



# ATLAS

BY BNP PARIBAS

## CASH MANAGEMENT

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With a population of 0.680 million and a forecasted GDP of \$96bn in 2025, Luxembourg is a very small but extremely open high-income economy, underpinned by a powerhouse financial sector and large gross external asset position. In 2023 Luxembourg's net international investment position stood at around 33.8% of GDP, down from about 47% in 2022 but remaining strongly positive and well in excess of levels typical for its size; CA surpluses continue to feed into its external buffer.

Public debt remains very low, at approximately 25.8% of GDP in 2023—well below peers such as Belgium (~105%) and the Netherlands (~46%). Net government debt was actually negative in 2023, reflecting strong fiscal balances.

Luxembourg's fiscal posture is sound and has benefited from sustained current-account surpluses and robust budget discipline. The country has a strong record of attracting foreign capital, though recent international tax reforms (OECD BEPS, US TCJA) have gradually eroded some competitive tax advantages, but without undermining its role as a financial centre.

Challenges include the global regulatory tightening, dependency of its NIIP growth on intra-group financial flows rather than on broad real-economy investment, and demographic ageing. Medium-term growth is expected to remain stable albeit moderate, with fiscal credibility and diversification across services cushioning volatility.

## Summary

## BNP Paribas presence

BNP Paribas BGL is a market leader in Luxembourg with 4,000 employees locally, a substantial business centre and direct market clearing access. BNP Paribas provides full service capabilities for retail and institutional customers across all major business lines, including cash management, trade finance and FX & interest rate hedging.

## Currency

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- Luxembourg uses the euro (EUR).

## Exchange rates

	2015	2016	2017	2018	2019	2020
Exchange rate EUR per USD	0.9017	0.9040	0.8873	0.847	0.893	0.88

Source: IMF, International Financial Statistics, July 2021.

## Central Bank

- Luxembourg's central bank is the Banque Centrale du Luxembourg (BCL – [www.bcl.lu](http://www.bcl.lu)).
- The Banque Centrale du Luxembourg is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – [www.ecb.europa.eu](http://www.ecb.europa.eu)).

### Bank Supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as 'significant' under the terms of the SSM (115 significant banking groups have been recognized to date). 'Less significant' banks will continue to be supervised by the national supervisory authority, i.e. the Financial Sector Supervisory Authority (Commission de Surveillance du Secteur Financier (CSSF) – [www.cssf.lu](http://www.cssf.lu)).

## Bank accounts

## Resident / non-resident status

- A company is generally considered resident in Luxembourg if its place of effective management or legally registered office is located there.

## Bank accounts for resident entities

	Within LUXEMBOURG	Outside LUXEMBOURG
Local Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
Foreign Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible

## Bank accounts for non-resident entities

	Within LUXEMBOURG	Outside LUXEMBOURG
Local Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
Foreign Currency	Permitted without restriction, fully convertible	Not applicable

## Lifting fees

- Lifting fees are applied on payments between resident and non-resident accounts.

## Factoring

## Legal framework

Luxembourg is serviced from Belgium.

Please consult the Belgian pages.

## BNP Paribas Cash Management Capabilities



## Collections

Cash collections	✓
Cheque collections	✓
Direct debit collections	✓
Domestic incoming transfers	✓
Virtual IBAN	✓
Virtual accounts	●
International incoming transfers	✓
Card acquiring	✓

## Payments

Cash withdrawals	✓
Cheque payments	✓
Direct debit payments	✓
Domestic outgoing transfers	✓
Commercial cards	●
Virtual cards	✓
International outgoing transfers	✓
SWIFT gpi	✓
Real-time international payments through BNP Paribas' network	●

Card issuing	✓
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## Channels

Local e-Banking	✓
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

## Payments & collections

## Market overview

Electronic credit transfers remain the most popular payment method for business-to-business payments, representing 99% of cashless payment values in Luxembourg. Card payments, using both credit and debit cards, are widely used by consumers for low-value payments. The use of other electronic payment channels is increasing, with both mobile and internet banking growing in popularity. The Digicash by Payconiq mobile wallet is used by over 25% of the population of Luxembourg.

