Annual Report 2023

REGULATED
INNOVATIVE
RESPONSIBLE

Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

The Association des Banques et Banquiers Luxembourg (ABBL) represents the entire banking sector in Luxembourg, encompassing a broad range of institutions and activities.

Table of Contents

“Luxembourg’s bankers continue to offer reliable financial services for the benefit of the wider community.”

Guy Hoffmann
Chairman of ABBL

Esteemed citizens,
esteemed members of the banking community,

In an increasingly unpredictable environment, Luxembourg’s bankers continue to offer reliable financial services for the benefit of the wider community, by constantly sharpening their competitive edge with fresh talent.

Yes, our world seems more unpredictable than ever. Conflicts and geopolitical tensions, epidemics and environmental crises, inflation and economic stagnation, poverty and migration, disruptive technologies and asymmetric competition: each of these factors brings new risks for any business.

For a systemic industry such as banking, all these risks come into play at once.

Yet, here **in Luxembourg, perhaps the biggest risk of all is complacency**. As most of us continue to live comfortable lives at the heart of Europe, the bad news still seems distant. Quite understandably, when faced with calls for change, many people retrench towards defensive attitudes. Is the importance of Luxembourg’s Triple A credit rating well understood? How many realize that our pension and salary indexation systems are unsustainable?

Meanwhile we are at risk of losing our competitive advantages, based mainly on our ability, as a small and open country, to work with customers and partners from around the world.

Probably our banking industry contributes to this misleading sense of comfort and security. After all, our services continue to work reliably, day in and day out. Our clients trust us with all their transactions, and rightly so. We provide direct and indirect employment to tens of thousands of professionals, in Luxembourg and beyond. And we contribute handsomely to the country's budget, by paying a fair share of taxes. But, looking to the future, are those tax revenues still certain? Much depends on our ability to remain profitable.

Behind the scenes, behind the apparent stability, **Luxembourg's bankers are transforming themselves constantly**. It's an ongoing race to remain competitive, by attracting and retaining the best people, adopting the right technologies, embracing the latest European regulations, introducing innovations and contributing to a sustainable development. Our industry is doing its part. The ABBL not only champions the interests of its member banks but also endeavors to be a proactive, responsible partner, crafting proposals aimed at preserving the financial industry's pivotal role for the broader economy's benefit. However, given the scale of change required, the full support of policymakers is required and we believe our new government has understood this.

Attracting the best talent is a case in point. Clearly, the skills required for tomorrow are no longer the same as those needed in the past: as a veteran banker, I am well placed to understand that! Increasingly, banks need to attract data scientists and IT engineers, as well as economists and business analysts. In our traditional recruitment pool in the Grande Région, these talents may be too scarce, so we need to hire from way beyond… and in doing so we compete with many other exciting players and industries. If they consider coming, where will we house them? How will they be taxed? Will they feel welcome?

Of course, we also need to train and reskill our existing employees, especially in view of the twin digital and ESG transformation. **Luxembourg has the opportunity to become a market leader in sustainable finance, as it has done with investment funds, but that requires having the right skills and tools**. For our society, it seems a cause worth supporting. Indeed, if we aspire to build a brighter future for the upcoming generation of Luxembourg citizens, and to equip young individuals with the necessary skills for their academic endeavors and future societal roles, it is imperative that we integrate financial education into our school curricula and teach sustainable finance to all our school children.

Then, perhaps, our banking industry will again attract more home-grown talent, wishing to contribute to a prosperous, sustainable, and hopefully more predictable world.

Yours sincerely,
Guy Hoffmann

“The ABBL steadfastly supports your endeavors to instill trust in the Luxembourg financial sector.”

Jerry Grbic
CEO of ABBL

Dear members,

As our industry continues to provide its essential services under constant scrutiny, the ABBL steadfastly supports your endeavors to instill trust in the Luxembourg financial sector. **Our commitment revolves around fostering the sustainable development of regulated, innovative, and responsible banking services**, as highlighted in our 2023 activity report encapsulating numerous collective achievements.

We recognize the daily challenges you encounter in preserving competitiveness amidst rigorous market conditions, regulatory burdens, and the continual shifts towards digitalization and sustainability. Working closely with approximately 2,500 active participants across our clusters, technical committees, forums, and working groups, we steadfastly champion a regulatory framework that prioritizes customer protection, maintains financial stability, and combats financial crime. Simultaneously, we strive to foster an environment conducive to innovation and sustainable growth within banks and financial institutions. Our continuous efforts aim to establish a level playing field between traditional entities and new entrants, both within and beyond the EU, in the interest of our citizens.

At the heart of the Luxembourg financial ecosystem, the ABBL plays an important role. Throughout the year, my teams have facilitated constructive dialogues, encouraged collaboration, and shared best practices. Additionally, we’ve offered industry and regulatory expertise through research projects and diversified surveys. Our Foundation has remained active in financial education, addressing both senior and younger citizens with impactful initiatives.

Reflecting on 2023, a pivotal year marked by parliamentary elections, the ABBL actively contributed to formulating recommendations common to all representative organizations of the financial industry. These recommendations, centered around themes such as Talent & Skills, Tax Environment & Remuneration, Regulatory Framework, Public Authorities, Sustainable Finance, Digitalization, and Financial Education, aimed to strategically position the financial center in the international landscape.

Key to our focus was talent attraction, retention, and ongoing training, recognizing them as critical success factors for sustainable growth and adapting to the digital and sustainable transitions. Addressing challenges such as access to housing, exacerbated by rising interest rates, we collectively sought solutions, emphasizing our commitment to being part of the remedy.

As I pen this message, I am delighted to note that many of our proposals have found a place in the coalition program, and we look forward to collaborating with the new ministerial teams for their implementation.

Looking ahead to 2024, the upcoming European Parliament elections loom large, with Luxembourg's financial framework originating mostly from Brussels. Anticipating reviews of crucial pieces of the regulatory puzzle – like the mortgage credit directive, initiatives regarding payment and digital spaces, and proposals to strengthen retail investment, as well as developments in the areas of sustainability and digitalization – we foresee an active engagement with the EU legislative processes.

However, **we must also address underlying risks, particularly the rise of protectionism within the EU and new barriers at its borders**. Cooperation with financial centers outside the EU is imperative for crucial investments in sustainability and digitalization. By making the opposite choice, open strategic autonomy can become just strategic autonomy. And there is no guarantee that this will enable us to meet the challenges facing our societies.

Notably, not all developments from Brussels pose challenges. On the contrary, **the EU's sustainability focus positions the Grand Duchy as a leading center for sustainable finance**. Thanks to the EU's first-in-class approach to sustainability, Luxembourg, with its sophisticated ecosystem, has the potential to further bolster its position internationally. Sustainable finance is still in its infancy and further clarifications and adjustments will be needed to avoid what is generally called greenwashing. Furthermore, and in the same spirit, financial institutions will need more and standardized data from actors of the rest of the economy to guarantee the truly green character of their products.

The same applies to digital issues: today's challenges can become tomorrow's opportunities. Digitalization and its groundbreaking EU legislation – let me just mention the Markets in Crypto-Assets Regulation (MiCA), the Digital Operational Resilience Act (DORA) or the Artificial Intelligence Act – are here to stay and will continue to evolve over the years to come.

The ABBL stands ready to contribute to the ongoing evolution of EU legislation. We are actively engaged in discussions with Luxembourg political parties to ensure that the concerns and expectations of the financial centre are taken into account by the candidates in the European elections. In doing so, we want to make sure that our community can effectively contribute to meet the immediate and long-term challenges facing the EU.

In closing, **sustainability remains a central theme**. Indeed, if regulation and transparency are the first two pillars of trust in the financial system, taking the wider public interest into account is the third. Climate change, environmental degradation and the social crisis have reinforced the role of investment and finance in building a more sustainable and inclusive society. The ABBL's Sustainability Committee, established as part of our internal transformation project, engages in strategic dialogues, monitors progress in sustainable finance, and reinforces the importance of considering public interest in finance. The incorporation of our ESG activity report into our annual report underscores our commitment to sustainability.

On behalf of the ABBL team, I extend sincere gratitude for the collaborative spirit we embrace. Wishing each of you a year of professional success and an enriching exploration of this report.

Best regards,
Jerry Grbic

A year at a glance

26
new members

2,500
experts and banking services professionals contributing to our activities

7
new workstreams

36
events organized with more than 3,500 participants

15

responses to EU public consultations

5

ABBL opinions to draft legislation in Luxembourg

7

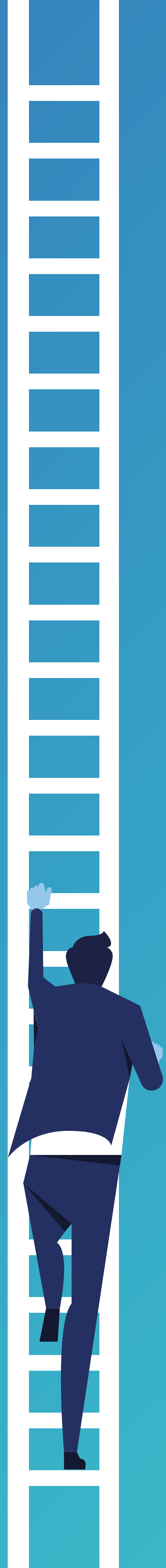
sectoral surveys

9

industry guidelines

Portrait of the Luxembourg banking sector

01



The Luxembourg banking sector comprises **118 banks**, along with numerous other financial institutions and organizations that bolster the sector.

Serving as a vital economic engine, the financial sector significantly contributes to the local economy, accounting for approximately **25-30% of Gross Domestic Product (GDP)** and generating **over 35% of tax receipts**.*

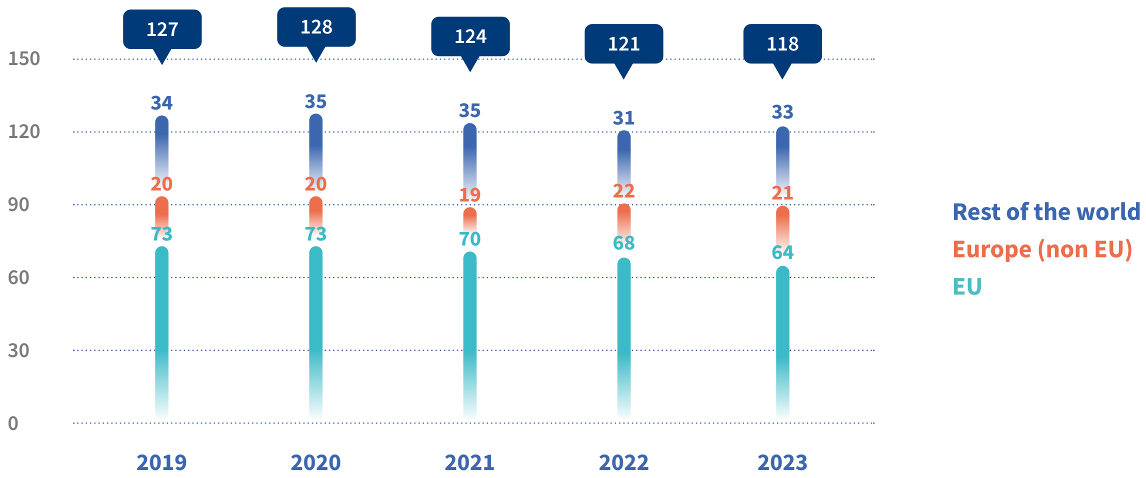
Notably, the banking sector alone employs approximately **26,000 individuals** directly.

*(source Conseil Economique et Social - CES)

General figures

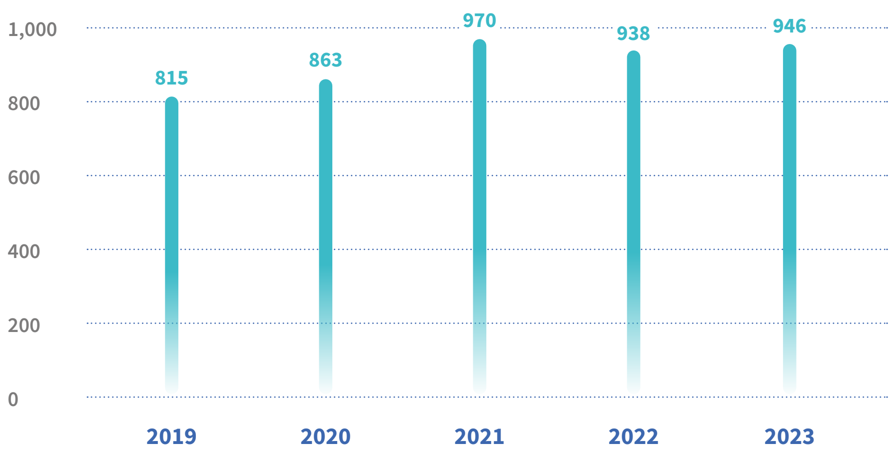
Number of banks authorized in Luxembourg (31.12.2023)

(source Banque Centrale du Luxembourg - BCL)



Banks' total balance sheet in bn EUR (31.12.2023)

(source BCL)



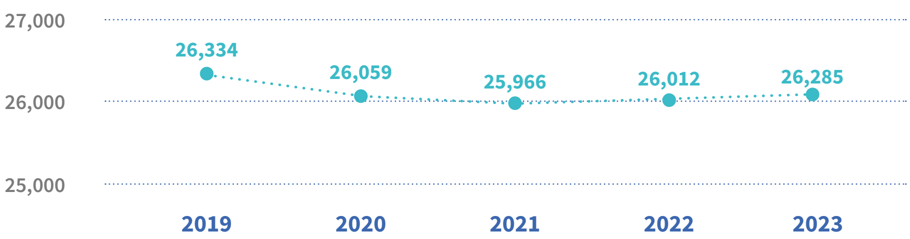
Banks' profit and loss (31.12.2023)

(source Commission de Surveillance du Secteur Financier (CSSF)

in million EUR	Jan. – Dec. 2022	Jan. – Dec. 2023	Variation in %
Net interest income	6,083.2	10,267.9	50.9%
Net fee and commission income	5,902.4	5,711.8	-3.2%
Other net operating income	1,286.5	1,357.5	5.5%
Total operating income	**13,992.1**	**17,337.1**	**23.9%**
Staff Expenses	3,238.1	3,587.9	10.8%
Total other administrative expenses	4,591.0	4,807.1	4.7%
General expenses	**7,829.1**	**8,394.9**	**7.2%**
Profit before provisions and taxes	**6,162.9**	**8,942.2**	**45.1%**
Net provisions	1,429.9	732.2	-48.8%
Taxes	785.5	1,606.8	104.6%
Net profit	**3,947.6**	**6,603.2**	**67.3%**

Employment within the banking sector (31.12.2023)

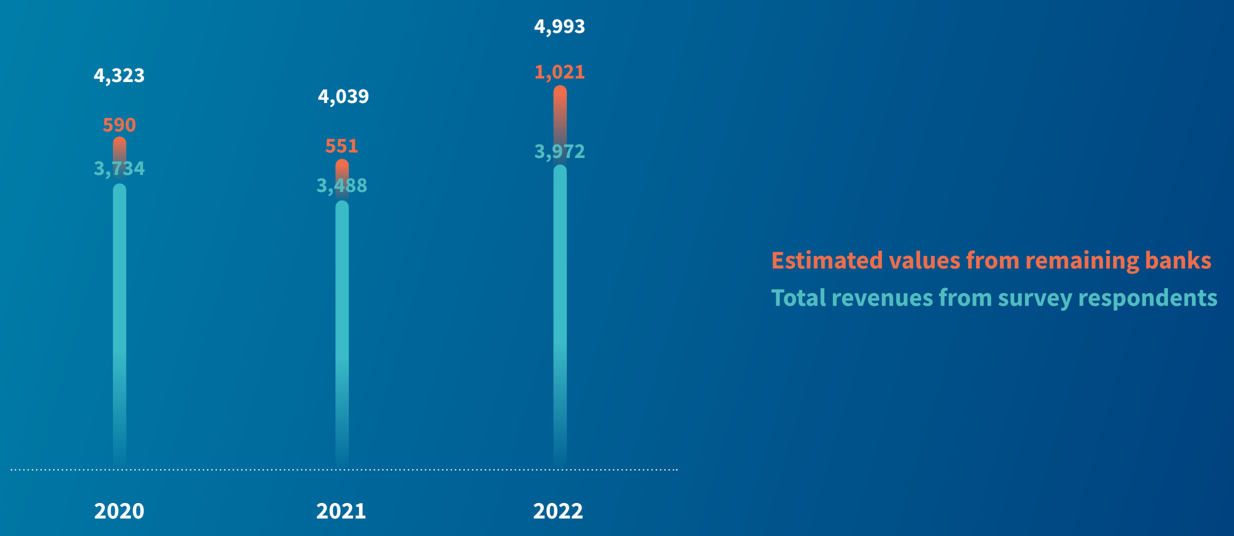
(source BCL)



Corporate & Institutional Banking

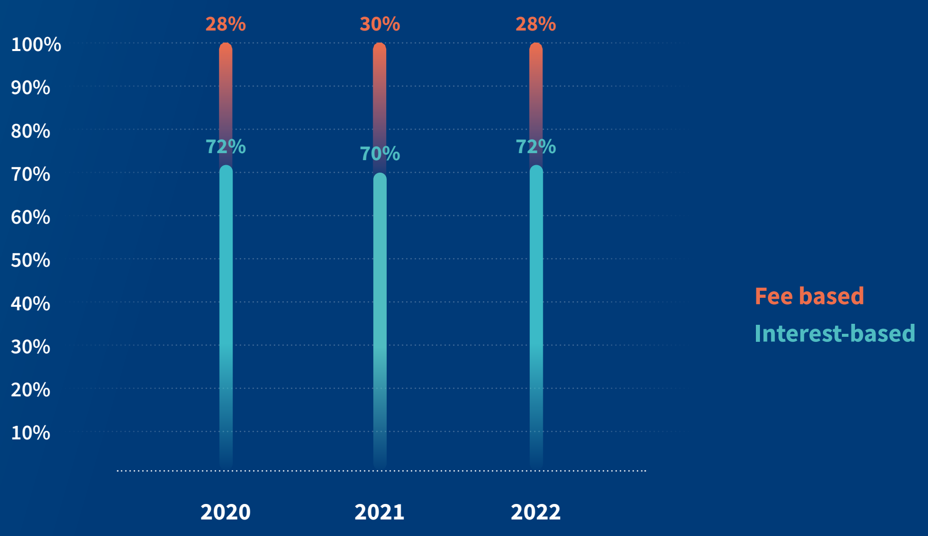
The sector spans from local banks serving a diverse set of local companies to EU banks which provide financing solutions to European non-banking financial institutions (NBFIs) and multinational corporations, and non-EU banks which meet the financing and trade finance needs of non-EU companies for their operations across Europe.

Corporate and Institutional Banking Service Offering in terms of revenues (in BN EUR)



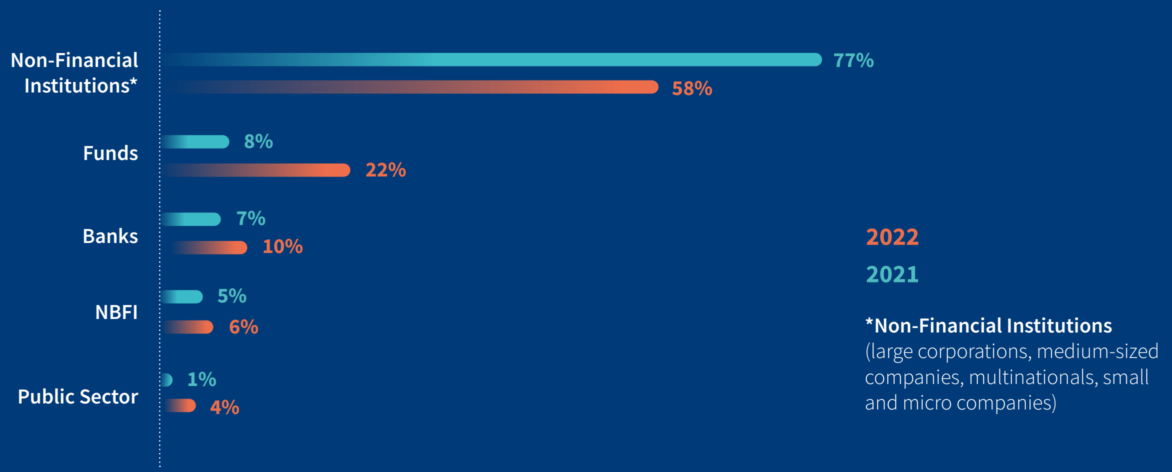
Revenues were estimated to nearly reach EUR 5bn in 2022, signifying an increase of 24% from 2021 and mirroring the growth rate in the private banking segment. This corporate banking revenue figure represents 35% of total banking revenues in Luxembourg.

Share of interest-based and fee-based revenue



As in previous years, a significant proportion of corporate banks' reported revenues was derived from their interest-based businesses, while fee-based income normalised in relative terms to pre-2021 levels.

Type of clients in terms of revenues



Overall, the diverse client distribution underscores the highly integrated nature of Luxembourg's corporate banking space, and its ability to service both the financial sector and the non-financial sector. This further reflects the country's overall status as a well-connected, global financial hub.

(source ABBL / CSSF / PwC Luxembourg Corporate & Institutional Banking Survey 2023)

Testimony Frank Rückbrodt

"Luxembourg, one of the most agile banking hubs in the European Union."

Frank Rückbrodt

Chair of ABBL's Corporate Institutional Banking Cluster and CEO Deutsche Bank Luxembourg SA

The world is changing rapidly, both geopolitically and economically. Uncertainty and volatility will remain, not only due to the geopolitical situation, but also as the unprecedented phase of fiscal and monetary expansion is coming to an end. At the same time, the global economy's shift towards sustainability and net zero emission targets is one of the biggest challenges for governments, corporates and banks and individuals of our times.

According to the 2022/2023 investment report from the European Investment Bank (EIB), an annual investment of 1000 billion euros is imperative to achieve a 55% reduction in greenhouse gas emissions by 2030 in Europe. Transitioning to the digital economy of tomorrow is both costly and essential. With governments facing high levels of debt, it becomes apparent that the impetus for investment cannot rely solely on public sources and banks, but we will also need an integrated capital market in Europe to attract private investors' money. This is where the **bank's financing and investment bank expertise will be needed – and banks are ready to step in**.

In Europe, a significant 70% of corporate financing needs are still covered by bank loans. While this share is likely to fall with the realization of a European capital market, loans will still be a key financing product. Given Luxembourg's pivotal position as an international financial center, we firmly believe that Luxembourg's corporate and investment banks stand at the forefront of the new economic era, playing an indispensable role to tackle both immediate and long-term challenges. Luxembourg's strategic location in the heart of Europe positions it as one of the most agile banking hubs in the European Union, supported by robust financial expertise and the European banking passport.

