards, large companies in Luxembourg use the international accounting standards International Financial Reporting System (IFRS), which closely parallels the U.S. GAAP (General Accounting Principles). There has been an attempt to harmonize these standards further over the past years; however the standards have not been fixed over the long term.

There are no private sector and/or government efforts per se to restrict foreign participation in industry standard-setting consortia or organizations; however the national regulations agency is a public entity.

8. Efficient Capital Markets and Portfolio Investment

Luxembourg government policies, which reflect the European Union's free movement of capital framework, facilitate the free flow of financial resources to support the product and factor markets. Credit is allocated on market terms, and foreign investors are able to get credit on the local market, thanks to the sophisticated and extremely developed international financial sector, depending of course on the banks' individual lending policies. With the financial crisis, banks everywhere have become more selective in their lending practices. The private sector has access to a variety of credit instruments, including those issued by the National Public Investment Agency (SNCI), and there is an effective regulatory system established to encourage and facilitate portfolio investment. In recent years, Luxembourg has been recognized as a model of fighting money-laundering activities within its banking system through the enactment of strict regulations and monitoring of fund sources.

Luxembourg's banking system is relatively sound and strong, and was shored up following the world financial crisis, thanks partly to the emergency investments made by GoL in the two major banks, BGL BNP Paribas (formerly Banque Generale du Luxembourg and then Fortis) and Dexia BIL, in 2008. As of September 2015, a total of 148 banks were operating, with total assets of EUR 738 billion (USD 812 billion, a decrease of 4 percent vs. 2010, most likely reflecting merger activity) and approximately 25,800 employees.

There are no cross-shareholding and stable shareholder arrangements used by private firms to restrict foreign investment through mergers and acquisitions. Also, measures to prevent hostile takeovers by foreign investors do not exist. A good example was the initially hostile takeover attempt in 2006 by Lakshmi Mittal of Arcelor, the country's largest employer (originally Arbed, the Luxembourg national steel company). The GoL was careful to stay out of the dispute until it became clear that Mittal would be able to force a merger via Arcelor shareholders, at which point the GoL exercised its position as shareholder to negotiate maintaining the headquarters in Luxembourg.

Money and Banking System, Hostile Takeovers

As Luxembourg is part of the Eurozone, the European Central Bank controls its monetary policy. The banking sector is healthy and has recovered fully from the 2008-2010 financial crisis, thanks in part to consolidations (acquisitions within country and from outside investors). While the abolition of banking secrecy starting in 2015 was foreseen as a deathknell for the private banking sub-sector, in fact this served to "cleanse" the sector by ridding it of shady customers hiding their assets in Luxembourg. Now banks are generally more transparent about their activities and clients, especially with the implementation of the automatic exchange on savings accounts mandated by the EU, as well as the U.S. FATCA law adopted via a bilateral agreement in 2014.

U.S. financial regulations do not restrict foreign banks' ability to hold accounts for U.S. citizens. Anecdotal evidence since the implementation of FATCA shows that U.S. citizens have been constrained not just in Luxembourg but Europe-wide in their ability to open or maintain bank accounts at some institutions. According to the Embassy's Consular Section, American citizens have been turned away by banks reportedly as a result of the additional reporting requirements associated with FATCA and other U.S. financial regulations, and there has been a significant uptick in dual citizens renouncing their U.S. citizenship. U.S. Citizens are encouraged to alert the nearest U.S. Embassy of any practices they encounter with regard to the provision of financial services.

There are no standard rules on hostile take-overs; the most prominent example in recent memory was Mittal Steel's hostile take-over of Arcelor, the world's largest steel company at the time, in 2006-2007. This was documented in the press on a daily basis, involving the highest levels of the Government of Luxembourg, which was a shareholder of Arcelor (and is still a shareholder after the take-over and rebranding of the company as ArcelorMittal.)