Electronic banking services are available from all banks. Domestic companies primarily use MultiLine. MultiLine supports the EBICS (Electronic Banking Internet Communication Standard). Electronic invoicing is also available: Saferpay is an e-payment solution which enables secure online retail purchases and bill payments. Larger companies have access to SWIFT for Corporates.

All the country's leading commercial banks provide online and mobile banking services. Online and mobile banking services are available and widely used.

## Payment Systems

TARGET 2-LU	TYPE	<ul style="list-style-type: none"> <li>• Real-time gross settlement.</li> <li>• Luxembourg's component of the pan-European <a href="#">TARGET2</a> system.</li> </ul>
	PARTICIPANTS	<ul style="list-style-type: none"> <li>• 34 direct, 25 indirect.</li> </ul>
	TRANSACTION TYPES PROCESSED	<ul style="list-style-type: none"> <li>• High-value and urgent EUR-denominated domestic and cross-border credit transfers.</li> <li>• Net obligations from the STEP2 payment system.</li> </ul>
	OPERATING HOURS	<ul style="list-style-type: none"> <li>• 07:00-18:00 CET, Monday to Friday.</li> </ul>
	CLEARING CYCLE DETAILS (eg cut-off times)	<ul style="list-style-type: none"> <li>• Payments are cleared and settled in real time.</li> <li>• Customer payment cut-off time = 17:00 CET.</li> <li>• Interbank payment cut-off time = 18:00 CET.</li> </ul>
	SYSTEM HOLIDAYS	<ul style="list-style-type: none"> <li>• <a href="#">TARGET2</a> is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.</li> </ul>
STEP 2	TYPE	<ul style="list-style-type: none"> <li>• Multilateral <a href="#">net settlement system</a>.</li> </ul>
	PARTICIPANTS	<ul style="list-style-type: none"> <li>• 8 direct.</li> </ul>
	TRANSACTION TYPES PROCESSED	<ul style="list-style-type: none"> <li>• SEPA payments (credit transfers and direct debits), both domestic and cross-border.</li> </ul>
	OPERATING HOURS	<ul style="list-style-type: none"> <li>• 24 hours a day, Monday to Friday.</li> </ul>
	CLEARING CYCLE DETAILS (eg cut-off times)	<ul style="list-style-type: none"> <li>• Payments are cleared and settled in batches.</li> <li>• SCTs. Cut-off time = 16:00 CET for same-day settlement.</li> <li>• SCTs. Cut-off time = 21:00 CET for overnight settlement.</li> <li>• SCTs. Cut-off time = 01:00 CET for next-day settlement.</li> <li>• Consumer (CORE) SDDs. Cut-off time = 11:00 CET for same-day settlement.</li> <li>• B2B SDDs. Cut-off time = 12:00 CET for same-day settlement.</li> </ul>
	SYSTEM HOLIDAYS	<ul style="list-style-type: none"> <li>• STEP2 is closed on all <a href="#">TARGET2</a> holidays.</li> <li>• <a href="#">TARGET2</a> is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.</li> </ul>

## Credit transfers



- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments. They are also used to make benefit payments and interbank payments.
- SEPA credit transfers can be settled via STEP2 or correspondent banking networks.
- Approximately 66 banks in Luxembourg participate in the SEPA credit transfer scheme.
- Banque Raiffeisen's incoming and outgoing domestic and cross-border SCTs are processed by the Netherlands-registered company, Equens SE.
- High-value and urgent EUR-denominated domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-LU.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association's EURO1 system. Seven banks in Luxembourg participate directly in EURO1.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad and/or bank branch networks.
- In November 2017, the European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) went live across all SEPA countries. The scheme enables the transfer of funds (the maximum threshold value for SCT Insts is EUR 100,000, as of July 2020) to another account in less than ten seconds. There are seven SCT Inst participants in Luxembourg at present.
- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

## Direct debits

- Direct debits are used for regular payments, such as utility bills.
- SEPA CORE and B2B direct debit schemes can be settled on a same-day basis via STEP2. There are 30 Core SDD participants and 19 B2B SDD.
- Cross-border SEPA direct debits can be processed via STEP2 or Switzerland's SIX Payment Services (which works together with the Swiss Euro Clearing Bank (SECB)).