However, I am equally aware that **banks in the Grand Duchy are highly exposed to global trends, including climate change and the rise of artificial intelligence and machine learning**. They must position themselves strategically to maintain competitiveness while preparing their workforce for significant demand from clients for advice on the emergence of new realities.

Our 2023 Survey on Corporate and Institutional Banking, conducted in collaboration with PwC Luxembourg, has highlighted three key areas where banks are intensifying their focus to strengthen their corporate business: ESG financing, leveraging emerging technology, and empowering their employees.

The emphasis on sustainability is not only driven by a recognition of the importance of ensuring a livable planet but is also crucial for the banking sector itself. Environmental catastrophes and the uncertainties arising from climate change significantly increase lending risks for banks, making the world more unstable. Banks are tightening their scrutiny on greenwashing and demanding higher ESG standards from clients in exchange for sustainability-linked loans (SLL). With growing pressure to facilitate the green transition, supporting clients in their convergence is at the center of our strategy. We know that corporate banking clients also do see the transition not only as a challenge, but also as growth opportunity. They seek bank's help to navigate through their sustainability path. Another way to act as catalyst for this journey is to offer more favorable conditions on sustainable products.

The expansion through technology is another prominent trend evolving across the European corporate banking ecosystem. Leading corporate banking players view fintech, health technologies, and broader technological applications as high-growth sectors. Even in areas like infrastructure, there is a strong focus on digitalization and technological upgrades to existing assets. Furthermore, our members firmly believe that AI and technology, in general, are poised to transform the sector in the coming years. While AI adoption is still nascent within the sector, the EU AI Act is expected to have a catalytic effect.

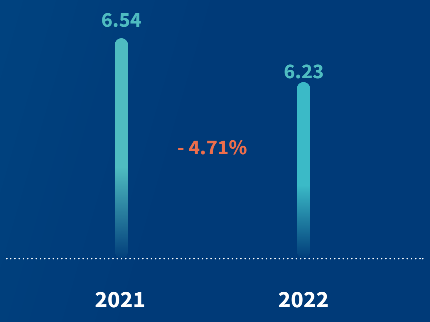
Finally, I find it encouraging that personnel skills, particularly "problem-solving," emerged as the most widely cited skill when respondents were asked about the necessary ability to maintain competitiveness in the corporate banking business. This underscores **the importance of well-rounded and agile personnel within a rapidly changing business landscape**. Luxembourg is ideally positioned to deliver on this demand – with its large pool of multilingual talent, combined with a unique cross-border expertise.

These findings instill optimism for the future, showcasing that the corporate banking sector is not only ready for change but actively embracing the future.

Depositary & Custodian Banking

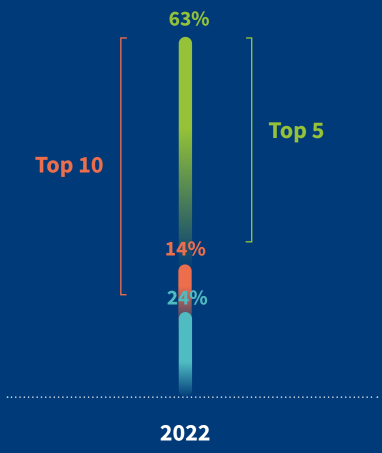
Sometimes carried out by the same players, depository and custodian banking nevertheless deal with different clients and are subject to different obligations. Depositary banking addresses the fund industry and has developed in parallel with the growth of this pillar of Luxembourg's financial centre. Depositary banks act in the investors interest as further gatekeeper, alongside the national supervisory authorities, the fund's management bodies and the auditors. Custodian banking services concern every other client: pension schemes and funds, global custodian services, banks and bank deposits, corporate clients, insurance funds and private and public issuers.

Assets under deposits (in tn EUR) - NAV value



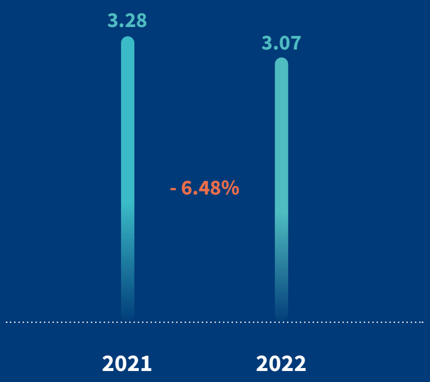
The decrease in assets under deposits and under custody are mainly due to negative market effects.

Market concentration - depositary banking (2022 figures)



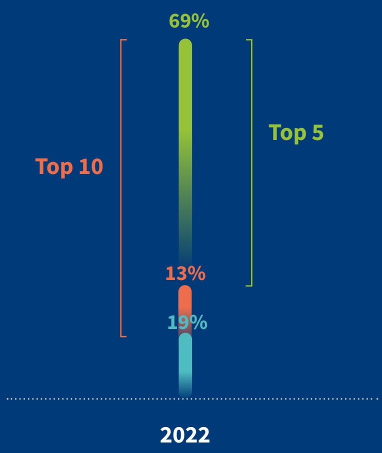
Top ten banks concentrate 77% of the total assets under deposit.

Assets under custody (in tn EUR- including cash and assets held in custody)



The decrease in assets under deposits and under custody are mainly due to negative market effects.

Market concentration - custodian banking (2022 figures)



Top ten banks concentrate 82% of the total assets under custody.

(source ABBL / CSSF Depositary Banking & Custody Services Survey 2023)

Testimony David Claus

If there's one standout event from 2023 that echoes in the realm of depositary banks, it revolves around the discussions concerning the depositary rules and a potential passport within the Alternative Investment Fund Managers Directive (AIFMD). The latter amendment posed a substantial risk, looming both over investor protection and the future trajectory of the Luxembourg depositary industry with its over 6,000 employees' workforce.

To grasp the stakes at risk, a revisit to the fundamental role of depositary banks for investment funds is imperative. **While the depositary bank is to investment funds what the retail bank is to individuals, it is also the extended arm of the supervisor, as well as a watchdog protecting the investor**. Beyond the conventional tasks of safeguarding cash, securing securities, and ensuring the smooth settlement of transactions, it assumes an independent oversight role on the management company's activities. Its responsibility extends to verifying that the fund adheres to regulations, following the guidelines in the prospectus concerning order placement, investment constraints, and risk distribution. Furthermore, it oversees the compliance of the valuation process, ensuring the accurate determination of the net asset value (NAV) by the fund administrator.

This responsibility traces back to the 1985 Undertakings for Collective Investments in Transferable Securities (UCITS) Directive and subsequent circulars from the CSSF, a distinctive European obligation, absent in the realm of US funds, which aren't mandated to appoint a depositary.

While some might argue that various entities already safeguard investors—ranging from the CSSF and auditors to the board of directors and the fund manager—**the distinctive value of the depositary lies in its daily insight into the fund's operations, as all transactions flow through its records**. This unique position allows it to swiftly detect the start of a fire and therefore to be able to contain it.

The crux of the matter did not lay in the proposal from the European Commission but came from amendments by the European Parliament's rapporteur. The latter by advocating for a complete depositary passport, introduced a potential loophole in the requirement that both the depositary bank and the investment fund be located in the same country. This move posed **a threat to the efficacy of depositary banks in monitoring funds and could complicate supervision by National Competent Authorities (NCAs)**, given the cross-border nature involving distinct jurisdictions and supervisory bodies.

The diligent advocacy by the ABBL played a pivotal role in steering the situation towards a win-win-win resolution. The introduction of an exemption from the rule that depositaries need to be in the same jurisdiction as the fund, within AIFMD considered the needs of countries with less developed depositary industries, presented commercial opportunities for nations like Luxembourg with a matured sector, and importantly, did not compromise investor protection.

"AIFMD review: a win-win-win situation."

David Claus

Chair of ABBL's Depositary Banking Cluster
and CEO of European Depositary Bank SA

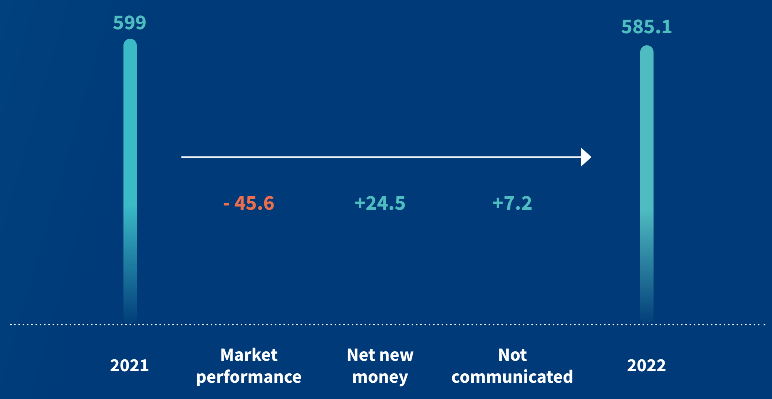
Private Banking

The private banking sector attracts international, high net worth clients. There are about 50 private banks in Luxembourg, located here because of the stable political climate, the excellent rating of the country, the sophisticated and international workforce, and the extensive financial ecosystem which supports the full range of cross-border wealth management needs.

Evolution of private banking AuM in Luxembourg (in EUR billion 2007-2023)

Annual growth in assets under management was uninterrupted until recently, growing almost threefold from EUR 225 billion in 2008 to EUR 599 billion by 2021. AuM dipped last year by just under EUR 14 billion to EUR 585 billion, as geopolitical turbulence, supply chain constraints, fears of recession and tightening of monetary policy led to market volatility.

Asset growth components (in EUR billion, 2022)



In context, the drop of 2.3% in 2022 is minor compared with how markets performed; total asset values were resilient, as were inflows of new client money. We estimate the overall market effect on client assets amounted to a drop of 8%, or EUR 45.6 billion. That was partially offset by net inflows (new money less withdrawals) of EUR 33.4 billion, up slightly from the previous year. This figure is quite impressive compared with EUR 45 billion for Swiss private banks.

Geographic origin of clients

19% : Luxembourg
22% : neighbouring countries
40% : other European countries

The bulk of Luxembourg private banking clients, just over 60%, come from Belgium, France, Germany and the rest of Europe. The focus on Europe has been reinforced by some banks deciding to switch assets previous booked in France and the UK to their Luxembourg hubs in the wake of Brexit. This is confirmation, if required, that industry members continue to see Luxembourg as a key location to expand their European presence.

Source: ABBL / CSSF / KPMG Private Banking Survey 2023

Testimony Yves Stein

“Private banking: light at the end of the tunnel”

Yves Stein

Chair of ABBL’s Private Banking Group and
CEO of Edmond de Rothschild (Europe) SA

How do we effectively balance the needs of our private banking clients in a tightening regulatory landscape within the sector? This perennial question has once again occupied the Private Banking Group's discussions this year. Our focus remains on meeting the requirements of international families and entrepreneurs in safeguarding, growing, and transferring their wealth. We strive to offer personalized assistance that acknowledges their multi-jurisdictional circumstances - given our clients' often diverse interests across different countries - and the plethora of investment opportunities available, including alternative avenues such as real estate and private equity.

Yet, **amidst a regulatory environment pushing for greater standardization and emphasis on pricing, we must navigate carefully**. The ongoing debates surrounding the Retail Investment Strategy, in which the ABBL actively participated, are particularly pertinent. Initial proposals risk narrowing the array of available products, potentially undermining open architecture commercial strategies, and imposing additional investment constraints on a clientele already well-versed in financial matters. Moreover, the fixation on finding the "cheapest compliant product" may not always equate to optimal value for our clients.

It's important to recognize that these discussions extend beyond merely serving our customers' interests. **The proposals advocated by the ABBL align with the goals of the Capital Markets Union (CMU), particularly in facilitating investment in small and mid-cap companies**. This stands in contrast to the prevailing trend towards passive management, which, though currently commanding half of global investment, inherently favors investments in larger market capitalizations.

Amidst this regulatory backdrop, 2023 witnessed the return of positive interest rates. While this shift brings its own set of challenges, it signifies a **return to market normality after a decade of low or negative rates and the tumultuous year of 2022**, which marked the poorest performance in asset management across major asset classes in 150 years. Consequently, there has been a resurgence of asset-gathering in wealth management, with private banking experiencing a notable uptick.

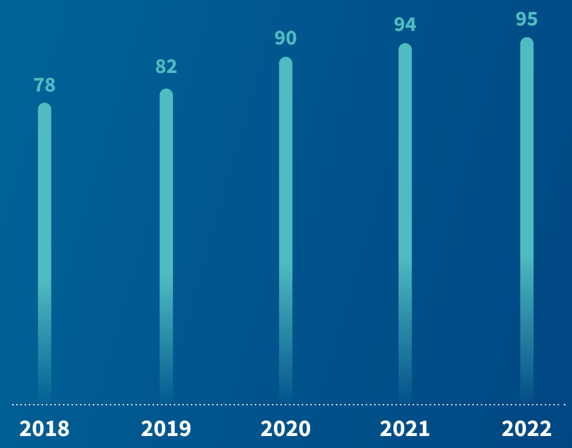
Furthermore, the **expansion of advisory teams within private banks based in Luxembourg**, despite ongoing industry consolidation, paints a promising picture for the future. This shift in recruitment policies signals confidence from parent companies in the prospects of the Luxembourg financial center.

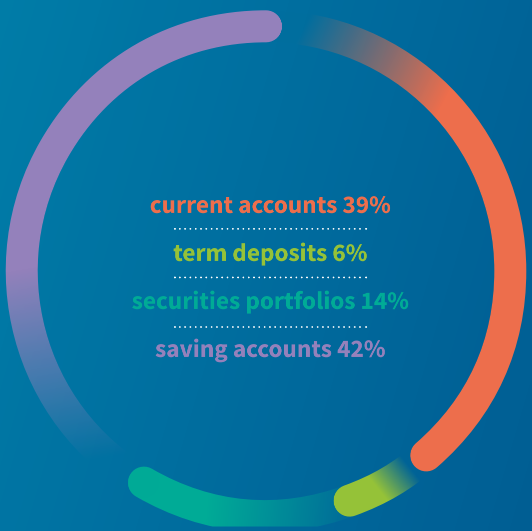
Retail Banking

The retail banking sector in Luxembourg serves a wide range of clients, from private individuals, professionals and SMEs. The main business is lending, with close to 90% of loans dedicated to real estate purchases.

Growth in outstandings (assets + loans) in EUR billion, 2022

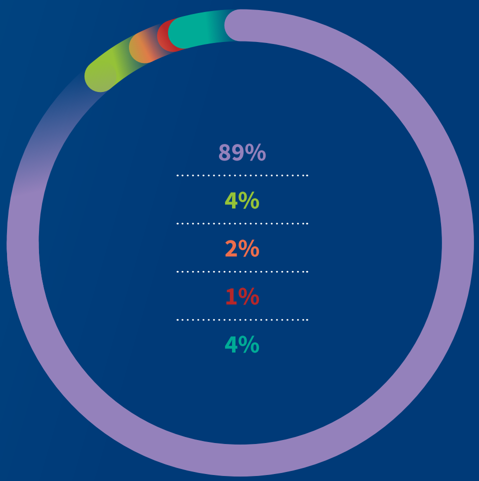
Luxembourg retail banks have witnessed a continued increase in outstandings over the last 5 years.
The total increase over this period amounts to 22%.





Breakdown of deposit volume by type of account 2022

Term deposits increased significantly (by 300%) due to the rise in interest rates and the attractiveness of these low-risk products.



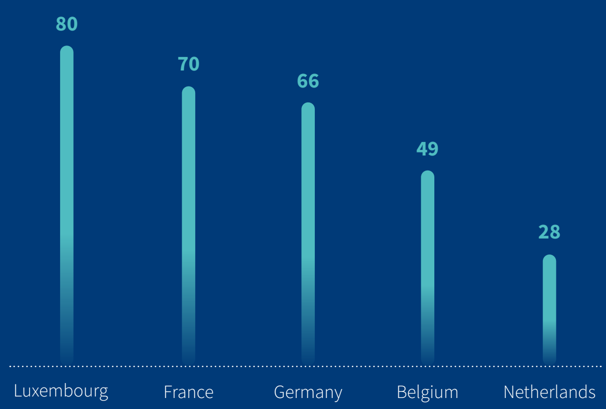
Breakdown by type of loan 2022

Lending activity remained buoyant in 2022, with a 5% increase in volume. The contraction in demand for loans, particularly mortgages, which began in the third quarter of 2022, accelerated at the start of 2023.

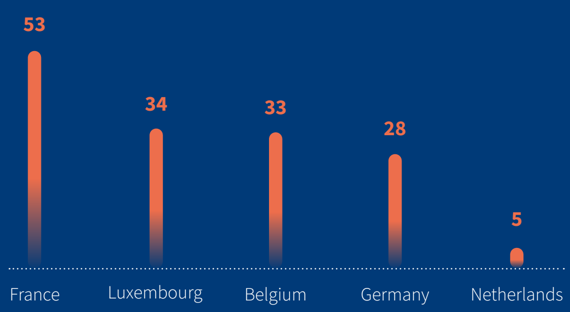
Current accounts (overdrafts, etc.)
Home loans
Consumer credits
Investment loans
Leasing

Coverage of the network of bank branches and ATMs Per 100,000 inhabitants (2021)

ATMs



Bank branches



The coverage of the network of bank branches and ATMs remained high.

source : ABBL Retail Banking Survey 2023

Testimony Michael Burch

In recent months, much has been said about mortgage loans. There are claims that banks, aiming to boost their revenues, have raised interest rates and unfairly capitalized on the economic situation. Lending conditions have been tightened, creating obstacles for first-time buyers to acquire properties. Allegedly, banks have been pushing individuals to sell their properties. They also were withholding financing for property projects at a time when the country is in the throes of a housing crisis.

In 2023, retail banks embarked on a year dedicated to pedagogy. We clarified that the rise in interest rates was not instigated by bankers but that banks were merely a tool of the ECB's strategy to combat inflation. We emphasized that the country had previously faced situations of high interest rates and robust demand for property. That credit-granting conditions were strictly regulated and that these criteria had been tightened in 2020 at the behest of the European Systemic Risk Board. We asserted our longstanding commitment to a conservative lending policy. While expressing the desire to continue granting credit, we underscored a dual responsibility: ensuring borrowers could repay without financial strain and safeguarding customer savings by avoiding undue credit risks.

Acknowledging the disarray caused by the sudden interest rate surge, we increased monitoring efforts. We reached out to vulnerable cases, collaboratively finding individual solutions where necessary. Consequently, Luxembourg's non-performing loans rate remained below the European average.

As the country adapts to the new normal, we have taken action. Because, yes, the **banks want to be part of the solution to the housing crisis**, similar to our role during the COVID crisis and the energy price surge. Discussions with the CSSF since 2020 sought greater flexibility and legal certainty for bridge loans. Proposals submitted to the Minister of Finance by the Retail Banking Cluster aim to revitalize the housing market, focusing on first-time buyer access, buy-to-let market development, and tax incentives for energy efficiency improvements.

Ongoing concerns include the profitability of institutions and the potential rise in prudential capital requirements for specific loans, impacting the ability to finance household or developer projects.

However, banks are just one facet of the property crisis solution; political will at both government and municipal levels is crucial. The banking sector has expressed a willingness to engage in discussions with the government and all stakeholders to address these pressing issues.

"Banks as part of the solution to the housing crisis."

Michael Burch

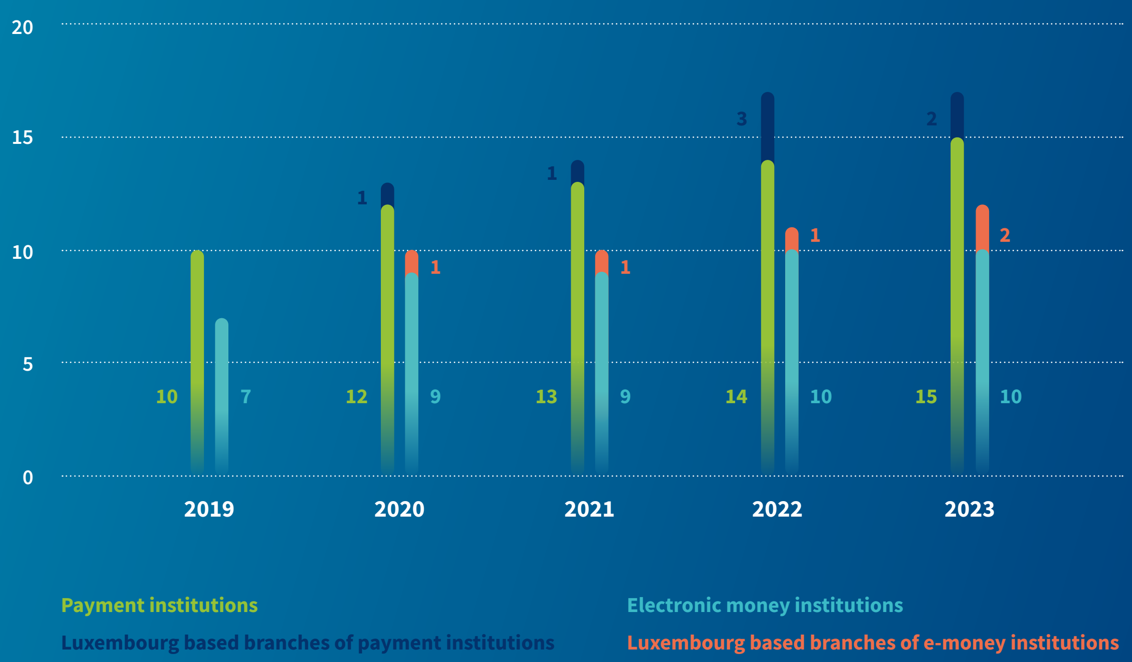
Chair of ABBL's Retail Banking Cluster and CEO ING Luxembourg SA

Payments

Luxembourg payments landscape

(source CSSF)

The payments landscape in Luxembourg is composed of different actors: in addition to banks, there are payment institutions, electronic money institutions and other professionals of financial services active in payments activities. Various types of payments with different schemes used are done by these actors.

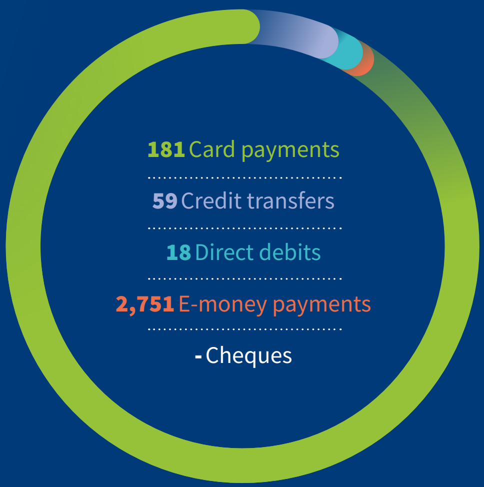


Overview of all non-cash payment transactions

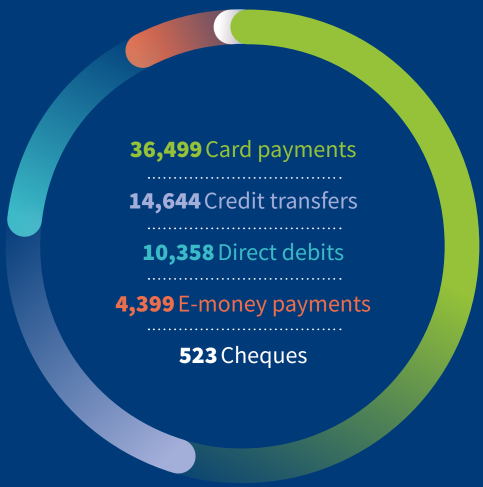
91% of all cashless payment transactions recorded for Luxembourg in the first half of 2023 are done by electronic money payment method. Luxembourg transactions represent 63% of all e-money payment transactions executed within the Euro area.