9. Competition from State-Owned Enterprises

Private enterprises are allowed to compete with public enterprises in Luxembourg under the same terms and conditions in all respects. All markets are now open or have been liberalized via EU directives to encourage market competition over monopolistic entities. There is a national regulator (National Institute of Regulation), which sets forth regulations and standards for economic sectors, mostly derived from EU directives transposed into local law. While markets continue to open up, the government has maintained a large enough stake in critical sectors such as energy, to ensure national security.

The most prominent state-owned enterprise (SOE) in Luxembourg is POST (formerly P&T) (postal and telecommunications), whose sole shareholder is the government of Luxembourg and whose board of directors is composed of civil servants. POST has had to react to the competition created by new incoming players (Orange, Mobistar, Voxmobile, Vodafone) by transforming itself from a passive utility company into a commercial enterprise, recruiting from the corporate sector and improving consumer products and services. POST also publishes an annual report and communicates in similar fashion to a private company.

Another sector where SOEs were very active has been the energy sector (electric and gas utilities), which is now liberalized as well. Anyone can become a provider or distributor (via networks) of electricity and gas. The former state electricity utility, Cegedel, was absorbed into a private company, Enovos, along with a nearby German utility and the former state gas utility, with an independent board of directors. Creos, the new distribution network for energy, is jointly held by the government and private shareholders.

Finally, an important market which appears to have barriers to entry is freight air transport, due to the dominance of the majority state-owned Cargolux, Luxembourg's national all-freight airline based at Findel Airport. Cargolux, the largest U.S. customer in Luxembourg in terms of value, owing to their all-Boeing fleet of 24 747-freighter aircraft (including 13 of the new-generation 747-8F, of which Cargolux was a launch customer) received a capital increase from GoL in return for a larger share of the company. This was deemed a temporary measure at the time, but now with the comeback of the air freight sector, the government is looking to attract new private investors to help decrease its share in the airline.

OECD Guidelines on Corporate Governance of SOEs

Luxembourg is an OECD member with established practices consistent with OECD guidelines as far as SOEs are concerned. There is no centralized ownership entity that exercises ownership rights for each of the SOEs.

In general, if the government has a share in an enterprise, they will receive board of directors' seats on a comparable basis to other shareholders and in proportion to their share, with no formal management reporting directly to a line minister.

The court processes are transparent and non-discriminatory.

Sovereign Wealth Funds

There is no Sovereign Wealth Fund (SWF) currently in place in Luxembourg. There is a special reserves fund, which could be considered to be a variation on a SWF, in which surplus funds have been set aside. Since the global economic crisis starting in late 2008, the government has begun dipping into this reserve fund for operational needs, while the intended policy of use is for special projects or initiatives.

10. Responsible Business Conduct

Generally speaking, there is a heightened awareness of responsible business conduct in Luxembourg, whether it is in the corporate sector or among the consuming public. In financial matters, this has been largely driven by the push for greater transparency and reporting in conformity with international standards, such as those of the OECD. While Luxembourg has always taken a lead role in ecological matters (for example; stringent trash sorting and recycling procedures), the global discussion on climate change, pushed to the forefront by the Paris Agreement on Climate Change and pressure from the EU in terms of concrete goals and directives, has made it more of a priority.

There have been no controversial instances of corporate impact on human rights in Luxembourg.

There are also independent NGOs, worker organizations/unions, and business trade associations promoting and monitoring RBC. These organizations are able to do their work freely.

Luxembourg has not only implemented EU directives concerning emissions reduction, but also set forth major new energy policies to promote clean energies and energy conservation in consumer households. Ecological bonuses, Car-e and Car-e Plus programs that promote the purchase of low-CO2 emitting vehicles have been extended until July 2010. The Car-e bonus will be increased to EUR 1500 (USD 2160) for a car that emits less than 100 mg of CO2 per kilometer. The Cool bonus that promotes low-consuming freezers or fridges (A++ rating) is also extended for a year. In 2010, the energy pass becomes compulsory for existing dwellings (houses and residences) that change owner, tenant, or accommodation that undergoes substantial installation transformation (www.myenergy.lu website). New for 2016 in the tax code will be subsidies for zero-emitting vehicles (electric cars).