## Cheques

- Cheques are rarely used in Luxembourg.
- Cheques are cleared and settled bilaterally between banks.

## Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were 1 million debit cards and 2.0 million credit cards in circulation at the end of 2019.
- Visa and MasterCard-branded payment cards are the most widely issued.
- American Express and Diners Club credit cards are also available.
- Card payments are settled via Switzerland's SIX.
- Contactless card technology is available in Luxembourg.

## ATM/POS

- There were 595 ATMs in Luxembourg at the end of 2019.
- There were 16,740 EFTPOS terminals in Luxembourg at the end of 2019.
- All payments are settled via SIX.
- All ATMs and POS terminals are EMV-compliant.

## Electronic wallet

- Paysafecard is an online pre-paid payment method. The paysafecard is credited using paysafecard PINs and is not linked to bank accounts. Customers can combine paysafecard PINs with an online account.
- The Digicash mobile payment app is offered by Luxembourg's leading banks and used by over 25% of the population.

## Short term investments

## Market overview

### Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents.

### Demand deposits

- Interest-bearing demand deposits are permitted for residents and non-residents.

### **Time deposits**

- Time deposits are available in EUR or major foreign currencies with terms ranging from one week to one year.

### **Certificates of deposit**

- Domestic banks issue certificates of deposit with terms ranging from overnight to 12 months.

### **Treasury (government) bills**

- Luxembourg's government does not issue Treasury bills.

### **Commercial paper**

- Domestic commercial paper is issued by companies and public authorities with terms ranging from overnight to 12 months.

### **Money market funds**

- Domestic money market funds, SICAVs (*société d'investissement à capital variable*), are popular short-term investment instruments.
- SICAVs are open-ended investment funds.

### **Repurchase agreements**



- Repurchase agreements are commonly available in Luxembourg.

### **Banker's acceptances**

- Banker's acceptances are not used in Luxembourg.

BNP Paribas Trade Finance Capabilities




## **Trade payments**

Documentary credits	
Documentary collections	

## Guarantees

Bank guarantees	
Standby letters of credit	

## Supply chain management

Receivables	
Payables	
Inventory	

## Trade channels

Connexis Trade	
Connexis Supply Chain	
SWIFTNet Trade for Corporates	
Connexis Connect	
Connexis Guarantee	
SWIFTnet Supply Chain	

- BNP Paribas BGL's Global Trade Solutions (GTS) team comprises a local trade manager supported by a middle office team of 10 trade finance experts. In addition to the bank's integrated export and import offering (e.g. documentary credits, collections and international guarantees) supported by the bank's global processing platforms, GTS also provides corporate clients with innovative supply chain management solutions.

## International trade

### General trade rules

- As a member of the EU, Luxembourg follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

### Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay and the USA.
- The EU-UK Trade and Cooperation Agreement came into force on 1 May 2021.

### Imports / exports

Imports	Commercial aircraft	Cars	Refined oil	Scrap iron	Broadcasting equipment
Primary Import sources	Belgium (27%)	Germany (24%)	France (11%)	Netherlands (5%)	
Exports	Broadcasting equipment	Iron and iron products	Cars	Clothing and apparel	

Export markets	Germany (23%)	France (13%)	Belgium (12%)	Netherlands (6%)	Italy (5%)
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## Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	19,742	21,845	23,472	23,017	26,280
	- services USD m	97,872	104,626	112,639	110,578	110,806
Imports	- goods USD m	22,030	23,772	25,555	24,251	23,502
	- services USD m	74,641	79,252	84,723	84,040	86,599
Current account as % GDP		5.1	5.2	4.7	4.3	4.1

Source: IMF, International Financial Statistics, July 2021.





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