This large number of cross-border electronic payments is affected by the presence of dominant Luxembourg-based institutions and highlights the importance of Luxembourg in the circulation of e-money within the euro area.

Luxembourg



Euro area



Number of payment transactions (in millions) by payment method for Luxembourg vs Euro area (source European Central Bank, figures for January- June 2023)

Focus on SEPA and retail payments

The Single Euro Payment Area (SEPA) was launched in 2009, at the time with a clear focus on small-value payments in EUR denomination for consumers. Ever since, the usage of SEPA has impressively increased with no official amount restriction to be observed. Since 2020, SEPA has had no fewer than 36 members, including countries that have currencies other than the EUR as their home currency.

The new **SEPA Instant Payment Scheme** has also been introduced successfully by the European Payments Council and its use is expected to further increase. All in all, 2,292 payment service providers have already adhered to this scheme.

Recent Luxembourg retail transaction figures for last three years clearly reflect the continuing popularity of bank transfers, many of which are being done by SEPA. Indeed, the number of customer transfers has increased by 5% in 2023 comparing to 2022. The instant payments transactions have increased by 24% for the same period.

Retail payments - transfers

(Source BCL)

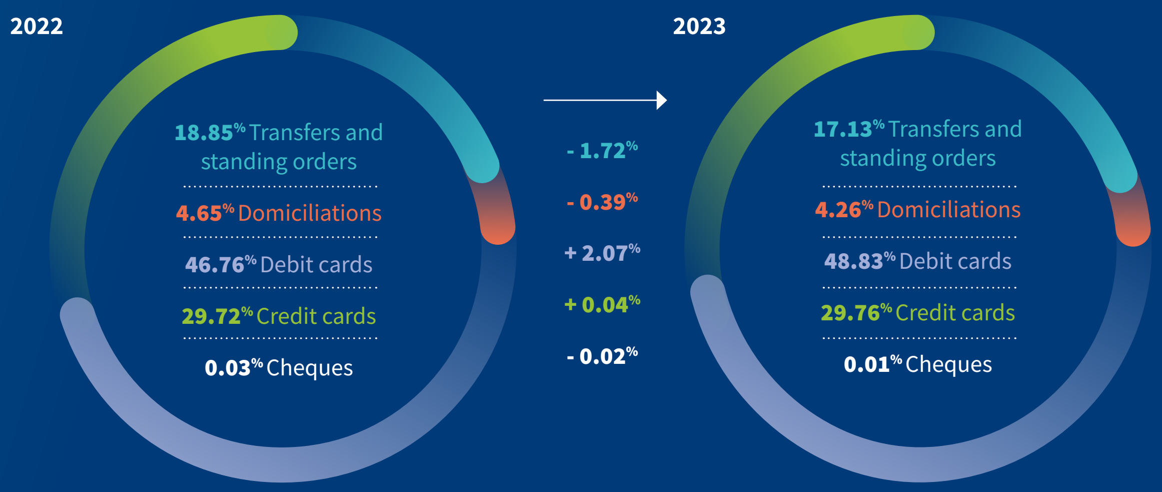
	2021	2022	2023
Number of customer transfers (in millions of transactions)	85.3	85.66	89.79
of which volume of instant customer transfer	2.51	4.54	5.63

Retail payments - transfers

(Source BCL)

	2021	2022	2023
Average value of customer transfers (in euros)	5,044	5,615	5,436
Average value of instant customer transfers (in euros)	940	845	829

Speaking generally about retail payments done by customers using all available means, we can observe that credit and debit card payments are on the rise and add up to about 78% of retail payments done in 2023.



(Focus on distribution of retail payment methods based on transaction numbers. source : BCL)

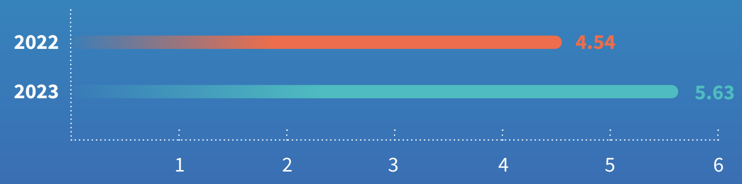
Testimony Claire Alexandre

“Instant payments, the new normal, yet many challenges still ahead.”

Claire Alexandre

Chair of ABBL’s Payments Cluster and
Head of Government Relations,
EMEA - PayPal (Europe) SARL et Cie, SCA

SEPA instant payments Volume (in mio transactions) :



The payments landscape finds itself at a pivotal juncture, offering users **an expanding array of channels and currencies, with data flowing more freely than ever, and infrastructure layers growing increasingly sophisticated**. A prime example of this evolution is instant payments, which were introduced in the EU in 2017 through the European Payments Council's instant payment scheme. This innovation facilitates both domestic and cross-border payments in euros among participating payment service providers (PSPs) within the Single Euro Payments Area (SEPA). **Instant payments, celebrated for their enhanced consumer convenience and cost-effectiveness for merchants, also broaden the range of options available to European users and fortify Europe's retail payments framework.**

However, despite these advancements, only a small fraction of transfers in the euro area are currently instant. Recognizing the gap between ambition and reality, the European Commission proposed the Instant Payments Regulation in October 2022, with the aim of making instant euro payments the standard practice. This proposal was subsequently adopted a year later, mandating instant payments for all payment service providers.

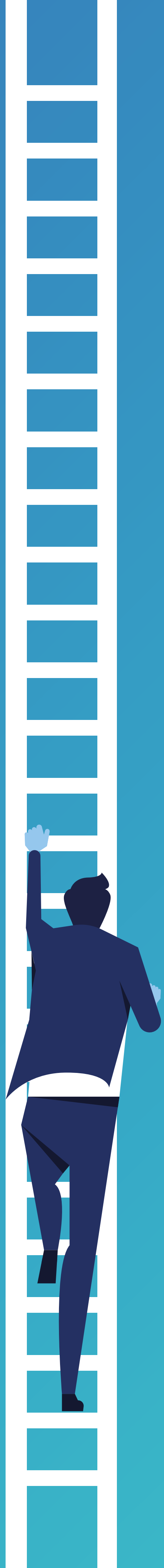
While the ABBL supports the overarching goal of the European Commission, it has raised concerns about the potential burden on smaller organizations. Additionally, ABBL has highlighted the significant adjustments required from banks, particularly those serving customer segments where instant payments may not offer an immediate value proposition, such as private and investment banks. Furthermore, ABBL has emphasized the importance of addressing potential risks related to money laundering and terrorism financing.

During discussions in the European Parliament, ABBL advocated for a revised implementation timetable, particularly regarding the obligation for banks to conduct free International Bank Account Number (IBAN) /name checks. This poses a tangible challenge as there is currently no relevant database in Luxembourg or elsewhere in the EU, necessitating time for development. Additionally, ABBL called for reasonable exemptions for transactions involving high-risk factors listed in the Anti-Money Laundering (AML) Directive, stressing the importance of fulfilling due diligence requirements.

With the implementation timetable now defined, the Instant Payments Task Force of ABBL's Payment Cluster is intensifying efforts to assist approximately 40 member companies in adapting to the new measures and addressing remaining inconsistencies as well as challenges ahead. **From managing bulk orders to adapting fraud detection processes within tight timeframes, or establishing a national or international database for payee recognition, numerous hurdles remain**. However, thanks to collaborative efforts, instant payments are now within reach in Luxembourg.

Bringing our mission to life

02



The ABBL's mission is to promote the sustainable development of regulated, innovative and responsible banking services.

In the following pages we share our thoughts on this endeavor and showcase how our members bring our mission to life.

Regulated banking services

Testimony Camille Seillès

"Why regulation is not all bad."

Camille Seillès

ABBL Secretary General and Member of the Management Board

Ultimately, everything boils down to one word: trust. It is the bedrock of the relationship between bankers and their customers. Without trust, that foundation crumbles, leading to dissatisfaction, lost business, and damaged reputations.

But what exactly builds trust? It is a combination of goodwill, accountability, and transparency.

You trust a company if you are confident that it is committed to your care and considers a broader interest than its own. If you are assured that it plays by the rules. And if you know that the way it takes decisions is transparent.

Playing by the rules presupposes the existence of a regulatory framework and compliance with it. And, regulation and transparency go hand in hand.

However, despite the benefits of regulation, why do banks often complain about it?

Regulation is not all bad. Of course, there is the cost of compliance, but since the global financial crisis in 2007 - 2008, regulatory reforms have bolstered the financial sector's resilience in Europe.

However, we also acknowledge that today banks and financial service providers are, in fact, confronted with an excessive – and increasingly over-reaching - number of legislative and regulatory proposals hindering their ability to support the economy effectively.

What are the levers on which to act? Here we can consider another trilogy: efficiency, proportionality and level playing field.

There are today strong arguments to initiate a comprehensive assessment of the existing regulatory framework. Evaluating the existing regulatory framework's impact and efficiency, ensuring it aligns not only with financial stability, investor protection and market protection, but also with competitiveness and sustainable growth objectives, is crucial before considering adding new layers of regulation.

Attractiveness and competitiveness considerations need to be embedded into every aspect of the legislative work of the European Union to account for the diverse needs of EU investors and corporates to raise capital, invest and hedge risks.

Proportionality should be another driver. It allows to tailor regulatory requirements to the specific characteristics and risk profiles of banks, ensuring that regulatory objectives are achieved without unduly burdening the industry or impeding its ability to support economic growth and development.

Another crucial aspect is **ensuring a level playing field among financial players.** The banking sector is an integral part of the equation for a strong Europe, as employer and catalyst for innovation, as well as financier of sustainable transition and yet it stands as one of the most heavily regulated sectors altogether. Chris Skinner, one of the most influential tech commentators, argues that banks face regulations five times more stringent than their counterparts in the realms of Gafam or fintech. This not only sparks inquiries into fair competition but primarily raises concerns about safeguarding customer interests.

Presently, financial regulators express more apprehension towards the risks posed by shadow banking than traditional banking itself. Moreover, there is the looming threat of systemic risk; if a crisis were to erupt in the unregulated market, the interconnected nature of financial systems could swiftly propagate it into the mainstream banking sector. Nonetheless, we note encouraging developments in this sphere as alternative investments and cryptocurrencies increasingly fall under regulatory oversight.

In summary, **what is needed is not more regulation but smarter regulation.** It is about striking a balance, ensuring regulations serve their purpose without stifling innovation or burdening the industry unnecessarily.

Banks invest in compliance*

Each year Luxembourg banks invest

€548m

on regulatory matters

The compounded annual growth rate of the regulatory investment cost per institution is

16%

The percentage of banks' total investment spent on regulation is

38%

*Source : ABBL / EY Survey on the cost of regulation (https://www.abbl.lu/en/professionals/the-cost-of-regulation-2020-abbl-and-ey-study

“The Grand Duchy of Luxembourg has a sound framework for combating money laundering and terrorist financing and a good understanding of its money laundering and terrorist financing risks.”

Extract of the press release the Financial Action Task Force (FATF) issued in September 2023 after its mutual evaluation of Luxembourg’s AML/CFT framework and measures.

Banks: between innovation and adaptability

Testimony Ananda Kautz

Ananda Kautz

Head of Innovation, Payments and Sustainability
and Member of the Management Board

In a world where change is the only constant, the ABBL and its members have embarked on a journey of strategic innovation and adaptability. This past year has underscored the importance of evolving with the market trends and meeting the shifting expectations of our customers.

The banking industry's competitive arena has become more challenging, with numerous entities vying for market share. This competition, however, drives our commitment to excellence and innovation. It's been further amplified by critical regulatory developments, such as the European Commission's Digital Finance package, and the embrace of groundbreaking Artificial Intelligence (AI) technologies and new payment solutions.

2023 has been pivotal with the publication of key regulatory proposals including the Financial Information Data Access (FIDA) focusing on enhanced data access and processing, promoting inclusivity and innovation within the financial sector, encouraging competition, and paving the way for innovative data solutions. Or the Payments Package reviewing the Payments Service Directive.

A significant focus has been the preparation for the implementation of Instant Payments, a milestone that signifies a major leap towards real-time financial transactions. This initiative embodies our commitment to modernizing financial services, ensuring that transactions are not only faster but also more convenient for all users. The move towards Instant Payments is a response to the growing demand for immediacy in financial operations, reflecting our dedication to meeting the evolving needs of consumers and businesses alike.

As we move towards real-time payments and the tentatives of phishing become increasingly sophisticated, ABBL has taken proactive steps. Recognizing the critical importance of safeguarding financial data and maintaining the trust of customers, ABBL has launched via its Foundation “Sécher am Internet”, a digital platform that offers training modules on digital banking and security.

Moreover, ABBL’s commitment to cybersecurity extends beyond phishing prevention to encompass a broader strategy aimed at strengthening the digital resilience of the banking sector. ABBL actively works on the Digital Operational Resilience Act (DORA), in close collaboration with authorities, to get ready for this new regulation. This preparatory work involves a multifaceted approach, starting with a comprehensive assessment of existing IT infrastructures and operational vulnerabilities. ABBL has facilitated a series of workshops sessions aimed at enhancing the understanding of DORA’s requirements among its members.

Another topic in 2023 that kept our sector busy has been evolution of Generative AI. The scalability and integration of AI tools are crucial for staying competitive, posing both technological and strategic challenges. Our journey has involved not only the adoption of AI but a fundamental rethink of how banking can be reimagined through technology.

In the pursuit of sustainability and environmental goals, ABBL has performed a study on the green IT that recognizes the critical importance of green IT practices within the banking sector as a potent strategy to reduce CO_2 emissions. As financial institutions increasingly rely on digital technologies, the shift towards energy-efficient operations and the adoption of sustainable IT solutions have become paramount. We aim at working jointly with our members in a dedicated task force in 2024.

Scarcity of specialised IT talents are another key issue. The banking industry demands individuals with a unique skill set to drive innovation forward. ABBL have collaborated with the House of Training (HoT) to develop essential skills in areas like cybersecurity, cloud, artificial intelligence. Moreover, ABBL in collaboration with renowned universities like the University of Luxembourg and HEC Liège, is spearheading initiatives to attract and nurture talents.

Another notable challenge is the issue of investment. Banks must allocate resources strategically to fund innovation initiatives, there is a whole assembly work that digitalisation facilitates which requires significant investments. The recently introduced tax credit to support digital transformation projects is an excellent example of a proposal that ABBL has been supporting and it has succeeded.

As we move forward, the ABBL remains dedicated to providing a platform for exchange, supporting training programs, and encouraging mutualization among Luxembourg’s financial entities. The journey of transformation requires not only technology and innovation but a shared vision and collaboration. Our commitment to innovation today sets the foundation for a secure, sustainable, and customer-centric banking sector tomorrow.

We extend our deepest gratitude to our members, partners, and the entire financial community for their unwavering support and contribution to this journey.

Together, we are not just adapting to change—we are leading it.

Greater security 24 hours a day, 7 days a week

Phishing, smishing, vishing, but also theft or copying of credit/debit cards, attempts at financial fraud are multiplying and becoming increasingly sophisticated. Luxembourg's financial institutions are continuing to invest massively in their digital security systems and are informing their customers about how to prevent the risk of fraud. Nevertheless, no one is completely safe from such misadventures. Indeed, in most cases of successful attempts, it is the victims themselves who have revealed their identifiers or security codes to the fraudsters.

To enable customers to react to any fraud or suspected fraudulent transaction, even outside their bank's opening hours, the ABBL's Phishing Prevention Task Force, which brings together a number of Luxembourg banks, has taken the initiative of working with Worldline and LuxTrust to extend the services of the 49 10 10 hotline.

A procedure has been put in place to:

- clarify the circumstances of the fraud with the customer;
- block the bank cards;
- contact LuxTrust to suspend or revoke certificates;
- inform the customer's bank of the incident.

In a second phase, this service may be extended to blocking accounts.

The following institutions are taking part in this initiative: Banque de Luxembourg, Banque Internationale à Luxembourg, Banque Raiffeisen, BGL BNP Paribas, POST Luxembourg and Spuerkeess.

Creation of a shared ATM network

Spuerkeess, Banque Internationale à Luxembourg, BGL BNP Paribas, Banque Raiffeisen, POST Luxembourg and ING Luxembourg have joined forces to create a broad-based Automated Teller Machines (ATM) network.

This joint network operating under the Bancomat brand name:

- guarantees proximity and access to self-service banking through an optimal and balanced spread of ATMs throughout Luxembourg, in both urban and less densely populated rural areas.
- meets new expectations of individuals, retailers and businesses for self-service banking with state-of-the-art, secure ATMs.
- allows for people with reduced mobility and visual impairments to easily access the ATMs, thanks to lower keyboards and an audio option.
- contributes to develop the range of services and functions available on the ATMs.

The new ATMs will also help reduce the network's carbon footprint.

Pooling the ATM networks of the six partners does not involve any additional costs for clients, who continue to benefit from the services provided by their bank throughout Luxembourg.

Sustainable banking services

Testimony Julien Froumouth

The role of banks' in reaching the EU's sustainability objectives is pivotal. Yet the current regulatory framework has been mostly focusing on investments in green economic activities or, in other words, companies which already contribute positively to environmental issues. It entirely disregards other companies, whether they are polluting or not.

This dichotomy fails to recognize the efforts made by financial institutions to support the transformation of all sectors of the economy, or the so-called transition finance. At the same time, it fails to properly reflect the challenge of our time: shifting away from our current polluting business and consumption models to a clean and sustainable future.

Though it doesn't yet exist in the EU legislative framework, transition finance is increasingly seen as an essential tool to support the whole economy's shift towards a more sustainable model. Markets are calling for a common transition framework to clearly define what transitioning would mean for various economic sectors through dedicated benchmarks and transition pathways.

By complementing the green features of the EU Action Plan on Sustainable Finance with elements related to transition financing, the legal framework would better support the design and the uptake of new financial instruments and solutions supporting companies in their own transition to sustainability with credible plans to achieve it.

Banks are a major source of financing to corporates. For companies requiring funding to improve their environmental and social performance, and thus progressively align with the broader EU and national sustainability targets, that relationship is becoming ever more crucial.

Sustainable finance is not just "green", as it should not only promote the financing of environmentally-friendly businesses. Instead, it should encourage financing to companies as part of their efforts to improve their business practices and performance on various climate, environmental and ethical issues, and ultimately contribute to a just and sustainable economy.

The EU Taxonomy as well as other regulatory or voluntary initiatives can contribute to improve the transition information disclosures and hence increase the banks and corporates' focus on the transition aspects of their businesses. Raising awareness about the importance and the relevance to onboarding all stakeholders across the value chain in every sector is a prerequisite for a successful transformation of the entire economy.

“Why sustainable finance is not necessarily green.”

Julien Froumouth

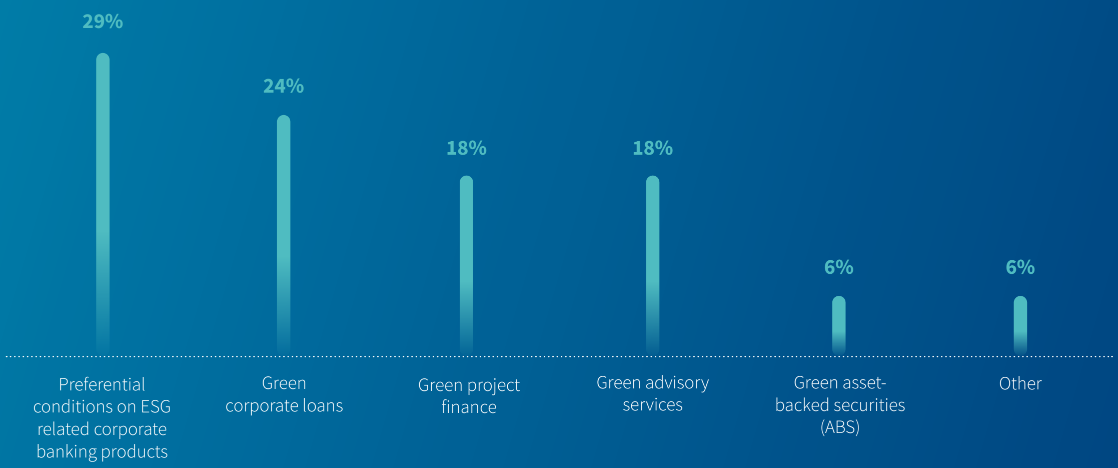
Head of Sustainability

Corporate banks as drivers for the sustainable transition.

European companies are very reliant on banks for their financing needs, with banking loans making up around 70% of financing. Corporate banks are thus an important lever for sustainable transition.

Already today **80% offer ESG financing.**

On top of that they also provide a large array of ESG products:



source : ABBL Corporate Banking Survey Results

A good start for LuxFLAG's ESG Discretionary Mandate label.

Launched in November 2022, the LuxFLAG ESG Discretionary Mandate label is intended for risk management products that contribute to the transition towards mitigation and adaptation to the climate crisis, as well as to other environmental and social issues included in the United Nations' Sustainable Development Goals.

A year after its launch, already 23 labels have been granted allowing banks and independent portfolio managers to offer discretionary portfolio advices to their clients in accordance to their ESG preferences.

Responding to transversal challenges

03

An increasing number of topics relevant to the banking sector are interdisciplinary.

Over the course of the year, ABBL experts collaborated with our members and external stakeholders to address the challenges presented.

Elections proposals

General elections were held in Luxembourg in October 2023.

With regard to the importance of this rendez-vous for the Luxembourg economy and the country as whole, the ABBL has played an active role, as early as Summer 2022, in drawing up a catalogue of proposals for joint action by all the organisations representing the financial industry. These recommendations aimed at strategically position the financial centre as a vital long-term player in Luxembourg and internationally.

They were structured around eight themes:

Housing:

- Setting up a public-private partnership to create affordable housing.
- Temporary tax breaks or interest subsidies to contain the rise in the cost of mortgages.

Competitiveness:

- Bringing the overall tax rate for local companies into line with the European average.
- Reform of the automatic wage indexation system: the indexation rate should be linked to salary level and the mechanism should be limited to one index bracket per year.

Talent and skills:

- Creation in Luxembourg of a European-level centre of academic excellence dedicated to the finance professions.
- Targeted tax measures to attract foreign talent.

Energy transition:

- Creation of a national register of companies' non-financial data and a digital register of the energy performance of buildings.