OECD Guidelines for Multinational Enterprises

As an OECD member, Luxembourg adheres to the OECD Guidelines for Multinational Enterprises. Its national contact point promotes these guidelines for responsible business conduct, is located in the Ministry of Economy, and composed of representatives from several ministries, business associations and trade unions. Contact information is here: http://mneguidelines.oecd.org/ncps/luxembourg.htm

Regarding OECD guidelines, large companies in Luxembourg appear to be following an OECD Millennium Report recommendation that companies contribute a percentage of turnover (gross sales) toward the corporate foundation, in order to increase initial endowment.

11. Political Violence

Luxembourg has consistently ranked among the overall safest or lowest risk countries and most politically stable in the world. There have been no recent serious incidents involving politically motivated damage to projects or installations. The environment is not growing increasingly politicized such that civil disturbances would be likely, with the possible exception of specialized non-governmental organizations (NGO's), particularly expressing opposition to the Transatlantic Trade and Investment Partnership (T-TIP) currently being negotiated between the EU and the U.S. Of note is that many of the demonstrations which occur in Luxembourg are not aimed at the Grand Duchy, but rather at the EU offices located within Luxembourg (for example, the European Court of Justice and the periodic European ministerial meetings). There are no known nascent insurrections, belligerent neighbors, or other politically motivated activities.

According to World Markets Research Centre of London, Luxembourg is rated consistently high as one of the least risky places to do business in the world. The risk ratings were all noted insignificant for the following aspects: political risk (existence of institutional permanence, internal and external political consensus); economic risk (existence of forward planning, a diverse and resilient economy); legal risk (existence of innovative legislation, transparency, independence and experience); tax risk (coherent and fair taxation system, low effective corporate and personal income tax rates below EU average); and operational risk (supportive attitudes toward foreign investment, high quality of infrastructure, existence of social peace with Tripartite system of negotiation process involving labor, employers and government, low bureaucracy and corruption).

12. Corruption

Regulations are enforced by the strong but flexible Financial Sector Surveillance Commission (CSSF, which is equivalent to the U.S. Securities and Exchange Commission). U.S. firms have not identified corruption as an obstacle to FDI in Luxembourg. There are no areas or sectors where corruption is pervasive, whether in government procurement, transfers, performance requirements, dispute settlement, regulatory system, or taxation. Giving or accepting a bribe, including between a local company and a public official, is a criminal act subject to the penal code. Senior government officials take anti-corruption efforts seriously. International, regional or local nongovernmental watchdog organizations do not operate in the country, given the low risk.

Luxembourg has laws, regulations, and penalties to combat corruption effectively, and they are enforced impartially with no disproportionate attention to foreign investors or any other group. The country ranks very favorably on the World Bank's corruption index (very low) and Luxembourg placed #9 in Transparency International's 2015 Corruption Perception Index. In particular, Luxembourg has made anti-money laundering and suppression of terrorism financing a priority, given its status as a leading world financial center. The government has taken the lead in freezing bank accounts suspected to be connected to terrorist networks, and in November 2004 extended the law against money-laundering and terrorist financing to additional professional groups (including auditors, accountants, attorneys, and notaries). Also, local police, who are responsible for combating corruption, work closely with neighboring countries' law enforcement officials, as well as with Interpol (international police network) and Europol (European police network).

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Luxembourg signed and ratified the UN Anticorruption Convention (signed Dec 2003 and ratified Nov 2007).

Luxembourg is a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Ministry of Justice
Claudine Konsbruck
Director of Criminal and Judicial Affairs
13 rue Erasme
L-1468 Luxembourg
Telephone: +352 247 84537
info@mj.etat.lu

13. Bilateral Investment Agreements

The United States and Luxembourg have shared a Friendship, Establishment, and Navigation Treaty since 1963 which assures national treatment and other investor protections. Luxembourg and the U.S. also have an aviation treaty.