Administrative simplification:

- Accelerating digitisation of interactions between financial institutions and the public sector by giving access via application programming interfaces (APIs) to certain public data.

Innovation:

- Making full use of the leverage of the Haut Comité de la Place Financière (HCPF).
- Developing a real strategy for digital transformation.

International influence:

- Implementation of a strategy to strengthen our country's representation on key bodies in the European institutions.

Financial education:

- Rapid implementation of a national strategy for financial education needs in particular by introducing financial education into school curricula.

Early 2023, these proposals were presented to the main political parties during one-to-one meetings and have been set out in a brochure, on our website and in a number of speaking opportunities (press, conferences, etc.).

The ABBL was finally pleased to see the coalition agreement recognise the centrality of the financial centre to our economy and the Government's desire to strengthen its competitiveness and to see most of our demands included in this text.

We have indicated our willingness to foster close and constructive dialogue with the various members of the government in order to play an active role in the responses to the challenges currently facing our country.

Talent Attraction

One of the major challenges for the Luxembourg banking sector, as for the private sector as a whole, is attracting, retaining and continually training the talent needed for its sustainable development.

This is a key factor if we are to continue to grow, to exploit the opportunities of the digital and sustainable transition, to manage risks globally, to meet compliance requirements, to satisfy the aspirations of our employees and, finally, to continue to provide the quality of service that our customers have a right to expect.

We have made this a central part of our proposals to the political parties in the run-up to the general election in October 2023.

Our team members have also been active promoting career opportunities in Luxembourg on local and foreign campuses, including the Institut d'Etudes Politiques de Paris, the Université de Bourgogne, L22 Business School or the Luxembourg School of Business.

More generally, highlighting the value of banks to our society, as well as the appeal of the banking profession and the diversity of career opportunities in this sector, is a central element of our communication.

Promoting the Luxembourg financial center at Science Po Paris.

Mutualisation think tank

Mutualized utilities offer a great opportunity for sharing resources and solutions leading towards greater efficiency and collaboration within the financial sector.

ABBL has thus initiated a think tank on mutualisation projects. One of its first initiative was **the extension of the services of a fraud hotline**, a project on which several ABBL members have cooperated wiht LuxTrust and Worldline. Customers of participating banks will now be able to call the hotline in the event of fraud outside business hours.

The ABBL also holds the Vice-Chair of **LHoFT's Catapult Future Foundation programme**. This initiative aims to accelerate the development and deployment of mutualised technology platforms for the Luxembourg Financial Services sector by establishing shared utilities that yield collective benefits.

Other mutualisation initiatives are currently being analysed: joint audit of Information and Communication Technologies (ICT) service providers, ESG data hub and a Luxembourg mutualisation framework.

Signature of Women in Finance Charter

The ABBL coordinated the launch of the Women in Finance Charter.

This initiative aims towards a more balanced gender representation and the promotion of inclusion in the financial sector in Luxembourg.

Through the Charter, the signatories commit to

- Promote women's access to all levels of the company, including management and board levels;
- Designate a Chief Diversity and Inclusion Officer (CDO);
- Set internal targets and action plans that will be integrated with the company's ambitions;
- Promote transparency by publishing an annual report on progress against targets on their website.

Officially launched on 8 March 2023, International Women's Rights Day, during a ceremony at the Luxembourg Stock Exchange and in the presence of the Minister of Finance, Ms. Yuriko Backes, **the charter has already garnered 61 signatures. Among them, 32 are ABBL members, representing 70% of the banking sector's workforce.**

Account opening

The ABBL considers the challenges encountered by certain companies (SMEs, start-ups, fintechs, alternative investment funds) in opening professional accounts as this is a key step in setting up a new business.

To ease this step we have set up an action plan based on four pillars:

- **Pursue our educational efforts towards entrepreneurs,** for instance via the publication of a brochure jointly elaborated by the ABBL Foundation for Financial Education, the Luxembourg Chamber of Commerce and the House of Entrepreneurship helping entrepreneurs to improve their relationship with their banker when they open an account and throughout the life of the account. This brochure is available in French, German and English.
- **Address the lack of KYC compliance officers** specialized in the onboarding of complex fund structures, especially in the real estate and private equity sectors. The ABBL has teamed up with the House of Training to establish a dedicated training for compliance officers. The ABBL has also worked with the Association of Luxembourg Compliance Officers (ALCO) and Association Luxembourgeoise des Fonds d'Investissement (ALFI) to launch in June 2023 a new certification for compliance officers for the banking and funds sectors.
- Map the services offered by our members and act as a facilitator between SMEs, FinTechs and alternative investment structures looking for a banking partner. This led to the **publication of a list of dedicated contact persons** within banks and other providers of banking services in Luxembourg potentially interested in onboarding particular segments of corporate clients.
- Intensify our **discussions with the CSSF** to address potentially regulatory hurdles to the acceptance of new clients. Our aim is to foster a more proportionate supervisory approach regarding KYC and AML due diligence, within the bounds of relevant legal and regulatory frameworks, while effectively addressing money laundering and terrorist financing risks.

CEOs meet fintechs

The world of fintechs and that of banks are often looking daggers at each other. However, at ABBL level we are convinced that both worlds are not in competition, but rather that they can greatly benefit from one other. This led to the creation of our FinTech Circle, which brings together representatives from 28 entities.

Furthermore, we are convinced that if our member banks are to accelerate their digital transformation, the appetite and knowledge for new technologies and solutions must be further fostered at management committee level. Hence the idea of launching **a speed meeting event between CEOs and representatives of fintechs to encourage better mutual understanding and facilitate cooperation.**

Such an event was organized for the first time early 2023 followed by a series of ABBL FinTech and Innovation Forum workshops and meetings throughout the year at various banks' premises.


15


10

Real estate financing

The ABBL and its members are fully aware of the disarray into which some households have been plunged by the rapid and sharp rise in interest rates decided by the European Central Bank in order to counter inflation.
In this context, we must also remain vigilant to the potential impact of these developments in terms of credit risks, but also to the impact on the Luxembourg economy as a whole and to the question of our country's ability to attract new talent, which depends heavily on our ability to offer them affordable housing.

The ABBL began discussions with the CSSF as early as 2020 to ensure that the **regulations governing bridging loans** were better adapted to the reality on the ground. More flexibility and greater legal certainty have been obtained during Summer 2023.

Moreover, we had made **a number of recommendations prior to the general elections, which were taken up in the coalition agreement**, such as:

- An increase of the tax credit on the registration and transcription fees (Bëllegen Akt), along with the introduction of this tax credit for investment purposes.
- A rise in the rate of depreciation and extension of the accelerated depreciation period for investments in rental housing.
- Enhanced tax deductibility of interest on loans related to owner-occupied or owner-intended residential property.
- Reduction of the tax rate on capital gains from property sales.

Additionally, in collaboration with our members, we have proposed exploring other avenues to facilitate access to homeownership for first-time buyers and to encourage rental investment ("buy to let"). We are also committed to contributing to a more favorable framework for energy renovation projects.

In early 2024, the ABBL initiated discussions with the Ministry of Finance and the CSSF to explore potential prudential adjustments. Furthermore, we participated at the national housing meeting organized by the government.

Digital in Finance

Since 2016, ABBL cooperates with the Luxembourg House of Training for the development and provision of short-term vocational training courses. These Digital in Finance Training Courses allow managers and employees of the financial services sector to gain knowledge or enhance their expertise in eminently important subjects to facilitate digital transformation: Distributed Ledger Technology (DLT) and blockchain, data analytics & Artificial Intelligence, outsourcing, cybersecurity, cloud, information systems management, data protection, digital payments, project management. **A total of 40 training modules are available**, with some courses requiring a mandatory exam followed by the issuance of a certificate by the House of Training

Research on instant AML based on AI federated model

The ABBL, its Foundation and the Interdisciplinary Centre for Security, Reliability and Trust (SnT) jointly initiated a research programme, “Trustworthy AI for instant AML Due Diligence”, in order to develop tech solutions for the mutual benefit of the ABBL, its members and the SnT. **The goal of this initiative is to develop a tool to resolve possible flaws in the reliability of AI in the banking sector and to provide solutions to instant monitoring of payments**.

AI systems are used to learn data models which are then used to make decisions. However, AI tools can acquire biases that can skew their results. In many companies, there is no tracking of how AI systems are operated and simple questions like ‘who, how, and when’ regarding a training model are not answered. These questions become fundamental for financial institutions when related to AML checks. These vital administrative procedures add complexity and costs. In addition, the deployment of instant payment is raising the interest of financial institutions to explore trustworthy AI tools suitable for instant AML due diligence.

The Luxembourg financial services sector and the ABBL are embracing new technologies such as AI to ensure Luxembourg remains an important global hub for financial services. ABBL three-year collaboration with SnT is central to these efforts as it connects the banking community to high quality researchers working at the cutting edge of technologies. We strive to support the development of high quality, low cost, inclusive banking services, which is why initiatives like this are so important for its members to keep an innovative edge.

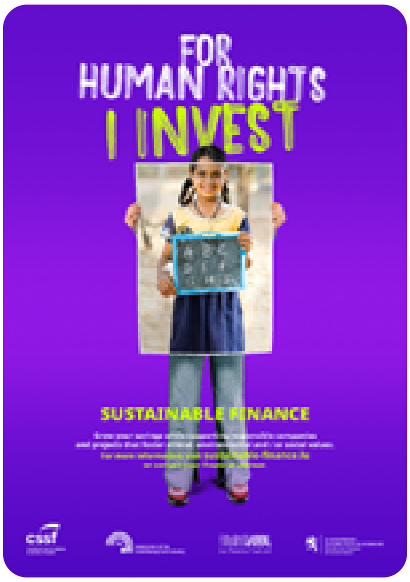
In 2023, the research team delivered a Proof of Concept (POC) to conclude this three-year project and produced educational material through the periodic meetings with relevant groups.

Sustainable Finance Campaign

In response to the need to raise public awareness of sustainable finance, the ABBL Foundation for Financial Education, the CSSF, the Association Luxembourgeoise des Fonds d'Investissement (ALFI) and the Ministry of Consumer Protection launched a national information campaign in early March 2023. **The campaign has significantly increased public interest in the subject, as evidenced by a fourfold increase in Google searches related to sustainable finance during the campaign period.**

A joint study conducted in Spring 2022 by the ABBL Foundation, the CSSF and the Luxembourg Sustainable Finance Initiative (LSFI) highlighted the need for additional educational efforts to empower the general public to better understand sustainable finance.

The common desire of the campaign's initiators to contribute to a better understanding of sustainable finance served as the catalyst for its inception.



Advocating members' interests

04

The ABBL's main mission is to put forward the interests of its members on national, European and international level. Thereby we contribute to defining a regulatory framework that offers **a healthy balance between investor and consumer protection, financial stability, and the fight against financial crime, but also provides the necessary space for banks and other financial institutions to innovate and develop successfully and sustainably**. In this context, we are also committed to foster a level playing field between traditional players and new entrants, as well as between financial centres within and outside the EU.

Dedicated subject-matter experts within our regulatory affairs, digital and innovation, and sustainability and conduct units in Luxembourg as well as our team in Brussels are undertaking related advocacy work.

Advocacy at European level

The European Affairs team, based in Brussels, represents the interests of the ABBL towards the EU institutions and monitors developments at EU level of importance to ABBL members. The representation was set up in 2006 as a shared office with ALFI. Since 2022, the office also represents the interests of the Luxembourg Insurance and Reinsurance Association (ACA). The extended scope of action triggered the recruitment of a third public affairs adviser. Since the establishment of the representation office in 2008, all three associations have been registered with the Transparency Register.

Our Brussel colleagues held several senior level meetings with representatives of the European Commission, Ministries of Finance of various EU Member States, key Members of European Parliament as well as with the Luxembourg Ambassador Permanent Representative to the EU in order to have a broader exchange about challenges for the Luxembourg financial centre.

Moreover, many ad hoc meetings have been held with various EU decision makers and stakeholders on topics such as the latest EU Banking Package, AIFMD (depositary issues), the AML Package, the Directive on Corporate Sustainability Due Diligence (CSDDD), the Retail Investment Strategy, Crisis Management and Deposit Insurance issues, the Instant Payments regulation as well as the June 2023 digital and payments package proposals.

Our advocacy activities contribute to informed decision-making by elected and appointed public officials. In fulfilling this role of our association, we recognise our responsibility to carry out our lobbying missions in an ethical and transparent manner. Learn more about our advocacy principles on our website.

European Affairs team (from l. to r.) Antoine Kremer, Leonardo Nello Rivella.
Missing on the picture: Xavier Bové and Paolo Barone.

Legal, Regulatory & Tax Topics

Banking regulation

EU Banking Package

The European Commission's banking package is meant to transpose the latest Basel agreements into EU law as well as providing **new rules on third country branches**.

From a Luxembourg perspective the provision of financial services from outside of the EU as well as the treatment and supervision of third country branches are of particular interest. In this context, ABBL has developed a fully-fledged advocacy campaign at international level to avoid excessive restrictions to the flow of financial services between the EU and third countries and disruptive effects on third-country branches.

An agreement was reached by EU lawmakers on the new rules for Third Country Branches in December 2023. Sensible alleviations to the limitations initially contemplated have been secured. Overall, the agreement provides fair conditions of access to the European market while preserving the competitive position of European banks.

Legal advisors team (from l. to r.) Elisabeth Franssen, Laetitia Carroz, Julen Leroy, Jonathan Hug, Marilyn Rinck, Gilles Pierre.

Depositary Banking

Luxembourg being a depositary banking center, any changes in relevant legislation is of interest to ABBL members and are closely monitored.

In the context of the **review of the AIFM directive**, we have sponsored legislative amendments with the European Parliament to prevent the introduction of a full passport for depositary activities in relation to AIFs at European level. Indeed, we believe that the requirement for the depositary to share the same domicile as the fund is an essential safeguard for investor protection. A change of approach would also undermine efficient supervision.

Our position is fully reflected in the final agreement on AIFMD, which sets out that only EU countries with a national AIFs market size of less than EUR 50 billion will be allowed, under certain qualitative conditions, to appoint a foreign depositary.

Overall, the agreement provides a pragmatic solution to the issue faced by EU smaller markets for domiciled AIFs, while preserving the integrity of AIFs supervision and investor protection. In this respect, the agreement will be beneficial for the Luxembourg depositary banking activity, which is key in the value chain of asset servicing.

Bank Crisis Management and Deposit Insurance (CMDI) / Banking Union

To go a step further in the completion of the Banking Union, the European Commission adopted, on 18 April 2023, its proposal to strengthen the EU's existing bank Crisis Management and Deposit Insurance (CMDI) framework.

The proposal aims specifically at:

- Broadening the application of resolution tools in crisis management at European and national level including for smaller and medium-sized banks;
- Extending the use of privately funded deposit guarantee schemes and resolutions funds to reinforce the crisis management toolbox, as a complement to banks' internal loss absorption capacity.

The CMDI proposal marks a paradigm shift compared to the existing framework as extending the use of resolution to a broader population of banks will put pressure on national Deposit Guarantee Funds and on the European Single Resolution Fund. Consequently, there is a real risk that banks' financial contributions will significantly increase over time as these Funds will be depleted, putting at risk the competitive position of the banking sector and financial stability, as well as and diverting national guarantee funds from their original purpose of protecting and reimbursing local depositors.

The proposal contains other highly controversial measures, e.g. weakening the ranking of Deposit Guarantee Funds in insolvency.

Against this background, the ABBL put forward several adjustments compatible with the Commission's objectives, along the following priorities:

- Adding safeguards for the use of Deposit Guarantee Schemes' (DGSs) funds in resolution;
- Ensuring a level playing field among banks by requiring a minimum level of minimum requirement for own funds and eligible liabilities (MREL) for banks subject to transfer strategies;
- Specifying early intervention rights and triggers by the authorities to prevent late intervention and excessive use of DGSs' resources;
- Framing the use of preventive measures financed by DGSs;
- Clarifying the definition of public authorities for the purpose of deposit insurance.

We have submitted our position to the European Commission in the context of the Have Your Say procedure, which aims to collect stakeholders' feedback on the CMDI proposal.

Financial markets

EU Retail Investment Package

The ABBL believes that the existing EU retail investor protection framework provides a solid basis to protect retail investors when investing in capital markets. However, the fragmentation and the complexity of the investor protection rules across a multitude of legal texts as well as the lack of alignment of the rules entails that **some of the rules are difficult, if not impossible, to be applied by professionals and understood by consumers**. Furthermore, public authorities need to increasingly focus on the improvement of retail investor financial literacy, namely through the promotion of financial education accessible to the general population.

The adoption of the Retail Investment Package by the European Commission has sparked concerns among industry experts. Whilst the package aims to prioritise consumer interests and strengthen investor protection, critics argue that the proposal to introduce a ban on inducements, first for “execution-only” products and products distributed without advice and possibly for all products in a future review could hinder market efficiency and limit access to investment opportunities for retail investors.

The ABBL is also advocating for more pragmatic criteria to make retail clients eligible to the”professional investor” category.

As the negotiations on the Retail Investment Package progress in the EU, the ABBL actively engages in the ongoing dialogue between industry stakeholders and regulators to ensure that the interests of both consumers and investors are adequately considered.

EMIR review

The EU Regulation on Over the Counter (OTC) Derivatives, Central Counterparties and Trade Repositories Regultation (EMIR) was adopted in 2012 as an implementation of the G20 commitment to reduce systemic, operational and counterparty risk and increase transparency in OTC derivatives markets.

Over the last years, the EMIR regulatory requirements have kept on evolving with the ending of the Uncleared Margin Rules (UMR) phased-in approach and the ReFIT publication including the new reporting technical standards. **For banks, the impacts of such an evolution are significant and require constant process and system changes as well as enhanced data sets**.

Most banks are in the implementation phase of the new EMIR reporting technical standards due 29 April 2024 and amongst other face the challenge of a substantial increase of reporting fields. Furthermore, we note that a significant number of clients are unaware of the existence of EMIR and the related obligations not limited to reporting, despite the publications of the CSSF and the European Securities and Markets Authority (ESMA). In these cases, banks take an educational role with commercial teams having to explain the regulation as part of the derivatives execution offering. In view of this background, the ABBL has stepped up its efforts to raise awareness and provide support to enable the market to meet its deadlines.

Other changes are underway for EU market participants subject to the clearing obligation. **The European Commission's EMIR 3.0 legislative proposal of December 2022 foresees the obligation to maintain an active account with an EU central counterparty clearing house (CCP) for systemically important products for a proportion (to be defined) of their business**.

The Council and the European Parliament recently presented their respective positions on the Commission's proposal. The final details and timetable for the implementation of the active account requirement have yet to be decided by final agreement.

The ABBL is particularly concerned about the calibration of the activity and the precise definition of the proportion of derivatives contracts to be cleared and held through active accounts. These factors are crucial in assessing the potential transfer of activity to an EU CCP in terms of economic feasibility and benefits to counterparties. Also, EU firms may face a competitive disadvantage relative to third-country firms, as they would be required to maintain active accounts in EU CCPs, potentially affecting their competitiveness and pricing.

T +1 settlement

ESMA has launched a consultation on reducing the securities' settlement cycle in European markets, seeking feedback on the expected costs and benefits of a shorter settlement period, and aiming to assess whether any regulatory action is needed ahead of the North American markets' planned shift to T+1 settlement in May 2024.

ESMA is considering all possibilities for a shortened settlement cycle, including both T+1 and T+0, and is seeking input from various market participants, including market infrastructure firms, investment firms, fund managers, issuers, and retail and institutional investors.

The ABBL together with its members has responded to the call for evidence and highlighted that European capital markets are facing increasing pressure to transition to a T+1 settlement cycle, in line with other mature capital markets. This transition is seen as essential for Europe to maintain its competitive edge and attractiveness, a switch to T+1 settlement need to be orchestrated at European level and applicated in the same manner by all European market participants with the help of regulators and industry participants. The biggest hurdle being not the settlement itself, but rather the need to streamline and automate upstream procedures.

Testimony Alexandra Merlino

"Bringing the pieces together to contribute to the Capital Markets Union."

Alexandra Merlino

Chair of ABBL's Financial Markets and Intermediation Committee and EU Regulatory Affairs Lead at Bank Pictet & Cie (Europe) AG , succursale de Luxembourg.

Over 2023 Luxembourg has further strengthened its contribution to European financial markets through several product-based initiatives, for example discretionary portfolio mandates in the transition finance space and fixed income listing funding EU Commission recovery initiatives. Breadth and diversity of offering truly illustrate the potential of the Grand-ducal marketplace.

Through its four specialised working groups (Trading, Advisory & Investment Services, Capital Markets Funding and Market Infrastructures) the ABBL's Financial Market & Intermediation Committee (FMIC) has been tackling a broad range of diverse topics, including but not limited to the Retail Investor Strategy, EMIR Refit, ESG Taxonomy. The FMIC has also consolidated in 2023 its cooperation with the Luxembourg Capital Markets Association (LuxCMA) on market infrastructure matters.

These different pieces come together and contribute to the development of the Capital Markets Union (CMU), a multidimensional and multijurisdictional adventure. Whether from the securitisation, client categorisation, market access or sustainable finance angles, the ABBL continues to make significant contributions in this field.

Going forward, the FMIC aims at furthering the ABBL's impact and visibility at European level, strengthening its collaboration with like-minded associations and deepening its ties to institutional stakeholders.

Taxation

New corporate tax credits

Banks and other businesses are massively investing in their digital transformation while significant investments are required to meet climate targets. In the meantime, Luxembourg corporate investment tax credits remained essentially defined on the basis of economic patterns of the twentieth century.

Taking into account the scale of the financial resources to be mobilised, but also this issue's importance, **the ABBL, together with the Union des Entreprises Luxembourgeoises (UEL) and the Chamber of Commerce, has proposed a comprehensive set of new tax credits to support digital transformation projects and green investments.**

Our appeal has been heard by the Bettel II government. The investment tax credit regime has been modernised by the law of 22 December 2023 as part of the tripartite agreement ("Solidaritéitspak 2.0").

New rules apply as from fiscal year 2024 and benefits are extended to investments and expenses incurred in the context of digital transformation as well as energy and ecological transition, subject to the completion of a specific process.

Current advocacy efforts aim at ensuring that the procedure for obtaining the tax credit (eligibility application and certificate) is implemented simply and quickly and at clarifying the different definitions and objectives framing the concepts of digital transformation and ecological and energy transition.

Withholding tax procedures

The European Commission has released on 19 June 2023 a Proposal for a Council Directive on Faster and Safer Relief of Excess Withholding Taxes (FASTER).

The introduction of more efficient withholding tax procedures on cross-border securities income yielding genuine simplifications both for investors and paying agents is a long- standing priority of the ABBL.

Current complexities in withholding tax relief and refund procedures with respect to cross-border investment income is a point of attention in this matter. These are a **major obstacle to cross-border investment and the completion of the CMU**. A harmonized framework yielding genuine simplifications is long overdue and should leverage on Organisation for Economic Co-operation and Development (OECD) work on Treaty Relief and Compliance Enhancements (TRACE) with administrative simplification and market efficiency in mind.

In this context, the ABBL calls for more proportionality and simplification as regards the obligations contemplated for financial intermediaries, a non-mandatory procedure and greater harmonization of underlying processes.

The draft Directive was published on 19 June 2023. The ABBL responded to the related public consultation on this text and is actively contributing to pan-European advocacy initiatives with respect to the same. The current ambition is to have the FASTER Directive ready for political agreement by June 2024.

Tax transparency

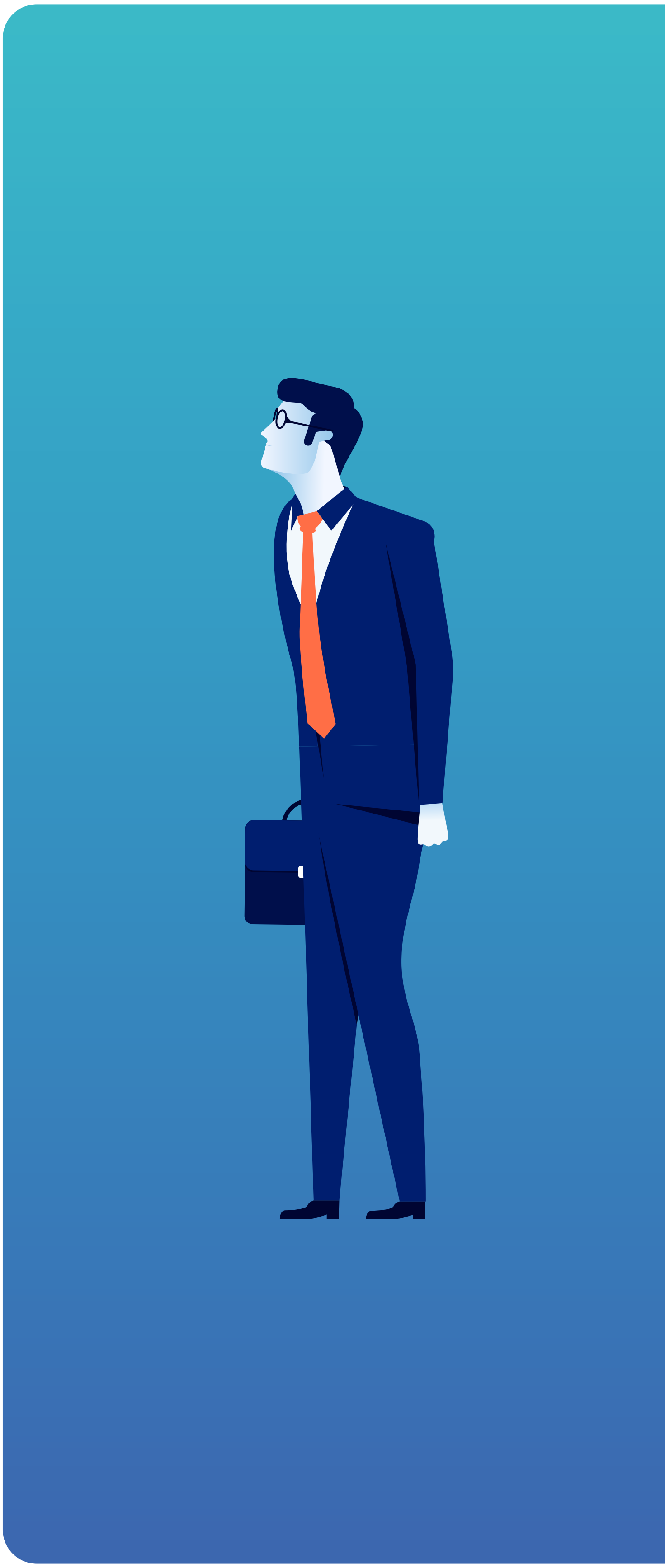
The ABBL is fully committed to tax transparency and is providing its members assistance in the implementation of underlying exchange of information standards.

The ABBL met on 23 November 2023 the assessment team of the Global Forum on Transparency and Exchange of Information for Tax Purposes to discuss the implementation in Luxembourg of the Automatic Exchange of Information Standard. The meeting was part of an assessment by the Global Forum of Luxembourg's implementation of the OECD Common Reporting Standard (CRS). The meeting was an opportunity to emphasize the qualitative exchanges with the Luxembourg tax authorities in the implementation of the standard as well as the significant resources invested by our sector for its implementation since 2015.

The ABBL provided to the Global Forum a copy of its CRS-related FAQs, which includes 64 questions and answers on specific points of attention identified in relation to the implementation of the CRS in Luxembourg. This technical guidance complements the guidance issued by the OECD and local tax authorities and is widely recognized as a leading source on the market.

Our assessment is that this exchange has been positively received by the Global Forum and demonstrated the high-level of compliance and commitment of the banking sector in Luxembourg towards the effective implementation of the automatic exchange of financial account information.

The ABBL shall continue to monitor closely further developments related to the automatic exchange of information for tax purposes and assist members in the implementation of underlying standards. Forthcoming engagement will relate to the reporting of crypto-asset transactions, e-money products and Central Bank Digital Currencies under DAC 8.



Testimony Catherine Poças

The last decade has unfolded as a captivating chapter for those interested in tax policy. Unprecedented shifts in the global tax framework have materialised, characterized by once-in-a-generation reforms. These changes share a common objective: reinstating taxation in scenarios where income would have otherwise escaped taxation. The OECD Action Plan on Base Erosion and Profit Shifting has meticulously devised comprehensive standards, ensuring the effective taxation of corporate profits. Simultaneously, there has been a widespread grant of access to bank information for tax purposes globally, dealing a decisive blow to cross-border tax evasion. **Banks, pivotal in implementing this, have essentially become auxiliaries to tax authorities, executing thorough due diligence and reporting on clients and counterparties.**

Given this backdrop, and while banking institutions are still in the midst of implementation of significant new tax regulation, let's turn our gaze towards the future. With robust safeguards in place to secure tax revenues and ensure effective tax collection, should we not pivot our approach? **Perhaps, it is now time to view taxation as a lever for competitiveness and qualitative growth.**

Taxation, as a policy instrument, has the power to influence business and individual decisions, channel investments, and shape human flows. Competitive tax policies can allure foreign direct investment. Incentives like tax credits for research and development (R&D) can fuel innovation. Tailoring tax policies to support strategically important industries or sectors can elevate their competitiveness.

In this landscape, the role of banks should not be overlooked. **A strong Europe necessitates a strong banking sector. A tax framework enabling banks to fulfill their role in financing the European economy is an integral part of this equation**. Imposing specific levies on the banking sector should be avoided, as they can adversely affect profitability, resilience, and the ability to provide credit during challenging times. Addressing current tax impediments to realizing a single market for capital should be a priority for the next EU legislature, whilst preventing additional constraints which would not meet the goals of efficiency and simplification. Additionally, the outdated VAT treatment of financial services, dating back to the late 1970s, requires a comprehensive review to enhance neutrality and eliminate barriers to economic efficiency.

Subject to increasing automatic information exchange obligations, European banks are actively contributing to the fight against fraud and tax evasion. A decade after the first directive in this matter, it is perhaps time to evaluate the current framework, ensuring that obligations are calibrated, clearly framed, and coordinated.

Similarly, EU initiatives in the field of corporate taxation should remain consistent with OECD standards while taking into account specific features of the banking model and should remain proportionate by avoiding distortive outcomes.

In conclusion, future EU tax initiatives should prioritize administrative simplification over the introduction of new layers of complexity, fostering a streamlined and efficient taxation landscape. And taxation should be a lever of competitiveness and qualitative growth to incentivize the massive investments needed to achieve the digital and green transitions, which are very much at the heart of our reflection and action.

“Taxation a lever of competitiveness.”

Catherine Poças

Chair of ABBL’s Fiscal Committee and Head of Tax at Banque Internationale à Luxembourg SA

Anti-Money Laundering / Countering the Financing of Terrorism

FATF on-site visit

From 2 to 18 November 2022, the FATF undertook an on-site visit as part of a mutual evaluation exercise on AML/CFT measures in place in Luxembourg.

ABBL was one of the organizations interviewed as part of this visit, which expressly emphasised its role in countering financial crime and how it efficiently achieved this purpose with all its members over the past years.

In its 27 September 2023 press release, the FATF points out that “the Grand Duchy of Luxembourg has a sound framework for combating money laundering and terrorist financing and a good understanding of its money laundering and terrorist financing risks”.

This confirms the seriousness and robustness of the AML/CFT procedures applied regularly by the compliance community over the years. This positive assessment also testifies to the grass-roots work carried out by the ABBL among its members and their commitment to combating the scourge of money laundering.

However, the FATF stresses that “Luxembourg needs to focus more on money laundering investigations and prosecutions, asset recovery and the monitoring of non-profit organisations and certain non-financial sectors”, adding that “the banking, investment, trust and business services sectors are among the most vulnerable to money laundering and terrorist financing”.

This cautionary note encourages the ABBL to pursue its AML/CFT prevention work with its members as well as its various public partners.

EU AML /CFT Package

The long awaited AML/CFT package of the European Commission was released on 20 July 2021. The EU’s aim was to harmonise certain fundamental principles of the current framework, and to address the shortcomings identified in recent years, notably by strengthening communication and coordination between the private sector and the public authorities.

For the ABBL it is of utmost importance that this new package, especially the draft (EU) AML Regulation, should preserve a level playing field between all financial actors in the EU in the application of their AML/CFT obligations. As such, national legislators should not aim to go beyond the future harmonized EU rules by adopting additional specific rules on top of those provided for in the AML Regulation. This would indeed further confuse future EU standards and lead to potential divergences in AML/CFT professional obligations between Member States, as well as undermine the global level playing field and thus put European companies at a disadvantage compared to the rest of the world.

To preserve this level playing field, we have sponsored legislative amendments with the European Parliament and continuously liaised with representatives of the Ministry of Finance as well as the European Banking Federation to avoid increased requirements at national level and ensure full alignment with the global standards.

A political agreement was reached on the AML Regulation text in January 2024.

Banking and Financial Law

Consumer Credit Directive and Mortgage Credit Directive reviews

The adoption of the EU Consumer Credit Directive 2023/2225 on 18 October 2023 lays the foundations for a safer and more transparent consumer credit environment.

The revised Consumer Credit Directive aims to enhance consumer protection and introduces some changes in the current applicable legal framework such as:

- An extension of its scope of application, which is now covering credit agreements up to 100,000€;
- The rules on advertising are stricter as lenders must now include a clear and prominent warning to make consumers aware that borrowing costs money;
- The introduction of measures to ensure that consumers cannot be charged with excessively high borrowing rates, annual percentage rates of charge or total costs of credit to the consumer, such as caps on interest rates;
- Crowdfunding credit services directly providing credit to consumers or facilitating the granting of credit to consumers are subject to the revised Consumer Credit Directive either as creditors or credit intermediaries.

The ABBL was actively engaged in the review of this Directive and various submissions were made throughout the European legislative process.

We stressed that all new requirements should be based on the principle of proportionality, effectiveness to improve consumer protection, and ensure a well functioning and competitive market. Our efforts to ensure that new information disclosure requirements strike the right balance between appropriate information and information overload were fruitful to some extent. We also encouraged the Commission to enlarge the scope of the directive to include new players and products in order to ensure a level playing field throughout the industry.

As the revised Consumer Credit Directive is now expected to be transposed into Luxembourg law by 20 November 2025, we will actively engage with the Government to ensure that such transposition is made in due time and addresses the points of attention raised by our members.

The ABBL has also responded to consultations on the Mortgage Credit Directive, a dossier currently on stand-by, but whose developments we will continue to monitor.

Merger control

The ABBL was involved in the preliminary review of the draft law on merger control prepared by the Ministry of Economy.

The text's aim is to create a merger control regime into Luxembourg law whereby any merger between companies exceeding a certain amount of annual turnover would need to be notified the Competition Authority and the Competition Authority would then need to authorize that merger to become effective.

The general assessment of the Draft Law on Merger Control was that additional consideration should be given to the peculiarities of the banking sector. In particular, specific and, where applicable, overriding, competencies should be conferred upon to the CSSF in relevant proceedings to **ensure swift authorization in case of critical emergency where financial stability is at stake**. Also, a phasing-in period regarding the implementation of the Draft Law on Merger Control should be contemplated to **avoid undue disruptions of the market.**

Those comments, supported by the Ministry of Finance, were finally incorporated in the final version of the Draft Law on Merger Control, which is currently following the legislative process and is expected to be adopted in 2024.

Modernisation of the Civil Code

The Ministry of Justice, with the support of the University of Luxembourg, has initiated the process of the modernization the Civil Code. For that purpose, different workstreams and workings groups have been constituted to study the various possible modernizing measures of the Civil Code and to prepare draft texts for legislative reforms, accompanied by explanatory statements and commentaries on the proposed changes.

The ABBL is currently contributing to two working groups:

- The one dealing with prescription that has already finished its initial works and has issued a draft proposal to the Ministry of Justice;
- The one dealing with the reform of contracts that started to assess the scope of the contemplated reform regarding contracts and whose discussions on the relevant modifications of Civil Code provisions will start in 2024.

The main points raised by the ABBL in these working groups are that **freedom of contracts shall remain a general principle of Civil law and that prescription provisions may remain negotiable to address the parties' specific concerns**.

Homeworking

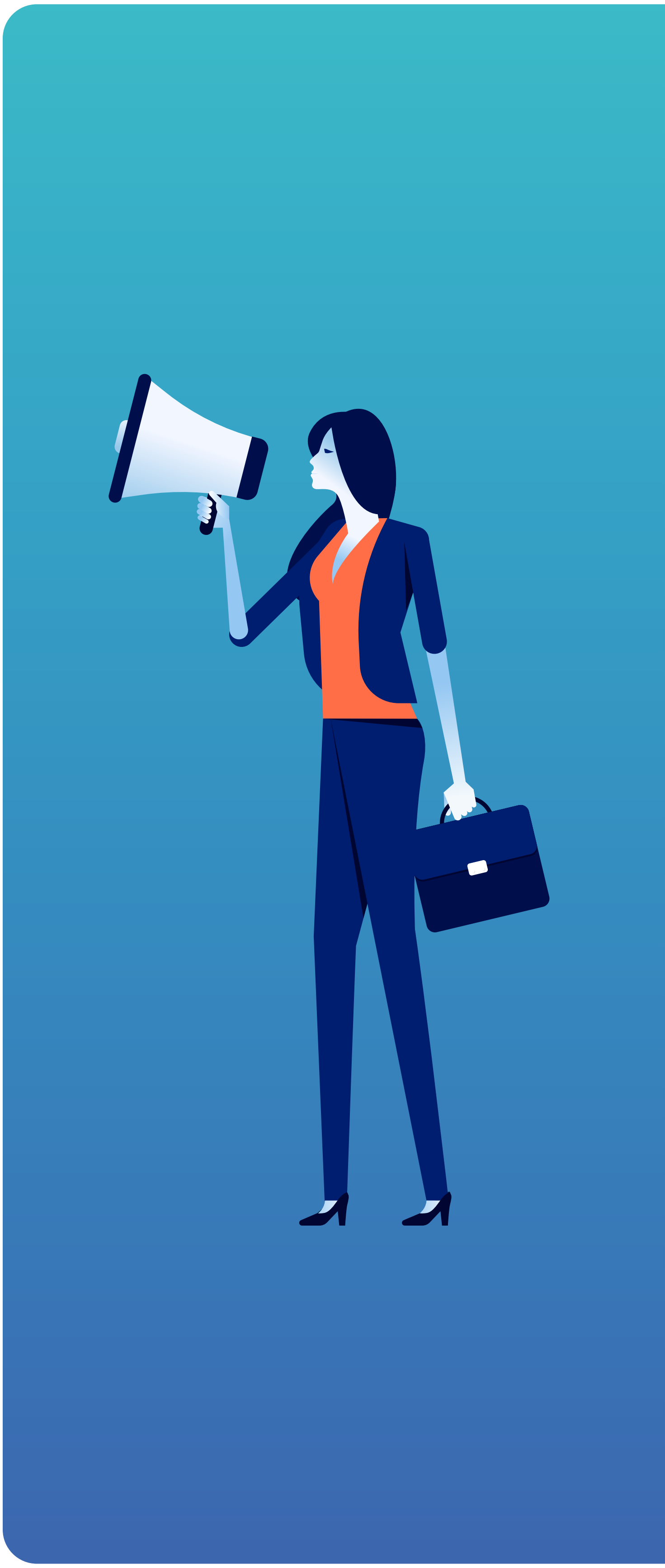
Talent acquisition and retention is a critical factor to maintain the competitiveness of our financial centre.

With nearly 50% of the workforce residing outside the country, banks and other financial institutions in Luxembourg may not be able to respond to the growing appetite for homeworking as a result of tax and social security constraints in a cross-border context. The result is a competitive disadvantage vis-à-vis other financial centers relying primarily on a domestic-resident workforce.

As part of its recommendations to political parties in the wake of the October 2023 general elections, the **ABBL has been advocating for greater tax neutrality to facilitate cross-border homeworking**. Applicable thresholds for the taxation of salaried income under tax treaties concluded with neighboring countries should at least be increased and aligned with the EU social security threshold (25%).

While significant progress has been made in bilateral discussions between the Luxembourg government and its foreign counterparts, a number of sticking points have yet to be resolved.

An extension of the scope of the EU social security framework agreement to allow more flexibility and not be limited exclusively to teleworking in the country of residence should be contemplated. In addition, further harmonization would be required as regards the rules applicable for the computation of tax thresholds across the Greater Region to achieve consistency and a uniform outcome with respect to all cross-border workers irrespective of their place of residence.



Testimony Stéphane Leydet

"Attracting tomorrow's workforce and preparing existing teams for the structural shifts."

Stéphane Leydet

Chair of ABBL's Social Affairs Committee and Head of Administration and Finance HR at Banque Raiffeisen SC

To say that the issue of attracting and retaining talent is of concern to the ABBL's Social Committee is an understatement. It is the main preoccupation of most of our institutions. The pivotal question arises: without the essential skills, how can banks navigate their digital and sustainable transformation, ensuring high-level security, compliance, and continuous innovation for their services? Similarly, without committed and competent employees, can banks effectively safeguard savings, support households and businesses in sustainable and digital transitions.

The challenges are well-identified : difficulties in accessing affordable housing, Luxembourg's less-than-ideal image among young talent, depletion of our natural recruitment pool, inequalities in new working paradigms for residents and non-residents, bureaucratic hurdles for international recruitment, and an unattractive tax framework. Not to mention the flood of regulations.

The ABBL has responded with proposals in recent months, addressing these challenges comprehensively. They range from the expansion of university training in finances, with a growing number of students from the Luxembourg University choosing our country to pursue their careers, to increased subsidies for corporate training, advocacy efforts towards new personal tax incentives, and promotion of greater harmonization of teleworking frameworks across the Greater Region.

Yet, human resources managers in our institutions confront their own set of challenges. Striking a balance between attracting tomorrow's workforce and preparing existing teams for the structural shifts transforming the banking profession is an equation they grapple with. **The banking sector is one of the most exposed to the impact of climate change and the rise of Artificial Intelligence. Transforming what some see as a constraint or even a threat into a collective opportunity will require intense efforts in terms of skilling and upskilling.**

We also know that the expectations of tomorrow's talent are not those of yesterday's talent. If we want to recruit the agents of change that our institutions need, we need to be able to respond to their quest for purpose, review the way we remunerate our employees for their loyalty and contribution to collective success, invest in reshaping managerial cultures to reflect the aspirations of the rising generation, and a reassessment of HR processes for greater flexibility in work organization.

Addressing these challenges involves introspection, reallocating significant financial resources, and inevitably, redefining the pact with our social partners.

Sustainable Finance

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR constitutes, together with the Taxonomy Regulation and Benchmark Regulation, the cornerstone of the 2018 European Commission's Sustainable Finance Action Plan, which includes a strong political ambition to redirect private capital flows towards sustainable economic activities. The SFDR applies for most part since 10 March 2021.

On 14 September 2023, the European Commission launched a targeted consultation and a public consultation on the implementation of the SFDR, with a focus on legal certainty, the usability of the regulation as well as proposals to improve the existing framework.

The ABBL responded to the consultation by emphasising the following key messages:

- The **relevance of the SFDR's broad objective of improving the transparency regarding sustainability** information to the market and enabling investors to make informed decisions.
- The **lack of coherence** of the SFDR with the other pieces of the EU Sustainable Finance framework, especially with MiFID sustainability rules and concepts of clients' sustainability preferences.
- **Building as much as possible on existing SFDR provisions** that have required significant efforts and resources from Financial Market Participants and which have become familiar to the market.
- **Further harmonisation and simplification** of the current disclosure requirements for all SFDR financial products, while addressing the need to quickly close the data gaps that hinder greater capital flow towards sustainable investments.

Corporate Sustainability Due Diligence Directive (CSDDD)

The EU struck a deal on a milestone directive which will require large companies to monitor human rights and environmental standards in their value chains. **Banks and financial institutions ended up partially included in the deal**, sparking controversy. Whether due diligence obligations will apply to financial services will be reviewed later. Until then, banks will have to implement concrete decarbonisation plans and ensure their internal operations comply with social and environmental standards.

As stated in a **joint ABBL/ACA Position on the Corporate Sustainability Due Diligence, we support the ambitious goals of the CSDDD**. We have advocated for a proportionate inclusion of relevant financial activities under a risk-based approach since the beginning of the talks. Requiring due diligence on all conceivable financial services, in our view, is neither practical nor conducive to advancing the directives' objective.

Banks are all but intermediaries. They have the most direct influence over the companies to which they provide loans and credit. This empowers them to demand assurances from their counterparties that they committed to responsible business conduct. Banks may also use their leverage to engage and collaborate with their financed counterparties to incentivise better and more transparent human rights and environmental practices.

We stay committed to promoting responsible business in our sector. That is why our ABBL code of conduct includes a specific commitment for our members to consider environmental and human rights aspects in their business strategy and decisions.

Even though financial services ended up partially out of the scope of the CSDDD, we still encourage our members to commit to enhanced human rights monitoring.

Testimony Alessandra Simonelli

Achieving the UN's climate goals is a challenge due to global economic dependence on fossil fuels, whose transition involves coordination between different nations with divergent priorities and huge financing needs. The answers are complex, and some sectors lack viable transition solutions. All in all, there is a need for far-reaching changes in behavior, which require courageous political decisions. Overcoming these obstacles requires effective communication, political incentives and a shared sense of urgency.

Limited awareness, education and misperception about the financial viability of sustainable investments also play a role. In this context, **ESG data is crucial to ensure that the invested capital has the expected impact. Yet impact assessment remains complex as data is missing or of poor quality.**

But progress is made especially in the European Union, which continues to play a leadership role in making these data more accessible and harmonised in particular through the CSRD, SFDR and other regulatory initiatives.