Other countries with which Luxembourg has bilateral agreements are:

Austria,Bahrain (aviation), Barbados (aviation), Belgium,Brazil,Bulgaria,Canada,Chile (aviation),China, Costa Rica (aviation), Croatia (aviation), Cyprus (aviation),Czech Republic, Denmark, Finland,France, Gabon (aviation), Gambia (aviation),Germany,Greece,Hong Kong (aviation),Hungary,Iceland,India (aviation),Indonesia,Iraq (aviation),Ireland,Israel (aviation), Italy,Japan,Jordan (aviation),Kenya (aviation),Kuwait (aviation),Lebanon (aviation),Macau (aviation), Malaysia,Malta,Mauritius,Mexico,Mongolia,Morocco,Nepal (aviation),The Netherlands,New Zealand (aviation),Norway,Philippines (aviation), Poland,Portugal,Romania

Russia,Singapore,Slovakia,Slovenia,South Africa,South Korea,Spain,Sweden, Switzerland, Syria (aviation),Thailand,Togo (aviation),Trinidad and Tobago,Tunisia,Turkey,Ukraine,United Kingdom,Uzbekistan,Vietnam

Luxembourg is a member of the Multilateral Investment Guarantee Agency (MIGA).

Bilateral Taxation Treaties

Luxembourg has a bilateral taxation agreement with the U.S., which was just amended to upgrade to OECD information exchange standards on bank accounts in 2009. In 2014, the bilateral agreement on FATCA allowed Luxembourg to comply with the U.S. reporting requirements to the IRS by financial institutions with U.S. citizen clients or “U.S. Person” clients. The law came into effect in 2015.

There are no (other) taxation issues of concern to U.S. investors.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Luxembourg opened a free-trade zone called Le Freeport in 2014, which was built and integrated into the logistics (cargo) center at Findel Airport. This zone, modeled after other successful customs warehousing in premier trade regions such as Geneva, Switzerland, and Singapore, allows the warehousing and handling of high-value merchandise (art, cars, wines) in a secure location free of fiscal obligations. Taxation only occurs when the articles leave the zone as imports into the country of consumption (or if a bottle of wine is opened at Le Freeport, it is also subject to taxation).

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	110.6	2013	60,131	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2015	289.9	2015	416.3	http://bea.gov/international/factsheet/factsheet.cfm?Area=316
Host country’s FDI in the United States ($M USD, stock positions)	2012	202.3	2012	202.3	http://bea.gov/international/factsheet/factsheet.cfm?Area=316

Total inbound stock of FDI as % host GDP	2013	121.6	2013	121.6	N/A

*Provide sources of host country statistical data used

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	3,251,506	100%	Total Outward	4,145,675	100%
United States	774,723	24%	United States	775,946	19%
United Kingdom	540,818	17%	The Netherlands	563,697	14%
The Netherlands	322,325	10%	United Kingdom	561,025	14%
Belgium	241,293	7%	Switzerland	353,605	9%
Ireland	200,303	6%	Ireland	330,512	8%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	3,713,047	100%	All Countries	1,610,817	100%	All Countries	2,102,230	100%
United States	817,105	22%	United States	356,663	22%	United States	460,443	22%
France	349,513	9%	Germany	142,487	9%	France	221,179	11%
Germany	344,373	9%	United Kingdom	139,683	9%	Germany	201,886	10%
United Kingdom	301,530	8%	France	128,334	8%	Italy	169,278	8%
Italy	206,041	6%	Ireland	82,645	5%	United Kingdom	161,846	8%

Source: IMF Coordinated Portfolio Investment Survey

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

civil law system

International organization participation:

ADB (nonregional member), Australia Group, Benelux, BIS, CD, CE, EAPC, EBRD, ECB, EIB, EMU, ESA, EU, FAO, FATF, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRCS, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NATO, NEA, NSG, OAS (observer), OECD, OIF, OPCW, OSCE, PCA, Schengen Convention, UN, UN Security Council (temporary), UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNRWA, UPU, WCO, WHO, WIPO, WMO, WTO, ZC

Section 6 - Tax

Exchange control

There are no exchange control rules in Luxembourg.