At the level of the ABBL Sustainability Committee, we are convinced that Luxembourg could play a pioneering role in Europe.

In the run-up to the general elections in October 2023, **the ABBL has therefore made a number of proposals to the political parties concerning the centralisation and availability of non-financial data** encouraging them to:

- Support the efforts of the financial centre to collect and centralise and give access to ESG data from companies in Luxembourg to reduce individual efforts and costs associated;
- Create national registers or databases of corporate or assets related ESG data (carbon footprint, water consumption, energy performance, working conditions, etc.);
- Pursue collaborative efforts with the financial centre's banks so that they have all the data they need to finance the energy transition of Luxembourg's building stock;
- Create a digital register of the energy efficiency of all buildings (available to banks, notaries, etc.).

All of this data will be useful in a number of ways: calculating the 'green' share of banks' investments/financing, identifying and assessing climate transition risks, increasing banks' transparency in terms of sustainability, and further integrate ESG factors into credit-granting process.

Concrete initiatives could thus be fostered such as green mobility, the energy transition of the building stock or sustainable energy supplies.

Even though, these proposals have not been taken over per se in the coalition agreement, we will continue to press forward these measures as discussions on the Luxembourg national transition plan go on.

“The crucial role of ESG data.”

Alessandra Simonelli

Chair of ABBL’s Sustainable Committee and Group Head of Sustainability Banque Internationale à Luxembourg SA

Payments

Payments Package (PSD3/PSR)

In 2007 the Payment Services Directive (PSD) saw the initial emergence of the protection of consumers' rights in payments. It also introduced the obligation to disclose all charges on the way from the payer to the beneficiary and the limitation of payment execution times. In 2018-2019, PSD2 paved the legal road for 3rd-party-providers and introduced the implementation of two-factor Strong Customer Authentication (SCA). The EU Commissions new proposals on Payment services and financial data access introduced in June 2023 foresees two distinct legislative acts:

1. A Payment Services Directive (PSD3) containing rules concerning licensing and supervision of payment institutions.
2. An accompanying Payment Services Regulation (PSR) containing rules for payment service providers providing payment and electronic money services.

The new texts pursue six main objectives: combat and mitigate payment fraud, improve customer rights, enhance equality between banks and non-banks, upgrade the functioning of open banking, improve the availability of cash in shops and strengthen the harmonisation within the EU.

The ABBL responded to the European Commission's Have Your Say on the Payments Package proposal. **While supporting the aim of the Payments Package, we nevertheless gave voice to certain concerns** on the applicability of the texts (attention was brought to the implementation period of at least 24 months), on the issue of banks' liability concerning certain types of fraud (a need for clarity regarding the responsibilities of different entities in the financial ecosystem), uncertainties about demarcation between the Package, evolutions in Open Banking and GDPR. **We also covered the topics of user needs and innovation, market, consumer protection, secure payments and the costs and benefits of PSD3/PSR.**

Instant Payments

On 26 October 2022, the European Commission proposed a new regulation to make instant payments (IPs) available throughout the EU. The proposal requires all payment service providers (PSPs), offering credit transfers, to set up systems that allow their customers to send and receive instant payments, including all payment initiation channels. IPs are defined as credit transfers which are executed immediately, 24 hours a day and on any calendar day. **Although this improves the efficiency of payments, the proposal may place an excessive burden on smaller organizations and create potential risks in managing AML processes.** On this issue, the ABBL established a position paper on IP Regulation proposal, collaborated with the Ministry of Finance, called on decision makers at EU level and contributed to the EBF position paper.

We called for a change in the implementation timetable for setting up the systems to be able to send and receive IPs, and in particular regarding the obligation for all PSPs to perform free-of-charge Verification of Payee service for customers, also known as IBAN/name check. During the debates on a European level, most stakeholders supported this requirement, citing the successful implementation for example in the Netherlands. However, there is no equivalent IBAN database in Luxembourg and sufficient time is needed to develop such a solution. Additionally, all other Member States' PSPs databases or their solution providers should be interoperable as no central tool is foreseen.

Other difficulties in implementation were highlighted by Luxembourg PSPs, such as the application of the regulation requirements to all payment initiation channels and also to bulk payments.

Additionally, the question of possible increase in fraud cases was raised as the execution of payment transactions will be done within 10 seconds.

The final text of the regulation was published in the EU Official Journal on 19 March 2024 and the first obligations will apply as from 9 January 2025. Those relate to the requirement to be able to receive IPs, perform daily screening of one's own clients database against sanctions lists and ensuring that the price of IPs is not higher than the one for standard credit transfers. In the meantime, the ABBL supports its members on the way to implementation.

Digital Euro

Preferences are shifting when we talk about means of payment. The pandemic and, recently, the war on Ukraine, accelerated the digital transition and economic independence in Europe. Since January 2020, the European Central Bank (ECB) has been moving forward in its project to create a Central Bank Digital Currency – the digital euro.

On 28 June 2023, the European Commission issued its package on the digital euro containing two sets of mutually reinforcing measures: a legislative proposal on the legal tender of euro cash, and a legislative proposal establishing the legal framework for a possible digital euro. Their aim is to guarantee citizens two payment options, cash and digital, when they wish to pay with the central bank's currency.

The ABBL responded to the EBF position paper and also analysed the feasibility for the Luxembourg community in terms of technology, costs, liquidity risks and consumer protection. We also had regular exchanges with Ministry of Finance.

ABBL members recognize the value of a digital euro both for individuals and for merchants in specific use cases. It offers an alternative to cash, available at all instances including offline. Innovations, such as the usage of a digital euro for automated payments, machine-to-machine, can be built by private actors using properly regulated digital forms of money.
We more specifically support an intermediated digital euro model, which would reduce disruption to the European financial system. Intermediaries can facilitate the use of a digital euro by integrating digital euro accounts into user interfaces and payment methods, and maintaining access to digital euro balances through applications or sites that consumers already use to manage their finances. Many of these functionalities could be provided by existing private providers with a clear preference being communicated for European providers. In addition, technologies such as NFC and QR codes could enable offline payments in digital euros. Finally, these intermediaries can perform the necessary AML/CFT checks.

While the introduction of a digital euro does not guarantee widespread acceptance, its non-acceptance poses a significant risk to its development within the realm of pan-European payments. If not properly designed and calibrated, a digital euro could negatively impact economic growth, reducing the availability and cost of credit for the economy as a whole, as well as financial stability.

The ECB has, after its initial analysing period, entered in October 2023 into the next phase: the preparation phase. This phase is expected to last approximately two years. The main focus will be the finalisation of the rulebook, selecting providers to develop a platform and infrastructure.

Digital and Innovation

Digital Operational Resilience Act (DORA)

The DORA (Regulation (EU) 2022/2554) aims to enhance the operational resilience of Europe's financial sector and strengthen security requirements to mitigate threats and risks associated with the use of information and communication technology (ICT).

DORA explicitly refers to ICT risk via targeted rules on ICT risk management, ICT-related incident reporting, digital operational resilience testing, ICT third-party risk, information and intelligence sharing arrangements and oversight of critical third-party providers. The regulation also raises awareness of ICT risk and acknowledge that ICT incidents and a lack of operational resilience have the possibility to jeopardise the soundness of financial entities. To maintain full control over ICT risks, financial entities need to have comprehensive capabilities to enable a strong and effective ICT risk management, as well as specific mechanisms and policies for handling and reporting ICT related incidents.

In the rounds of discussions on European level **the ABBL was instrumental regarding the question of proportionality in DORA, achieving that smaller players are not subject to the same burdens and constraints as larger players**. Other focal areas were classification and reporting of incidents, scope of testing, managing third-party risk, and information sharing.

We responded to four European Supervisory Authorities (ESAs) consultations on DORA Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) on ICT risk management, register and policy in relation to contractual arrangement on the use of ICT services, and criteria for the classification of ICT related incidents. The advocacy work on RTS/ITS will continue in 2024.

DORA entered into force on 17 January 2023 and will apply from 17 January 2025. Our "DORA" Task Force, as well as our Cybersecurity & Trust Working Group will pursue its advocacy work on the topic and continue to be active in supporting ABBL members in the practical implementation of these new regulations.

Digital, Innovation and Payments team (from l. to r). Bettina Helling, Mireille Adjaoute, Galina Miroshnichenko, Andrey Martovoy.

EU regulation on the markets in crypto-assets (MiCA)

MiCA, published in June 2023, involves major changes for the financial sector by establishing uniform rules for issuers of crypto-assets that have so far not been regulated by other European Union financial services acts and for providers of services in relation to such crypto-assets.

The ABBL is convinced that MiCA will have a positive impact on the crypto-asset sector in Luxembourg and established financial institutions should seize the opportunities presented by this regulatory framework. MiCA enables innovative ways of issuing and distributing new types of assets, as well as the provision of all related services, within a regulated framework that also takes into account investor protection and sustainability aspects. MiCA introduces a European passport for crypto-asset licences, streamlining operations across the EU without the need for separate registrations in each country. This facilitates banks in offering crypto-asset-related services, fostering transactions with fully regulated counterparts in the crypto-asset domain.

ABBL responded to five consultations by EBA and ESMA on provision of crypto-asset services by certain financial entities, application for authorisation, complaints-handling procedures, conflicts of interest, acquisition of a qualifying holding in a Crypto Asset Service Provider (CASP) and in issuers of asset-referenced tokens, offering pre- and post-trade data to the public, record keeping obligations for CASPs, and continuity and regularity in the performance of crypto services. The advocacy work on MiCA RTS/ITS will continue next year.

The MiCA Regulation will be applicable from 30 December 2024 directly across the EU without the need for national transposition in each member state. We will continue to participate in the dialogue with regulators to find answers to questions that are not detailed in the text.

The ABBL Task Force on “MiCA and DLT Pilot Regime” and the Working Group on “Distributed Ledger Technology and Crypto-Assets” are committed to continuing their advocacy efforts on these topics in 2024 and providing ongoing support to ABBL members in the practical implementation of the new regulation.

Financial Data Access (Open Finance framework)

The EU Commission unveiled the Regulation Proposal for Financial Data Access (FIDA), also known as the Open Finance framework, on 28 June 2023. The proposal aims to facilitate customers’ financial data sharing based on their consent, while maintaining a balance between innovative business models and protecting individual data rights, trade secrets and intellectual property rights. The overarching goal is to create a framework that empowers users on sharing their financial data, promotes inclusivity, and propels innovation in the financial landscape.

The ABBL responded to the European Commission’s “Have Your Say” on the FIDA regulation proposal. We actively engage in exchanges with Ministry of Finance and contribute to the EBF position paper.

We emphasized market concerns, notably the lack of clear definitions on important aspects and distinctions between different data categories, necessary exclusion of certain types of products and services from the scope, along with tight timeliness for implementation.

As to Financial Data Sharing Schemes that have to be established by market players, we stressed the need for a strong foundation for the compensation principle and a clear and fair liability regime with a dispute resolution approach. Another concern relates to the permission dashboards which should need some guidelines indicating necessary features to be included to harmonize better the user experience. Additionally, the Proposal lacks a clear definition of Financial Information Service Providers (FISPs) and strong authorization requirements, in particular for third countries’ FISPs. Lastly, we addressed members concerns on security, fraud, and the interplay with other relevant frameworks, namely the also newly proposed Payment package, GDPR, DORA or Data Act.

The discussions on the proposed regulation are still ongoing at the EU Parliament and Council levels, the ABBL members are actively engaged in the developments follow-up, in analyzing the respective impacts and in proposing amendments to the text.

Testimony Laurent Marochini

“Generative AI: one year later.”

Laurent Marochini

Chair of ABBL’s FinTech and Innovation Forum and
Head of Innovation at Société Générale Luxembourg SA

At the 2024 Davos Economic Forum, the world's top leaders confirmed the potential of Artificial Intelligence (AI) and, more specifically, Generative AI. In fact, Bill Gates emphasized its impact on everyday life, considering it to be "the" ultimate productivity tool. One year after its last release, ChatGPT is still the talk of the town, just like its competitors.

Financial industry has therefore taken the lead in identifying the use cases that could bring the most value, while taking into account the risks associated with the technology, such as data leakage or the risk of hallucination. According to Mc Kinsey , Generative AI could have a significant impact on the banking industry, generating value from increased productivity of 2.8 to 4.7% of the industry's annual revenues, or an additional $200 billion to $340 billion. In addition to the operational efficiency, the use of Gen AI can improve the customer satisfaction, the risk management and also contribute to the "Augmented Employee Intelligence" allowing him to take the best decision in the right moment. Regulators around the world have also taken up the subject, both in terms of its use and more ethical issues, in anticipation to the AI Act that will enter in force soon (for Europe).

In Luxembourg, at the ABBL's Fintech and Innovation Forum, we were able to measure banks' appetite for using this tool in May 2023. We were surprised to see that 76% of respondents said they viewed ChatGPT as an opportunity for their entities rather than a threat. Aware of the challenges and opportunities, it's clear that the sector is preparing for change to make 2024 and 2025 years of achievement. Let's hope that Luxembourg can still take advantage of its pragmatism to capitalize on opportunities to maintain its position as the world's leading financial center.

05

Facilitating Exchanges and Fostering Best Practices

The ABBL plays a pivotal role in a constantly evolving ecosystem. In addition to our mission of shaping and representing the voice of the Luxembourg banking services industry, our teams foster collaborations and exchange of best practices with and amongst members, but also with other economic actors and relevant authorities. We also provide members with industry and regulatory expertise, amongst others through research projects.

New Workstreams

AML/CFT Public-Private Partnership: focus on Private Banking

Review of the Sub-Sector Risk Assessment Private Banking in the context of the public private partnership with the CSSF and the Cellule de Renseignement Financier (CRF).
The revised report was released in January 2024.

ABBL Forum on Bank Governance

Dedicated platform for Secretary Generals or functional equivalents to discuss legal and practical questions on bank governance.

ESG Data Utility Task Force

Task force on ESG data collection in cooperation with six majors banks active in lending and the Société Nationale de Crédit et d'Investissement (SNCI). Its aim is to establish a Luxembourg platform or utility for ESG data collected from Luxembourg small corporates looking for financing with banks.

ABBL Corporate Social Responsibility (CSR) Guide Drafting Committee

Created by the Corporate Sustainability Working Group. Its aim is to supervise the review of the ABBL Practical Guide on Corporate Social Responsibility, which will be revised to include the latest regulatory evolutions and provide new guidance on human rights due diligence and setting climate transition targets.

Review of Markets in Financial Instruments Directive (MiFID) Guidelines

Launch of the review of the ABBL MiFID guidelines.
Since 2020, 36 regulation updates and guideline publication have been released by public authorities.

IMS-ABBL working group on Gender Diversity

Working group launched in collaboration with Inspiring More Sustainability (IMS) in order to develop a self-assessment tool for companies on Gender Diversity based on United Nations Women Empowerment Principles including scoring methodology.

ABBL Phishing Prevention Task Force

Task force to jointly combat phishing: identify patterns, possible measures, common taxonomy and communication.

Surveys

Surveys are a unique tool to monitor and measure the long-term development of the banking sector and identify key trends. They serve as benchmarking tool for members.

More information:
https://www.abbl.lu/en/professionals/data-research/surveys

Annual industry surveys*

For several years, the ABBL has been conducting annual surveys on the Luxembourg private banking, retail banking, depositary and custodian banking and of the corporate banking industries. These surveys elaborated with the support of the CSSF offer comprehensive insights and a keen understanding of our financial landscape. They are a robust tool that has proven valuable for our members, as they provide a panoramic view of the market trends and allow benchmarking with peers.

Thematic surveys

ABBL teams provided research and thought leadership on several topics:

Social Affairs: analysis of the social situation in the banking sector

For over 20 years this survey has become a study of major importance for both our banking members and for the ABBL. It provides members comparative measures, allowing them to see how their internal practices match the average in the banking sector, and it helps the ABBL to have a clear and long-term view of the developments of the social situation in our banking sector.

The results of this survey are analysed on an aggregated and anonymous basis. The results are not published but are sent to the participating members.

Members participation in this survey is absolutely vital to ensure a robust and complete representation of the Luxembourg banking sector. In 2023, 76% of ABBL members, representing 84% of the workforce in the banking sector participated.

The survey covered the following areas:

- Demography in banks;
- Costs and training;
- Organisation of working time;
- Benefits;
- Procedures.

Green ICT survey of the banking sector

The integration of green ICT is a crucial issue for the financial industry. To evaluate the maturity of Luxembourg banks, the ABBL, in collaboration with Deloitte Luxembourg, conducted a survey. The results reveal that the sector is still in the early stages of integrating the concept of green ICT into its sustainability transformation journey. The report therefore includes guidance on priorities and on the necessary support.

https://www.abbl.lu/en/professionals/luxembourg-green-ict-report-where-does-the-banking-sector-stand

*Figures from these surveys can be found in the Portrait of the Luxembourg banking sector chapter. The figures relate to the financial year 2022 as the figures for 2023 are not available until spring 2024.

ChatGPT and banks in Luxembourg

As questions arise regarding the challenges and opportunities presented by generative artificial intelligence (AI), exemplified by ChatGPT, the ABBL's FinTech and Innovation Forum provided insight on the adoption of this technology thanks to a recent survey conducted with its members.

Overall, 42 respondents representing credit institutions, FinTech firms, consulting companies, payment institutions, electronic money institutions, support Professionals of the Financial Sector (PFSs), law firms, and software vendors took part in the survey conducted with the support of Société Générale Luxembourg's innovation team.

76% of respondents are optimistic about the benefits and opportunities offered by ChatGPT, and most are allowed by their institution to use it respecting data protection guidelines.

Demand of Small and Medium Enterprises (SMEs) in cybersecurity

SMEs significantly contribute to employment and GDP, yet they are vulnerable to cybersecurity threats. Cybersecurity readiness across SMEs varies widely, influenced by factors such as size, funding, and levels of technology adoption. As SMEs evolve in their digital transformation, and with support from public authorities, SMEs are adopting more complex technologies, potentially increasing their exposure to cyberattacks. In light of Luxembourg's small size and limited sources on its cybersecurity market, the Luxembourg House of Cybersecurity (LHC) has established a market intelligence observatory to share insights with local stakeholders and international partners. This study, to which the ABBL contributed, represents the first undertaking of this newly created platform.

https://abbl.lu/en/professionals/data-research/surveys/abbl-national-cybersecurity-competence-center-cybersecurity-survey-2023

Payments infographic

The ABBL published an infographic spotlighting payment preferences in Luxembourg based on the ECB "SPACE II Study" on payments preferences in Luxembourg. Within the Luxembourgish context, payments not only facilitate everyday transactions but also play a crucial role in nurturing the flourishing financial center.

https://www.abbl.lu/en/professionals/page/webinars

ABBL & SEPA

The ABBL acts as SEPA's National Adherence Support Organisation (NASO) and actively supports the SEPA initiative regarding the introduction of new payment systems or the migration of existing systems to new standards.

As a participant in the decision-making and working bodies of the European Payments Council (EPC), the ABBL influences the respective implementation of the current schemes by providing background information to its members.

For future developments, the ABBL represents members' and non-ABBL members and contributes to the development of standards, rules, guidebooks, best practices, technical and operational recommendations for the SEPA community.

Guidelines and Standards

The ABBL mission is to promote the sustainable development of regulated, innovative and responsible banking services. This materialises in the association acting as a trusted intermediary between the regulator and regulated entities, but also in defining and spreading best practices to upgrade industry standards.

In 2023, we published and updated several new guidelines and standards:

- **ESG Risks**
  Whitepaper on the integration of climate-related and environmental risks into risk management frameworks.
- **SFDR**
  Release of the 2nd updated version of the ABBL-ACA-ALFI implementation guide on SFDR in March 2023.
- **Energy Savings**
  Publication of best practices for banks and set of guidelines on energy savings in April 2023 and publication of FAQ documents for ABBL members' internal communications.
- **Sanctions against Russia**
  Two updates to the technical note and Q&A on how to implement the EU sanctions.
- **Payments standards**
  Update of the Guidelines on the implementation of the credit transfer initiation message ISO 20022.
- **Inactive Accounts**
  Update of the ABBL guidance on the legal framework on inactive accounts.
- **Automatic Exchange of Information**
  Update of the ABBL guidance on the Common Reporting Standard (CRS).
- **Credit Facility Agreement Template**
  Creation of a Luxembourg-law governed credit facility agreement template based on relevant template from the Loan Market Association.

Expert Events and Conferences

ABBL events provide the opportunity for knowledge sharing, networking, and upskilling by bringing together professionals with similar interests, expertise, and backgrounds. Many of these conferences are organized in cooperation or in presence of local authorities.

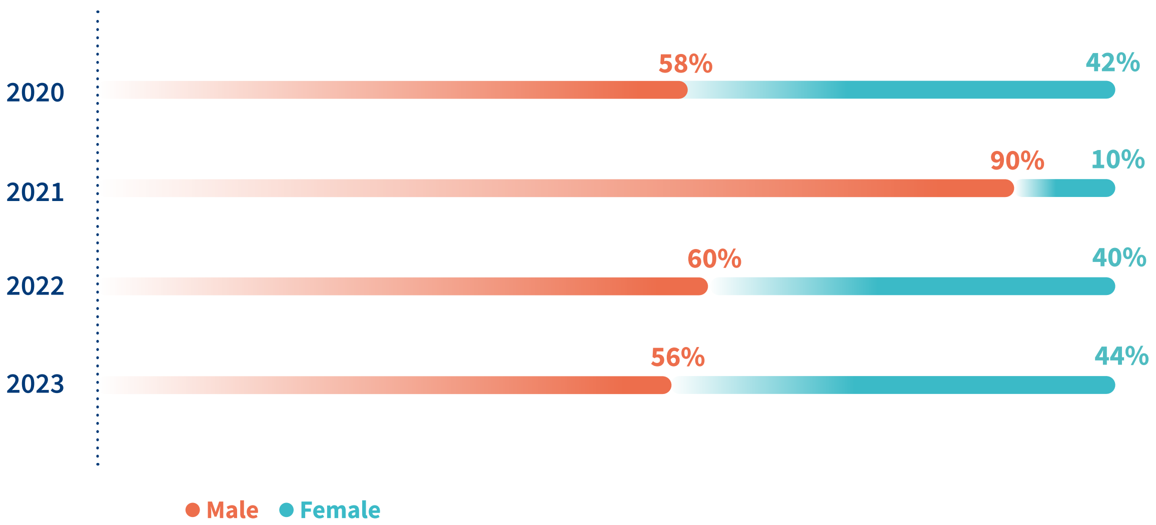
In 2023, the ABBL member relations team organised 36 events which were attended by more than 3,500 participants:

- 10 ABBL expert events
- 23 expert events in co-operation with a member
- 2 networking events for members
- 1 reception for EU decision makers and stakeholders in Brussels

ABBL experts participated as panelists on more than 40 key conferences and events.

As a regular organiser of such public events, the ABBL signed Equilibre's "My Pledge" in 2019 thus committing to promoting gender diversity among speakers.

Speakers' gender diversity at ABBL events



Hackathons

Cyber+FinTech Hackathon: Building Safe & Secure Financial Solutions
In cooperation with the Luxembourg Tech School (LTS).
> 40 participants

Digital Banks of the Future: Building the Next Generation of Financial Solutions
In cooperation with the LTS.
> 40 participants

Tezos Challenge
In cooperation with Infrachain.
> 30 participants

Business Coordination, Communication, Digital Marketing, Member Relations (from l. to r.): Sarah Odru, Paul Wilwertz, Hélène Lange, Laurence D'Hayere, Simone Kayser.

Landmark expert events in 2023

January

CEOs meet Fintechs speeddating event. With the participation of Mrs Yuriko Backes, Minister of Finance.
> 120 participants

March

Financial education in Luxembourg: Challenges and solutions for the future. ABBL Foundation for Financial Education in cooperation with the CSSF. With the participation of Mrs Yuriko Backes, Minister of Finance.

May

DORA: What to expect and how to get prepared. In cooperation with Schiltz & Schiltz.
> 220 participants

June

Corporate payments. In cooperation with the Luxembourg Association of Corporate Treasurers (ATEL).
> 100 participants

Outcomes of the CSSF self-assessment exercise on Climate-related and Environmental Risks (webinar).
> 500 participants

July

Digital Euro. With Mr Ulrich Bindseil (ECB's General Director Market Infrastructure and Payments) as keynote speaker.
> 130 participants

September

PSD3 / PSR.
In collaboration with Allen & Overy.
> 250 participants

October

EU Retail Investment Strategy. In cooperation with EY Luxembourg and with the participation of the CSSF.
> 180 participants

November

Central Electronic System of Payment Information (CESOP) - reporting obligations for PSPs for cross-border payment information. In cooperation with the Administration de l'enregistrement, des domaines et de la TVA (AED) and the Centre des technologies de l'informatique de l'Etat (CTIE).
> 200 participants

Market Infrastructures & Regulatory Awareness
> 200 participants

December

Cross-border homeworking: new EU social security framework agreement.
In cooperation with EY, the Ministry of Social Security and the Social Security Authority.
> 250 participants

ABBL / Association Luxembourgeoise des Risk Managers (ALRiM) Risk Management Conference. With Claude Wampach (Director CSSF) as keynote speaker.
> 120 participants

06

Reporting on our Responsibility

Sustainability and responsibility are not separate facets but rather the central focus of our association's missions.

Integrating our responsibility reporting

Upon reviewing our corporate social responsibility practices and recognizing instances of duplicative reporting, which undermines communication efficiency, we have opted to discontinue the production of separate Responsibility Reports. Instead, we will integrate our sustainability efforts and promotion of responsible banking services directly into our Annual Reports.

Moving forward, the principles guiding our ethical and responsible approach will be consistently articulated on the ABBL website, ensuring transparency and up-to-date information. Meanwhile, our employment practices and metrics, demonstrating our commitment to valuing and supporting our team, will be included in our Annual Report, reflecting our dedication to maintaining high professional standards.

Certain disclosures, such as waste management practices, which are not deemed material for our association, will no longer be reported. This streamlined approach aims to enhance efficiency in disclosure production and facilitate easier access to information for our members.

Furthermore, we will continue to provide updated Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) Content Indices on our website annually, aiding stakeholders in navigating our sustainability-related disclosures.

Sustainability team (from l. to r.): Julien Froumouth, Thomas Collin.

How we approach responsibility in our mission

7th Commitment: Responsible Banking

ABBL members make every effort to behave in a socially responsible manner. In a continuously evolving environment, ABBL members commit to be transparent and clear about how their products and services may create value for their clients and investors, and how they impact the society.

ABBL Code of Conduct

As the voice of the Luxembourg banking sector, we promote a sustainable financial system that combines the interests of society and the environment with financial prosperity. The ABBL has thus adhered to the United Nations Principles for Responsible Banking (PRBs) since 2019, actively encouraging their adoption among its members and assisting them in integrating these principles into their operations. We have formally incorporated the PRBs into our Code of Conduct by adding a 7th commitment, mandating our members to conduct their business responsibly.

Our members

As our members are committing to social responsibility, our duty is to assist them in addressing the associated challenges by equipping them with necessary tools and guidance and by fostering the exchange of industry-leading practices.

Society

By offering reliable and responsible financial services, banks play an essential part in fostering sustainable economic development.

Financial literacy is key to ensuring maximum access to these services. Through the ABBL Foundation, we strive to share knowledge about finance and the banking industry with the public.

Our Governance

Ensuring an efficient, transparent, and accountable governance structure that is free of any conflict of interest is essential for our association to build lasting relationships with its members and stakeholders.

Our material topics

We have engaged our stakeholders in 2022 to better understand their expectations regarding the ABBL's contribution to sustainable development. These findings now provide the basis for the information we will prioritise in our transparency and will drive our CSR ambitions for the years to come.

Please refer to our 2023 GRI and SASB Content Indices available on our website to navigate our disclosures on these material topics.

Rank	Material topic
1	Sound and responsible governance
2	Professional integrity
3	Legal compliance
4	Advocacy and employer representation
5	Financial education
6	Cooperation and coordination with our partners
7	Personnel competence and engagement
8	Diversity, equity and inclusion
9	Responsible employment and recruitment

Key dates of our sustainability journey

2007

Creation of the INDR with the ABBL as one of its founding members

2012

The ABBL is awarded the **"Entreprise Socialement Responsable"** label for the first time

Implementation of the **Diversity Charter** for the banking sector

2014

First certification by the **SuperDrecksKëscht**

2015

Creation of an ABBL **internal working group on CSR**

Signature of the **CMCC Mediation Charter**

2016

Creation of a **CSR working group** gathering ABBL members

Creation of the **Fondation ABBL pour l'éducation financière**

2018

The ABBL joins the **VISION ZERO**

2019

The ABBL endorses the **United Nations Principles for Responsible Banking**

The ABBL joins **Equilibre's "My Pledge" initiative**

2020

Signature of the **IMS Diversity Charter**

Creation of the **Sustainability Committee**

2021

The ABBL signs the **United Nations Women Empowerment Principles**

The ABBL joins the **United Nations Net Zero Banking Alliance** as supporting institution

The Fondation ABBL is awarded an **IMS Diversity Award** for the Zuumer Academy

The ABBL is awarded the **"Entreprise Responsable"** label for the fourth time

2022

The ABBL signs the National Pact **"Business and Human Rights"**

2023

ABBL takes a leading role in the launch of the Women in Finance Charter

07

ABBL Foundation for Financial Education

The ABBL Foundation for Financial Education was created in 2016 with the purpose of fostering and promoting financial education and research. In 2021, together with our members and partners, we strengthened our commitment to educate everyone on the basics of personal budget management and finance.

All the Foundation's programmes are carried out through the involvement of volunteers, who are ABBL employees and employees of ABBL member organisations. The Foundation also publishes educational material for the public, including youth, the elderly and financially vulnerable people.

2022-25 strategy and action plan

To fulfil its missions, the ABBL Foundation developed a strategy on financial education based on three pillars:

I. Financial education

For the youth

- Promote the integration of financial education in school curricula;
- Foster skill development for young adults;
- Develop learning material for the general public;
- Offer initiation to sustainable finance in highschools.

For grownups

- Facilitate access to digital tools for senior citizens;
- Partnerships for financial inclusion initiatives;
- Offer budget management trainings.

II. Professional training and financial support to deserving university students

- Develop modules and tools to fulfil the financial sector's training needs;
- Cooperate with educational institutions to develop vocationally oriented curricula;
- Support deserving university students financially.

III. Research

- Collaborate with academia on research projects.

Jessica Thyrion (Fondation ABBL pour l'éducation financière).

Projects

Update of the National Strategy for financial education

In July 2023, the ABBL Foundation, in partnership with the CSSF and with the backing of a dedicated working group*, undertook a significant update to the national strategy. This refreshed strategy draws heavily upon the framework of financial competencies for adults outlined by the European Commission and the OECD. The overarching goal of this framework is to foster a shared comprehension of financial literacy across Member States, laying the groundwork for a harmonized approach among policymakers.

Specific recommendations have been put forth to the Ministry of Education, including:

- Integration of financial education into the school curriculum;
- Enhanced coordination of various initiatives;
- Implementation of mechanisms to monitor and assess the progress of financial literacy evolution.

A survey launched by the ABBL Foundation and involving 709 students in Luxembourg, aged 14-20 revealed that 88% of participants were of the opinion that financial education should be taught at school.

Sécher am Internet

In September 2023, the ABBL Foundation, in collaboration with the Luxembourg Tech School (LTS), unveiled a platform aimed at assisting users in navigating the world of digital banking. Its primary goal? To alleviate any uncertainties individuals may have regarding digital banking while empowering them to manage their finances securely and independently online.

This innovative platform offers a comprehensive range of modules covering essential topics such as phishing awareness, password management, digital identity, two-factor authentication, online banking, e-transfers, and mobile payments. It is coupled with an e-banking services simulator, filling a gap in the existing pedagogical offer. What sets this initiative apart is its origin in civil society. Notably, the platform's development owes much to the ingenuity of young high school students who actively participated in a hackathon, highlighting the collaborative effort and innovative spirit behind its creation.

https://learn-ebanking.fondation-abbl.lu/en/home/

*ALFI - ACA - Ministry of Education, Children and Youth - Ministry of Finance and the Ministry of Consumer Protection. In addition, the following actors were invited to contribute: the Ligue Médico-Sociale, Inter-Actions, the Ententes des Offices Sociaux, the Central Bank of Luxembourg, the Centre Européen des Consommateurs Luxembourg, the Union luxembourgeoise des Consommateurs and the Ministry of Family.

Sustainable finance awareness initiatives

National Campaign

Between March and April 2023, the ABBL Foundation, together with ALFI, the CSSF and the Ministry of Consumer Protection launched a large awareness-raising campaign across the country aiming at:

- Informing the public about the key concepts of sustainable finance;
- Making Luxembourg residents aware that they are ‘active consumers;
- And encouraging them to take action.

Awareness raising campaign on RTL Radio

In collaboration with the CSSF, the ABBL Foundation has recorded a number of programmes and written articles with the objective of:

- Raising awareness of the concepts and challenges of sustainable finance;
- Helping the citizens to understand that responsible investment is within everyone’s reach and that their bank advisor can guide them in their choices.

Woch vun den Suen / European Money Week

The ABBL Foundation believes that financial education should be an integral part of any school curriculum and we advocate for the integration of basic financial skills into the Luxembourg education system. That is the principle that drove the creation of the ”Woch vun den Suen” or ‘Money Week’ in 2014.

This now annual event teaches children aged 10 to 12 the basics of money management. This initiative is led by the ABBL Foundation with the support of the Ministry of Education, Children and Youth, as part of the European Money Week organised by the European Banking Federation.

	2021	2022	2023
Number of participating pupils	396	1,041	988
Number of participating classes	25	75	69
Number of volunteer instructors	32	90	74

Mrs Kim Mozina's class from Reuler primary school took part in the 2023 edition of the ABBL Woch vun de Suen.

OCDE/INFE survey on Financial Education

To effectively launch concrete initiatives in financial education within Luxembourg, it was crucial to gauge the financial literacy levels of the population. Luxembourg's inaugural participation in the OECD/INFE study in this realm provided an opportunity for a thorough assessment.

The ABBL Foundation, in collaboration with the CSSF, engaged ILRES to conduct a comprehensive survey representative of the Luxembourgish population. In December 2022, 1,017 residents aged 18 to 79 participated in the online survey, including 186 individuals aged 18 to 29. The findings have since been integrated into the OECD's global study, facilitating comparisons with other nations.

A concerning statistic has emerged, indicating that among European countries, individuals under 30 in Luxembourg exhibit a notably lax attitude towards budgeting, ranking 25th out of 26 countries surveyed. This laissez-faire attitude toward finances poses a genuine risk of financial vulnerability and over-indebtedness for this demographic.

The OECD / INFE study is available here: https://www.abbl.lu/en/professionals/how-financially-literate-are-luxembourg-residents

Money Odyssey App

Money Odyssey is an educational app designed for both youth (10 years and above) and adults with the objective of imparting financial literacy through customized questions covering the following topics:

- Saving;
- Budgeting;
- Investing;
- The role of a bank;
- Personal loans;
- Mortgage loans;
- Money laundering;
- Insurances;
- Sustainable finance;
- Payment methods;
- Money risk management.

Regardless of the participants skill level, they can choose either a random or progressive mode, whether playing solo or with multiple players on the same device, creating an entertaining a game to see who is the best.

Additionally, players can complete objectives (financing a project, managing or pays bills or making investments), while facing challenges, gaining knowledge, and unlocking achievements.

The game can be played at home, on the go, or even at school. It allows players to pause a game and resume it at their convenience.

Money Odyssey has been created by the ABBL Foundation with support from the Chamber of Commerce, Luxembourg.

The ABBL Foundation's Board of Directors

Jerry Grbic
CEO of the ABBL

Chair

Guy Hoffmann
Chairman of the ABBL

Vice-Chair

Danièle BERNA-OST Secrétaire Général, CSSF (Trésorier)	**Britta BORNEFF** Director, ALFI	**Léon DIEDERICH** Premier Conseiller de Gouvernement, Ministry of Research and Higher Education	**Pierre ETIENNE**
Jean HILGER Head of the ABBL Digital Banking and FinTech Cluster	**Marie-Hélène JOBIN** Vice-Rector, University of Luxembourg	**Muriel MORBE** CEO, House of Training	

08

ABBL Members

Diversity is one of the ABBL's riches, and it strives to cultivate it. The ABBL membership base represents the Luxembourg banking services scene at large showcasing the richness of the financial ecosystem in Luxembourg and foster a constructive dialogue among all stakeholders.

Members include banks, investment firms, payment and E-money institutions, lawyers, auditors, consultants, and IT service providers.

The ABBL Member Relations team promotes the ABBL to the Luxembourg financial sector's actors and manages the on-boarding of new members, offering them an effective integration into the Luxembourg banking and financial community.

26 new members (vs 21 new members in 2022) joined the ABBL in 2023, reaffirming the ABBL stature as the largest employers' association within the financial sector in Luxembourg, with 197 titular members, and 54 related members as of 31 December 2023.

Breakdown of members

94
Category A

Category A members are credit institutions (i.e., universal banks, covered bond issuing banks and/or public banks) as provided for in Chapter 1, Part I of the Law of 5 April 1993 on the financial sector, as amended, and financial institutions or operators created by the public authority pursuant to specific laws.

44
Category B

Category B members are other professionals of the financial sector (PFS) and financial professionals.

59
Category C

Category C members are ancillary financial sector activities, i.e., providers of services for the financial sector, regardless of any regulation.

54
Related members

Entities belonging to the same group may be classified as Related members, under the aegis of a Titular member.

29
FinTech Circle associates

Specific grouping created with the objective of bringing together FinTechs with ABBL members.

Directory of members

(as of 31.12.2023)

Titular members

- 1875 Finance (Luxembourg) SA
- 2 PM Europe SA
- 3S Money (Luxembourg) SA
- Accenture (Luxembourg) SARL
- Advanzia Bank SA
- Agricultural Bank of China (Luxembourg) SA
- AIQU Tax SARL
- Airbnb Payments Luxembourg SA
- AKD Luxembourg SARL
- Allen & Overy SCS
- Allfunds Bank SAU, Luxembourg Branch
- ALPHA FX SA
- Alpha Omega SARL
- Amazon Payments Europe SCA
- Andbank Luxembourg SA
- Andersen Tax SARL
- Annerton SA
- Arendt & Medernach SA
- ATOZ SA
- Aurexia Luxembourg SARL
- Avaloq Luxembourg SARL
- Axon Advisory & Consulting SARL
- Baker & McKenzie Luxembourg
- BakerTilly Luxembourg Advisory SA
- Banca March, SA, Luxembourg Branch
- Banco Bradesco Europa SA
- Banco Santander (Brasil) SA, Luxembourg Branch
- Bank GPB International SA
- Bank Julius Baer Europe SA
- Bank of America Europe Designated Activity Company, Luxembourg Branch
- Bank of China Limited Luxembourg Branch
- Bank of Communications (Luxembourg) SA
- Bank Pictet & Cie (Europe) AG, succursale de Luxembourg
- Banking Circle SA
- Bankinter Luxembourg SA
- Banque de Commerce et de Placements SA, succursale de Luxembourg
- Banque de Luxembourg SA
- Banque Degroof Petercam Luxembourg SA
- Banque et Caisse d'Epargne de l'Etat, Luxembourg (Spuerkeess)
- Banque Havilland SA
- Banque Internationale à Luxembourg SA
- Banque J. Safra Sarasin (Luxembourg) SA
- Banque Populaire ALC, succursale de Luxembourg
- Banque Raiffeisen SC
- Banque Transatlantique Luxembourg SA
- Barclays Bank Ireland plc, Luxembourg Branch
- BDO Services Luxembourg SA
- BearingPoint Luxembourg SARL
- BEMO Europe - Banque Privée
- BGL BNP Paribas SA
- bitFlyer Europe SA
- Bitstamp Europe SA
- Bonn & Schmitt SARL
- BOS Wealth Management Europe SA
- Bourse de Luxembourg SA
- BPER Bank Luxembourg SA
- Brown Brothers Harriman (Luxembourg) SCA
- Brucher Thieltgen & Partners, Avocats à la Cour
- CA Indosuez Wealth (Europe) SA
- Caceis Investor Services Bank SA
- CaixaBank Wealth Management Luxembourg SA
- CapitalatWork Foyer Group SA
- Castegnaro SARL
- Chambre de Commerce du Grand-Duché de Luxembourg
- China Construction Bank (Europe) SA
- China Everbright Bank (Europe) SA
- China Merchants Bank Co., Ltd., Luxembourg Branch
- CIBC Capital Markets (Europe) SA
- Citco Bank Nederland N.V., Luxembourg Branch
- Citibank Europe plc, Luxembourg Branch

- Clearstream Banking SA
- Clearstream Fund Centre Luxembourg SA
- Clifford Chance SCS
- CMS DeBacker Luxembourg SCS
- Colin & Cie. Luxembourg SA
- Commerzbank Finance & Covered Bond SA
- Compagnie Européenne des Rescrits SARL (Securitaxcom)
- Creand Wealth & Securities (Banque de Patrimoines Privés SA)
- Credit Suisse (Luxembourg) SA
- Creditreform Luxembourg SA
- Creutz & Partners The Art of Asset Management SA
- DekaBank Deutsche Girozentrale, Succursale de Luxembourg
- Delen Private Bank Luxembourg SA
- Deloitte General Services SARL
- Dentons Luxembourg SCS
- Deutsche Bank Luxembourg SA
- DLA Piper Luxembourg SARL
- DNB Luxembourg SA
- Dock Financial SA
- Dynas Lux SA
- DZ Privatbank SA
- EastNets Europe SA
- eBay SARL
- Edmond de Rothschild (Europe) SA
- EFG Bank (Luxembourg) SA
- Elavon Financial Services DAC, Luxembourg Branch
- Elvinger Hoss Prussen SA
- Ernst & Young SA
- Eurizon Capital SA
- Eurobank Private Bank Luxembourg SA
- European Depositary Bank SA
- Finegan Luxembourg SA
- Finologee SA
- FIS Privatbank SA
- Forethix SARL
- Goldman Sachs Bank Europe SE, Luxembourg Branch
- Grant Thornton Advisory SA
- GSK Stockmann SA
- Hamburg Commercial Bank AG, Luxembourg Branch
- Hauck Aufhäuser Lampe Privatbank AG, Niederlassung Luxemburg
- HSBC Continental Europe, Luxembourg SA
- i-Hub SA
- IF Payroll & HR SA
- Industrial and Commercial Bank of China (Europe) SA
- ING Luxembourg SA
- Intesa Sanpaolo Bank Luxembourg SA
- Intesa Sanpaolo Wealth Management SA
- Itaú BBA Europe SA, Luxembourg Branch
- John Deere Bank SA
- JP Morgan Mobility Payments Solutions SA
- JP Morgan SE, Luxembourg Branch
- Kaufhold & Reveillaud, Avocats
- Kleyr Grasso SCS
- KPMG Audit SARL
- Kuylenstierna & Skog SA
- Linklaters LLP
- Lombard Odier (Europe) SA
- Loyens & Loeff Luxembourg SARL, Avocats à la Cour
- LUX NORDIC Wealth Management SA
- LuxCSD SA
- LUXHUB SA
- LuxTrust SA
- Mangopay SA
- Manzari Legal
- Maqit SA
- Mazars Financial Advisroy Services SA
- Mediobanca International (Luxembourg) SA
- Microsoft Luxembourg SARL
- Mirabaud & Cie (Europe) SA
- Mitsubishi UFJ Investor Services and Banking (Luxembourg) SA
- Mizuho Trust & Banking (Luxembourg) SA
- Molitor - Avocats à la Cour SARL
- Monex Europe SA
- Natixis Corporate and Investment Banking Luxembourg SA
- NautaDutilh Avocats Luxembourg SARL
- Nomura Bank (Luxembourg) SA
- NORD/LB Luxembourg SA Covered Bond Bank
- Northern Trust Global Services SE
- Norton Rose Fulbright Luxembourg SCS
- Novo Banco SA, Succursale de Luxembourg
- Payconiq International SA
- PayPal (Europe) SARL et Cie, SCA
- Pinsent Masons Luxembourg
- POST Luxembourg
- PPRO Payment Services SA
- PricewaterhouseCoopers, SC
- Privalux Management SA

- Private Wealth Square SARL
- Quintet Private Bank (Europe) SA
- Radices Financial Services SA
- Rakuten Europe Bank SA
- Regnology Luxembourg
- Rothschild & Co Wealth Management (Europe) SA
- Royal Bank of Scotland International Limited, Luxembourg Branch (The)
- Satispay Europe SA
- Schiltz & Schiltz SA
- SIA Partners Luxembourg SARL
- Siliance Capital SA
- Simmons & Simmons Luxembourg LLP
- Skandinaviska Enskilda Banken AB, Luxembourg Branch
- SMBC Nikko Bank (Luxembourg) SA
- Société Générale Luxembourg SA
- Sopra Banking Software Luxembourg SA
- Spirit Asset Management SA
- State Street Bank International GmbH, Zweigniederlassung Luxemburg
- Stibbe Avocats SARL
- Sumitomo Mitsui Trust Bank (Luxembourg) SA
- Svenska Handelsbanken AB (Publ), Luxembourg Branch
- Swissquote Bank Europe SA
- Syncordis PSF SA
- Team Resources SA
- The Bank of New York Mellon SA/NV, Luxembourg Branch
- Thomson Reuters Finance SA
- UBS Europe SE, Luxembourg Branch
- UniCredit International Bank (Luxembourg) SA
- Union Bancaire Privée (Europe) SA
- Union Investment Luxembourg SA
- Unzer Luxembourg SA
- Vermeg Luxembourg SA
- Victor Buck Services SA
- Victory Asset Management SA
- VP Bank (Luxembourg) SA
- WAVESTONE Luxembourg SA
- Westrich Gen SA
- Worldline Financial Services (Europe) SA
- Wüstenrot Bausparkasse AG, Niederlassung Luxemburg
- zeb.rolfes.schierenbeck.associates GmbH

Membership benefits

1. Collaborate and network: Members can benefit from the networking opportunities provided by the ABBL to connect with other industry players, including banks, and develop partnerships, share best practices, and explore business opportunities.