Treaty and non-treaty withholding tax rates

Luxembourg has signed **81 agreements** (**81 DTC** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Albania	DTC	14 Jan 2009	not yet in force	No	No	
Armenia	DTC	23 Jun 2009	9 Apr 2010	Unreviewed	Yes	
Austria	DTC	18 Oct 1962	7 Feb 1964	Yes	Yes	
Azerbaijan	DTC	16 Jun 2006	2 Jul 2009	No	No	
Bahrain	DTC	6 May 2009	10 Nov 2010	Yes	Yes	
Barbados	DTC	1 Dec 2009	8 Aug 2011	Yes	Yes	
Belgium	DTC	17 Sep 1970	30 Dec 1972	Yes	Yes	
Brazil	DTC	8 Nov 1978	23 Jul 1980	No	No	
Bulgaria	DTC	27 Jan 1992	15 Mar 1994	Unreviewed	No	
Canada	DTC	10 Sep 1999	10 Oct 2000	No	No	
Canada	DTC Protocol	8 May 2012	not yet in force	Yes	Yes	
China	DTC	12 Mar 1994	28 Jul 1995	No	No	
Chinese Taipei	DTC	19 Dec 2011	not yet in force	Unreviewed	Yes	
Czech Republic	DTC	5 Mar 2013	not yet in force	Yes	Yes	
Czech Republic	DTC	18 Mar 1991	30 Dec 1992	No	No	
Denmark	DTC	17 Nov 1980	22 Mar 1982	Yes	Yes	
Estonia	DTC	23 May 2006	23 Jan 2007	Yes	No	
Finland	DTC	1 Mar 1982	27 Mar 1983	Yes	Yes	
Former Yugoslav Republic of Macedonia	DTC	16 May 2012	23 Jul 2013	Yes	Yes	
France	DTC	24 Nov 2006	27 Dec 2007	Yes	Yes	
Georgia	DTC	15 Oct 2007	14 Dec 2010	No	No	
Germany	DTC	23 Aug 1958	6 Jun 1960	Yes	Yes	
Germany	DTC	23 Apr 2012	30 Sep 2013	Yes	Yes	
Greece	DTC	22 Nov 1991	26 Aug 1995	Yes	No	
Guernsey	DTC	10 May 2013	not yet in force	Yes	Yes	
Hong Kong, China	DTC	2 Nov 2007	20 Jan 2009	Yes	Yes	
Hungary	DTC	15 Jan 1990	21 Apr 1991	Yes	No	
Iceland	DTC	4 Oct 1999	19 Sep 2001	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
India	DTC	2 Jun 2008	9 Jul 2009	Yes	No
Indonesia	DTC	14 Jan 1993	10 Mar 1994	No	No
Ireland	DTC	14 Jan 1972	25 Feb 1975	Yes	No
Isle of Man	DTC	8 Apr 2013	not yet in force	Yes	Yes
Israel	DTC	13 Dec 2004	22 May 2006	No	No
Italy	DTC	3 Jun 1981	4 Feb 1983	Yes	No
Italy	DTC Protocol	21 Jun 2012	not yet in force	Yes	Yes
Japan	DTC	5 Mar 1992	27 Dec 1992	Yes	Yes
Jersey	DTC	17 Apr 2013	not yet in force	Unreviewed	Yes
Kazakhstan	DTC	26 Jun 2008	not yet in force	No	No
Kazakhstan	DTC Protocol	3 May 2012	not yet in force	Unreviewed	Yes
Korea, Republic of	DTC	7 Nov 1984	26 Dec 1986	Yes	Yes
Kuwait	DTC	11 Dec 2007	not yet in force	No	No
Lao People's Democratic Republic	DTC	4 Nov 2012	not yet in force	Unreviewed	Yes