2. Access to information and resources: ABBL offers a wealth of information and resources that can be valuable to its members, including updates on regulatory changes, industry trends and market developments. These insights can help them stay informed and competitive.

3. Influence on policy and regulation: By being part of the ABBL, our members can contribute to shaping the regulatory and policy environment that affects the broader financial sector. They can have a say on issues that may impact their businesses directly or indirectly.

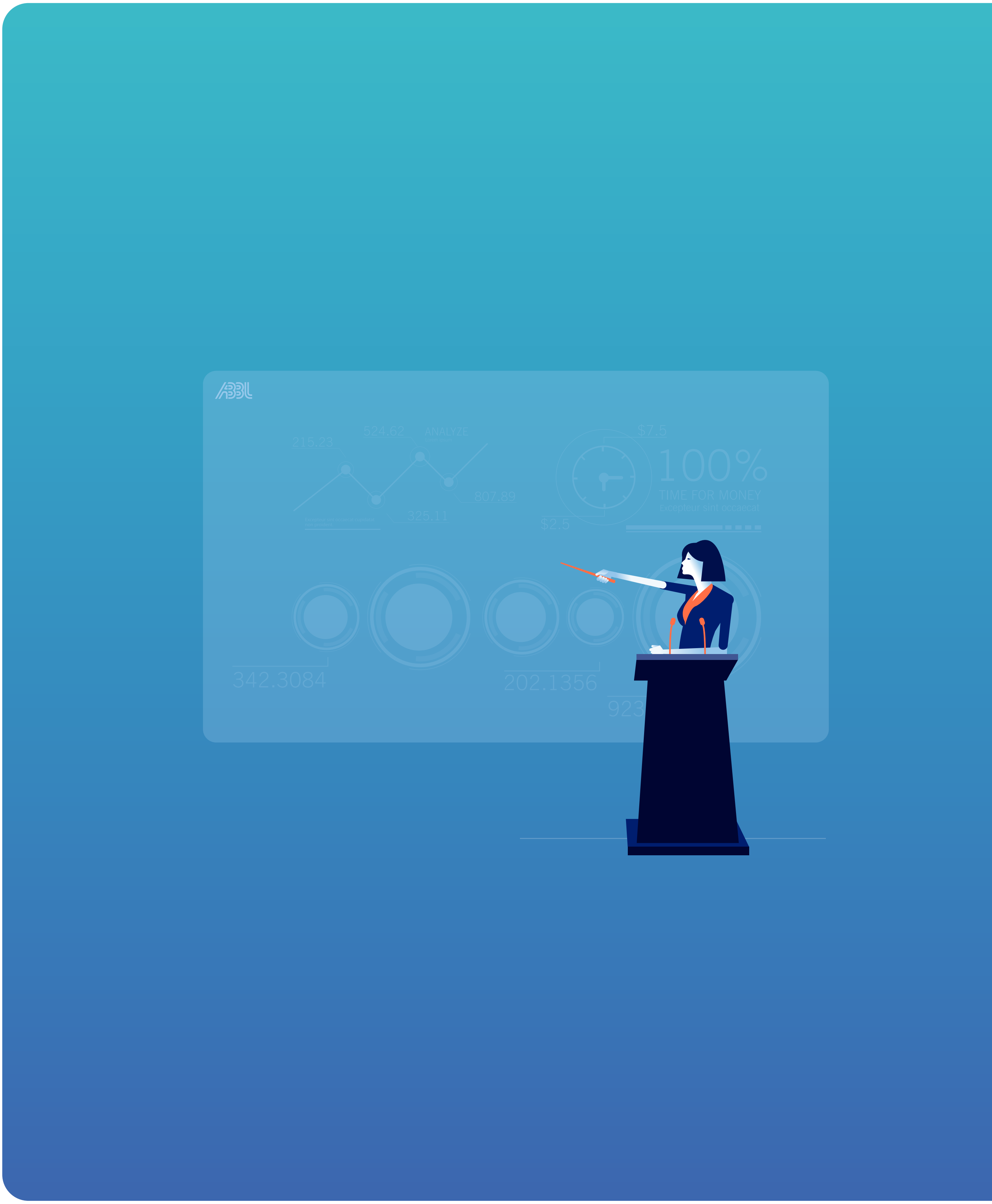
4. Enhance reputation and visibility: Membership in the ABBL can enhance its members' reputation and visibility within the financial industry, demonstrating their commitment to upholding high standards and best practices.

5. Support for innovation and growth: The ABBL supports innovation and growth in the financial sector, which can benefit banking and non-banking entities, particularly fintech companies, by creating a favorable environment for the development and adoption of new technologies and business models.

6. Benefit from education and training programs: The ABBL organizes various education and training programs with the House of Training that can be relevant to all its members helping them to enhance their skills and knowledge in various areas of the financial sector.

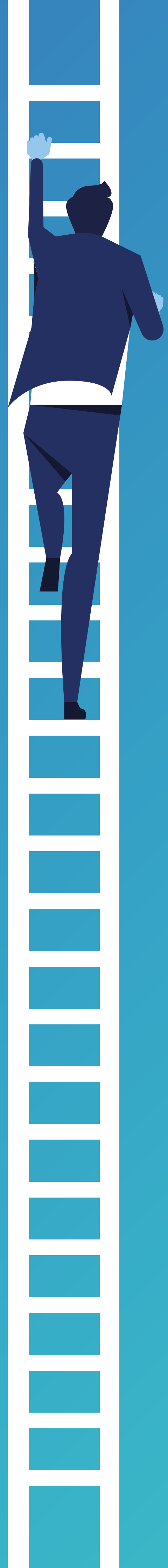
Related members

- Amundi Luxembourg SA
- Andbank Asset Management Luxembourg
- Arendt Regulatory and Consulting
- Banco Safra SA, Luxembourg Branch
- Bank of China (Europe) SA
- Bank of Communications Co, Limited Luxembourg Branch
- Belair House
- BHW Bausparkasse AG, Niederlassung Luxemburg
- BIL Manage Invest SA
- BLI - Banque de Luxembourg Investments SA
- BNP Paribas Asset Management Luxembourg SA
- BNP Paribas Lease Group Luxembourg SA
- BNP Paribas Leasing Solutions SA
- BNP Paribas S.B. Ré SA
- BNP Paribas, succursale de Luxembourg
- CA Indosuez Wealth (Asset Management)
- Caceis Bank Luxembourg Branch
- China Construction Bank Corporation, Luxembourg Branch
- China Everbright Bank Co. Ltd., Luxembourg Branch
- Clearstream International SA
- Clearstream Services SA
- Commerzbank AG, Filiale Luxemburg
- Degroof Petercam Asset Services SA
- Degroof Petercam Insurance Broker SA
- Deloitte Audit
- Deloitte LIS SARL
- Deloitte Solutions SARL
- Deloitte Tax & Consulting SARL
- Deutsche Bank AG, succursale de Luxembourg
- Edmond de Rothschild Asset Management (Luxembourg)
- Edmond de Rothschild Assurances et Conseils (Europe)
- EFG Investment (Luxembourg) SA
- EuroInformation International SA
- European Financial Group EFG (Luxembourg) SA
- Fiduciaire Générale de Luxembourg SA
- Fund Channel SA
- Global Funds Management SA
- Global General Partner SA
- HSBC Private Bank (Luxembourg) SA
- ING Lease Luxembourg SA
- ING Solutions Investment Management SA
- KPMG SARL
- KPMG Tax and Advisory SARL
- Kredietrust Luxembourg SA
- Lux Gest Asset Management SA
- Mazars Luxembourg SA
- RBS International Depositary Services SA
- SEB Investment Management AB, Luxembourg Branch
- SG Issuer
- Société Générale Capital Market Finance SA
- Société Générale Financing and Distribution
- Société Générale Life Insurance Broker SA
- Société Générale Private Wealth Management SA
- Société Luxembourgeoise de Leasing BIL-Lease SA


215.23
524.62
ANALYZE
$7.5
100%
TIME FOR MONEY
807.89
325.11
$2.5
342.3084
202.1356

09

About ABBL



Presentation

Established in **1939**, the ABBL is the oldest and largest professional association in the financial sector, **representing most banking institutions as well as regulated financial intermediaries and other professionals in Luxembourg, including law firms, consultancies, auditors, market infrastructures, electronic-money and payment institutions**. This makes us truly representative of the diversity of the Luxembourg banking centre, placing us in a unique position, able to give the entire sector a voice at both national and international level.

We provide our members with the **intelligence, resources, and services** they need to operate in a dynamic financial market and in an increasingly complex regulatory environment. We also facilitate an open platform to discuss key industry issues and to define common positions for the entire sector.

We are also part of a much larger ecosystem, and work closely with partner associations in the wider economic environment, as well as national and international bodies and committees, including the Luxembourg Government, the CSSF, the BCL, the UEL, the Conseil Economique et Social (CES), the EBF and the EPC.

To ensure close monitoring of EU regulatory developments, and to support the sectors' EU advocacy efforts, we have a **Representative Office in Brussels**, where our European Affairs team closely follows regulatory developments, facilitates the interactions with policy makers and represents the interests of ABBL Members in Brussels.

Governance

The ABBL is a non-profit association governed by the Luxembourg legal provisions applicable to non-profit associations and foundations.

The governance framework of the Association is defined by its statutes, which are approved by the General Meeting. Internal rules of procedure define procedures and arrangements for the organisation and operation of the Association.

The members of the Association commit to abide by the Code of Conduct of the Association, as adopted by the General Meeting.

General Meeting

The General Meeting comprises all members. It meets as often as the interests of the Association require. It is presided by the Chairperson of the Association.

The General Meeting elects the members of the Board of Directors, approves the annual budget, appoints the external auditor, reviews the annual accounts and approves the latter. It ratifies the results of negotiations of collective bargaining agreements.

Each full member has a number of votes proportional to the contributions due for the current year.

Management Board (from l. to r.): Camille Seillès, Jerry Grbic, Ananda Kautz.

Secretariat

Day to day management of the association is taken care of by the ABBL Secretariat, led by the CEO and the Management Board.

The Secretariat performs all the tasks entrusted to it by the Board of Directors. It is responsible, in accordance with the Internal Rules of Procedure, for the internal administration of the Association, for the organisation of internal bodies such as committees, working groups and groups of members and for communication with the members and with third parties.

The CEO and other members of the Management Board are appointed by the Board of Directors.

The Management Board is currently composed of three members.

Board of Directors

The Board of Directors is made up of senior officers, generally CEOs or Managing Directors, from our member organisations. The are currently 22 Board Members.
The Board of Directors is led by the Chairperson of the Association or, in his/her absence, the Vice-Chairperson.
The Board, the Chair and the Vice-Chair are elected by the General Meeting for a three-year term of office. The Board meets at least quarterly, and sets the priorities of the ABBL.
The Board is supported by a Remuneration Committee, an Audit Committee and a Governance Committee, made up of Board Members.

Board of Directors Status as of 25 March 2024

Béatrice Belorgey BGL BNP Paribas SA	**Chen Xu** Bank of China Limited Luxembourg Branch	**Claire Alexandre** PayPal (Europe) SARL et Cie, SCA	**David Claus** European Depositary Bank SA	**Emanuele Vignoli** HSBC Continental Europe, Luxembourg SA
Falk Fischer Bank Julius Baer Europe SA	**Françoise Thoma** Banque et Caisse d'Epargne de l'Etat, Luxembourg (Spuerkeess)	**Frank Rückbrodt** Deutsche Bank Luxembourg SA	**Frédéric Surdon** Société Générale Luxembourg SA	**Guy Hoffmann** Banque Raiffeisen SC
Julie Becker Bourse de Luxembourg SA	**Marc Lauer** Chambre de Commerce du Grand-Duché de Luxembourg	**Marcel Leyers** Banque Internationale à Luxembourg SA	**Massimo Torchiana** Intesa Sanpaolo Bank Luxembourg SA	**Melinda Perera** Linklaters LLP
Michael Burch ING Luxembourg SA	**Olivier Carcy** CA Indosuez Wealth (Europe) SA	**Philippe Seyll** Clearstream Banking SA	**Pierre Ahlborn** Banque de Luxembourg SA	**Roxane Haas** Pricewaterhouse-Coopers SC
Tobias Gansäuer DekaBank Deutsche Girozentrale, Succursale de Luxembourg	**Yves Stein** Edmond de Rothschild (Europe) SA			

Organisation

Business Clusters

- Corporate & Investment Banking
- Depositary Banking
- Payments
- Private Banking
- Retail Banking

Technical Committees

- Accounting
- Banking Supervision
- Digital Strategy
- Financial Markets & Intermediation
- Fiscal Affairs
- Legal Affairs
- Professional Obligations
- Social Affairs
- Sustainability

Forums

- Bank's governance
- Chief Financial Officers
- Cloud Computing
- Compliance
- Consultants & Auditors
- Data Space & AI
- DLT & Blockchain
- FinTech & Innovation
- Law Firms
- Trust and Cybersecurity

Working Groups

Depositary Banking	Depositary Practices UCITS
	Look-through & Control
	Review of CAA Deposit Agreement
	Statistics & Business Intelligence
Depositary Banking	External Asset Managers
	Private Banking Certification
	Investment Firms
	Promotion
	Statistics & Business Intelligence
Retail Banking	AnaCredit Regulation
	Bank Accounts
	Credit Register
	Mortgage & Consumer Credits
	Physical Security
	Real Estate Data
	Statistics & Business Intelligence
	Accessibility requirements for products & services
Corporate Banking	Statistics & Market Intelligence
Banking Supervision	Credit Risk: IRB Approach
	Credit Risk: Standardised Approach
	Large Exposures
	Liquidity Risk Management
	Operational Risk
	Outsourcing Regulation
Digital Strategy	Cloud Computing
	Distributed Ledger Technology & Crypto-Assets
	Financial Data Space
	Trustworthy Artificial Intelligence for Instant Anti-Money Laundering
	Trust and Cybersecurity
Financial Markets & Intermediation	Advisory & Investment Services
	Capital Markets Funding & Securitisation
	Trading
	Market Infrastructures
Fiscal Affairs	Corporate Taxation
	Human Resources Taxation
	Investment Income
	Tax Reporting Standards
	VAT
Legal Affairs	Cooperation Notaries Chamber – ABBL
	Insolvency
	Demand Guarantee
	Working Group on Legal Aspects of Telework
	Fair Consumer Protection Rules
	Inactive Accounts
	Archiving
Professional Obligations	Private Banking
	AML/CFT Handbook
	EU sanctions against Russia
	Bank Accounts Registry (7512)
	Sensibilisation FATF
	Data Protection
	Compliance Expert
Social Affairs	Data Protection & Human Resources
	Diversity, Equity & Inclusion
	Remuneration Policies Requirements
	Study of the Social Situation of the Banking Sector
Sustainability	Corporate Sustainability
	EU Taxonomy and Labels
	Training & Education
Special Working Groups	SEPA

Focus on the Investment Firms Working Group

The ABBL represents the Luxembourg banking center at large including investment firms. This community, which is often associated with the world of private banking but has its own specific characteristics, brings together independent asset managers, family offices, brokers and traders, as well as distributors of investment funds.

Caroline Quéré

Chair of ABBL's Investment Firms Working Group and Administrateur-délégué of Spirit Asset Management SA

Testimony Caroline Quéré

Caroline Quéré, Chair of ABBL's Investment Firms Working Group and Administrateur-délégué of Spirit Asset Management S.A. looks back over the three years of the working group's existence:

Pragmatism, efficiency, and tangible outcomes, all infused with the essence of mutualisation—these were the key elements that gave rise to the formation of the Investment Firms working group in 2021. At that juncture, the realization dawned upon us that our industry faced shared challenges, demanding a departure from informal gatherings. It became imperative to join forces and organize our strategies, amplifying our influence—whether in engagements with our supervisory authority, the CSSF, or negotiations with external service providers for collaborative projects.

In just under three years since our inception, I am confident that we are on the right trajectory. Our endeavors revolve around five key areas:

1. Exchanging best practices:
This includes navigating the implementation of new regulations, such as addressing the issue of collecting and managing clients' ESG preferences. We draw insights not only from our members, which include advisory and law firms and but also benefit from the expertise of ABBL professionals delving into overarching issues. Regular interactions with the ABBL's external asset managers working group also enrich our perspectives.

2. Mutualization projects:
In 2023, we initiated a training cycle for our members in collaboration with an external service provider, securing more favorable terms collectively than we could have individually.

3. Advocacy:
Our collaboration with the CSSF has evolved into well-defined workstreams, establishing us as a recognized and privileged partner.

4. Business intelligence:
We've embarked on collecting data to gain a deeper understanding of our challenges and the distinctive nature of our business.

5. Promotion:
The data gathered feeds into our fifth pillar of activity, enabling us to promote our businesses within the Luxembourg ecosystem and beyond.

In this short span, our group has evolved into a dynamic force, seamlessly integrating expertise, advocacy, and collaboration to fortify the foundation of our industry within and beyond the Luxembourg landscape.

The ABBL team

In addition to some **2,500 banking professionals** who are involved in the ABBL's committees, clusters, working groups and other forums, we have a highly committed team of **36 employees**.

Our team in numbers

At the ABBL, we believe that our talents are the cornerstone of our success. To fulfil the ABBL's mission, knowledge, technical skills and expertise are our most important assets. Therefore, in order to carry out their day-to-day activities, it is essential that our staff feel valued, respected and supported.

36

employees
(as of 31.12.2023)

50%

female employees

429

training hours in total

7

different nationalities

Accounting, Secretariat and Human Resources (from l. to r.): Chloé Farouault, Annick Rollinger, Myriam Sibenaler, Elisângela Furtado.
(missing on the picture: Ghislaine Mercatoris, Sophie Poekes, Perrine Schuler).

Our employment practices

As a co-founder of the Women in Finance Charter, and as a member of IMS, our recruitment policy is based on the principles of diversity, gender equality and inclusion.

Our team members' remuneration is based on the salary grids defined by the banking sector's collective bargaining agreement (CBA) which safeguards equal compensation between genders. We also apply principles of the CBA in determining the compensation of our executive staff.

IT and Facility Management (from l. to r.): Cédric Fonseca, Carlo Fonseca, Paul Ighodalo. (missing on the picture: David De Oliveira, Yazid Neghiche, Piero Ruscitti).

Professional development

At the ABBL, we attach particular importance to training and skills development. Each year, we allocate a dedicated training budget to our staff based on the needs they have identified with their managers during their annual performance review. Our HR department maintains an age pyramid to anticipate employee retirements and thus facilitate the transfer of knowledge and skills.

Glossary

ABBL	Association des Banques et Banquiers Luxembourg
ACA	Association Luxembourgeoise des Assureurs et Ré-assureurs
ADEM	Agence pour le Développement de l'Emploi
AI	Artificial Intelligence
AIFMD	Alternative Investment Fund Managers Directive
ALFI	Association Luxembourgeoise des Fonds d'Investissement
ALRiM	Association Luxembourgeoise des Risk Managers
AML	Anti-Money Laundering
API	Application Programming Interface
ATEL	Association des Trésoriers d'Entreprise Luxembourg
ATM	Automated Teller Machine
AuC	Assets under Custody
AuM	Assets under Management
BCL	Banque Centrale du Luxembourg
CASP	Crypto Asset Service Provider
CCP	European central clearing framework
CDO	Collateralized Debt Obligation
CES	Conseil Economique et Social
CESOP	Central Electronic System Of Payment information
CFT	Countering the Financing of Terrorism
CMCC	Centre de Médiation Civile et Commerciale
CMDI	Bank Crisis Management and Deposit Insurance Framework
CMU	Capital Markets Union
CRF	Cellule de Renseignement Financier

CRS	Common Reporting Standard
CSRD	Corporate Sustainability Reporting Directive
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	Corporate Social Responsability
CSSF	Commission de Surveillance du Secteur Financier
DGS	Deposit Guarantee Scheme
DLT	Distributed Ledger Technology
DORA	Digital Operational Resilience Act
EBA	European Banking Authority
EBF	European Banking Federation
EC	European Commission
ECB	European Central Bank
EIB	European Investment Bank
EMIR	European Market Infrastructure Regulation
EPC	Energy Performance Certificates
ESAs	European Supervisory Associations
ESG	Environmental, Social and Governance Policies
ESMA	European Securities and Markets Authority
FATF	Financial Action Task Force on Money Laundering
FEDIL	Fédération des Dirigeants d'Entreprises Luxembourgeoises
FIDA	Financial Data Access
FISPS	Financial Information Service Providers
FMIC	ABBL's Financial Market & Intermediation Committee
GDP	Gross Domestic Product

GDPR	General Data Protection Regulation
GRI	Global Reporting Initiative
HCPF	Haut Comité de la Place Financière
IBAN	International Bank Account Number
ICT	Information and Communication Technology
ILA	Institut Luxembourgeois des Administrateurs
IMS	Inspiring More Sustainability
INDR	Institut National pour le Développement durable et la Responsabilité sociale des entreprises
IP	Instant Payment
LFF	Luxembourg For Finance
LHoFT	Luxembourg House of FinTechs
LPEA	Luxembourg Private Equity and Venture Capital Association
LSFI	Luxembourg Sustainable Finance Initiative
LTS	Luxembourg Tech School
LuxCMA	Luxembourg Capital Markets Association
MiCA	Markets in Crypto-Assets
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NASO	National Adherence Support Organisation
NAV	Net Asset Value
NBFI	Non-Banking Financial Institutions
NCA	National Controlling Authority
NFC	Near-Field Communication
OECD	Organisation for Economic Co-operation and Development
OTC	Over The Counter
PFS	Professionals of the Financial Sector
PoC	Proof of Concept

PSD	Payment Services Directive
PSP	Payment Service Provider
PSR	Payment Services Regulation
PRB	United Nations Principles for Responsible Banking
R&D	Research and Development
RTS	Regulatory Technical Standards
SASB	Sustainability Accounting Standards Board
SCA	Strong Customer Authentication
SEPA	Single Euro Payment Area
SFDR	Sustainable Finance Disclosure Regulation
SLL	Sustainability-Linked Loans
SME	Small and Medium sized Companies
SNCI	Société Nationale de Crédit et d'Investissement
SnT	Centre for Security, Reliability and Trust
TRACE	Treaty Relief and Compliance Enhancements
UEL	Union des Entreprises Luxembourgeoises
VAT	Value Added Tax

Interested in becoming an ABBL member?

Contact

Association des Banques et Banquiers, Luxembourg
12, Rue Erasme
L-1468 Luxembourg
+352 46 36 60 - 1
mail@abbl.lu