Latvia	DTC	14 Jun 2004	14 Apr 2006	Yes	No
Liechtenstein	DTC	26 Aug 2009	17 Dec 2010	Yes	Yes
Lithuania	DTC	22 Nov 2004	14 Apr 2006	Yes	No
Malaysia	DTC	21 Nov 2002	2 Jul 2004	No	No
Malta	DTC	29 Apr 1994	14 Feb 1996	Yes	Yes
Mauritius	DTC	15 Feb 1995	12 Sep 1996	No	No
Mexico	DTC	7 Feb 2001	27 Dec 2001	Yes	Yes
Moldova, Republic of	DTC	11 Jul 2007	4 Dec 2009	No	No
Monaco	DTC	27 Jul 2009	3 May 2010	Yes	Yes
Mongolia	DTC	5 Jun 1998	12 Mar 2004	No	No
Morocco	DTC	19 Dec 1980	16 Feb 1984	No	No
Netherlands	DTC	8 May 1968	20 Oct 1969	Yes	Yes
Norway	DTC	6 May 1983	27 Jan 1985	Yes	Yes
Panama	DTC	7 Oct 2010	1 Nov 2011	Unreviewed	Yes
Poland	DTC	14 Jun 1995	31 Jul 1996	Yes	Yes
Portugal	DTC	25 May 1999	30 Dec 2000	Yes	Yes
Qatar	DTC	3 Jul 2009	9 Apr 2010	Yes	Yes
Romania	DTC	14 Dec 1993	8 Dec 1995	Unreviewed	Yes
Russian Federation	DTC	28 Jun 1993	7 May 1997	Yes	Yes
San Marino	DTC	27 Mar 2006	29 Dec 2006	Yes	Yes
Saudi Arabia	DTC	7 May 2013	not yet in force	Unreviewed	Yes
Seychelles	DTC	4 Jun 2012	19 Aug 2013	Yes	Yes
Sierra Leone	DTC	9 Oct 2013	not yet in force	Unreviewed	Yes
Singapore	DTC	6 Mar 1993	24 May 1996	No	No
Slovakia	DTC	18 Mar 1991	30 Dec 1992	Yes	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Slovenia	DTC	2 Apr 2001	8 Dec 2002	Yes	No
South Africa	DTC	23 Nov 1998	8 Sep 2000	No	No
Spain	DTC	3 Jun 1986	19 May 1987	Yes	Yes
Sri Lanka	DTC	30 Jan 2013	not yet in force	Unreviewed	Yes
Sweden	DTC	14 Oct 1996	15 Mar 1998	Yes	Yes
Switzerland	DTC	21 Jan 1993	9 Feb 1994	Yes	Yes
Tajikistan	DTC	9 Jun 2011	27 Jul 2013	Unreviewed	Yes
Thailand	DTC	6 May 1996	22 Jul 1998	No	No
Trinidad and Tobago	DTC	7 May 2001	22 Nov 2003	No	No
Tunisia	DTC	27 Mar 1996	18 Oct 1999	No	No
Turkey	DTC	9 Jun 2003	18 Jan 2005	Yes	Yes
Ukraine	DTC	6 Sep 1997	not yet in force	No	No
United Arab Emirates	DTC	20 Nov 2005	19 Jun 2009	No	No
United Kingdom	DTC	24 May 1967	3 Jul 1968	Yes	Yes
United States	DTC	3 Apr 1996	20 Dec 2000	No	No
United States	DTC Protocol	20 May 2009	not yet in force	Yes	Yes
Uzbekistan	DTC	2 Jul 1997	1 Sep 2000	No	No
Viet nam	DTC	4 Mar 1996	19 May 1996	No	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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