



BANQUE CENTRALE DU LUXEMBOURG

EUROSYSTEME

# Infrastructures for Managing Liquidity and Liquidity Risks: An Introduction to the Luxembourg Infrastructures Landscape



# Agenda

- The Banque centrale du Luxembourg;
- The Luxembourg securities processing infrastructure;
  - The Luxembourg Stock Exchange;
  - Clearstream Banking Luxembourg;
  - LuxCSD, a new central securities depository;
- Forms of issuance;
  - Forms of issuance in the ICSDs;
  - Forms of issuance in LuxCSD;
  - Why the issuance form matters;
- BcL recommendation and proposal.

# The Banque centrale du Luxembourg

The BCL, is governed by its organic law dated 23 December 1998.

- It is a member of the Eurosystem, which groups together the ECB and the NCBs of the 17 countries which have adopted the euro;
- BCL's main task is to contribute to the fulfilment of the ESCB's missions as defined in the Treaty on European Union:
  - to define and implement the monetary policy of the Community;
  - to conduct foreign exchange operations consistent with the provisions of Article 219 of the Treaty;
  - to hold and manage the official foreign reserves of the Member States;
  - to promote the smooth operation of payment systems.

# The Luxembourg securities processing infrastructure

Luxembourg is one of the most important securities processing centers in Europe with a recognized expertise in particular with regards to the processing of international debt securities and investment funds.

We will detail three main infrastructures which support the processing of Shari'ah compliant securities:

- The Luxembourg Stock Exchange;
- Clearstream Banking;
- LuxCSD

# The Luxembourg Stock Exchange

- Leading position in the listing of international debt securities with a 42.5% market share;
- Serves over 3'400 issuers from 102 different jurisdictions;
- Also covers Investment funds with close to 7'300 funds listed from 518 different issuers;
- First European Exchange to list a Sukuk in 2002. End 2009, 16 Sukuks, including issuers from Malaysia, Pakistan, Saudi Arabia or the United Arab Emirates, were listed and traded at the Luxembourg Stock Exchange;
- It also lists a growing number of islamic investment funds.

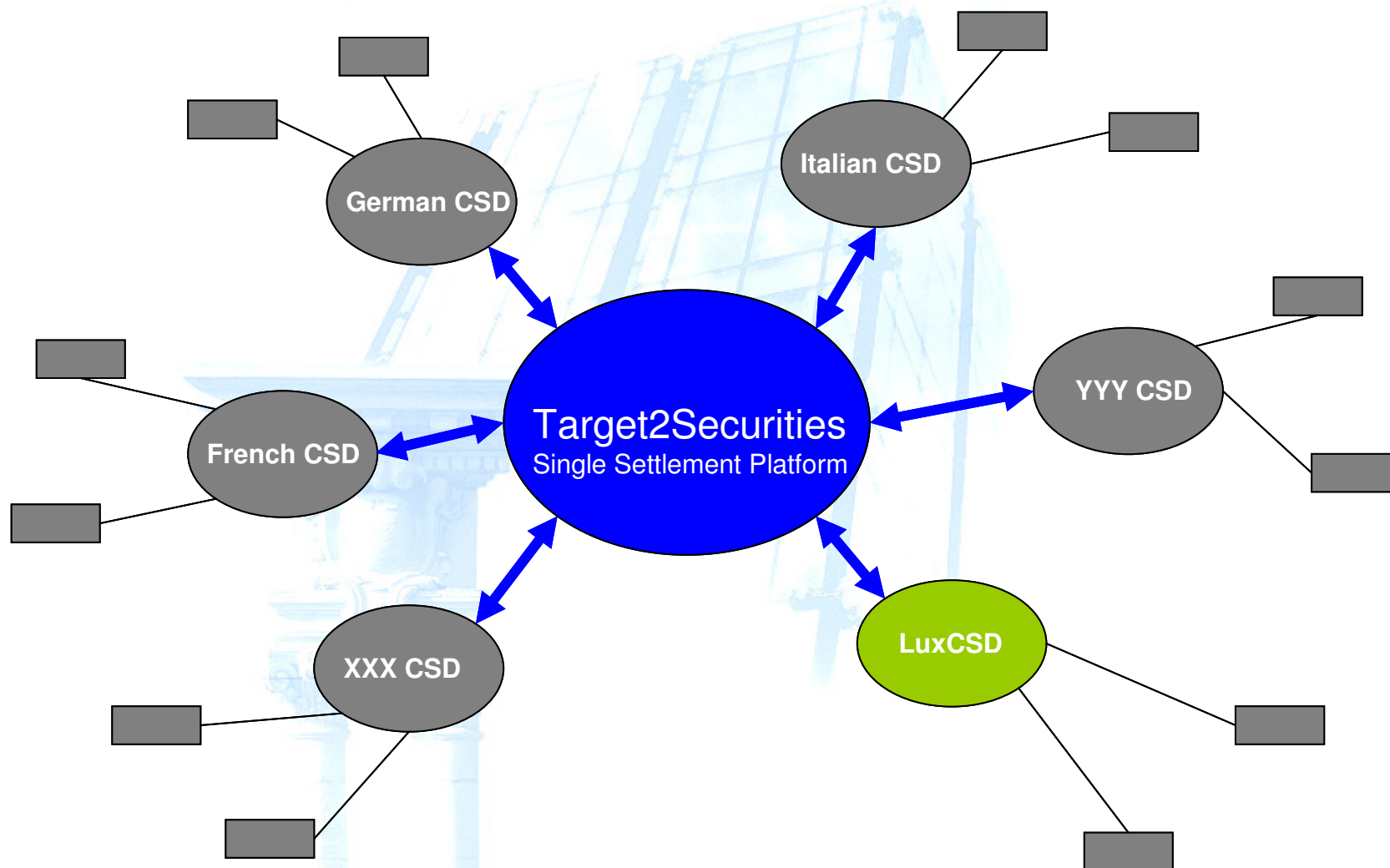
# Clearstream Banking Luxembourg

- One of the two International Central Securities Depository (ICSD);
- Covers the Eurobonds market and 51 domestic markets;
- Provides services to over 2'500 financial market participants from 110 different countries;
- Allows settlement against counterparties in Euroclear, the other ICSD, through an electronic bridge;
- Provides settlement in commercial bank money only.

# LuxCSD

- A new Central Securities Depository for Luxembourg;
- Incorporated jointly by the BcL and Clearstream Banking;
- Participants: Banks and Issuing agents but not limited to Luxembourg based companies;
- Customer reach: will provide access to other LuxCSD counterparties, but also ICSD's and at a later stage Target2Securities counterparties;
- LuxCSD will provide:
  - Settlement in Central Bank Money (CeBM);
  - A point of access to the Eurosystem Target2Securities.

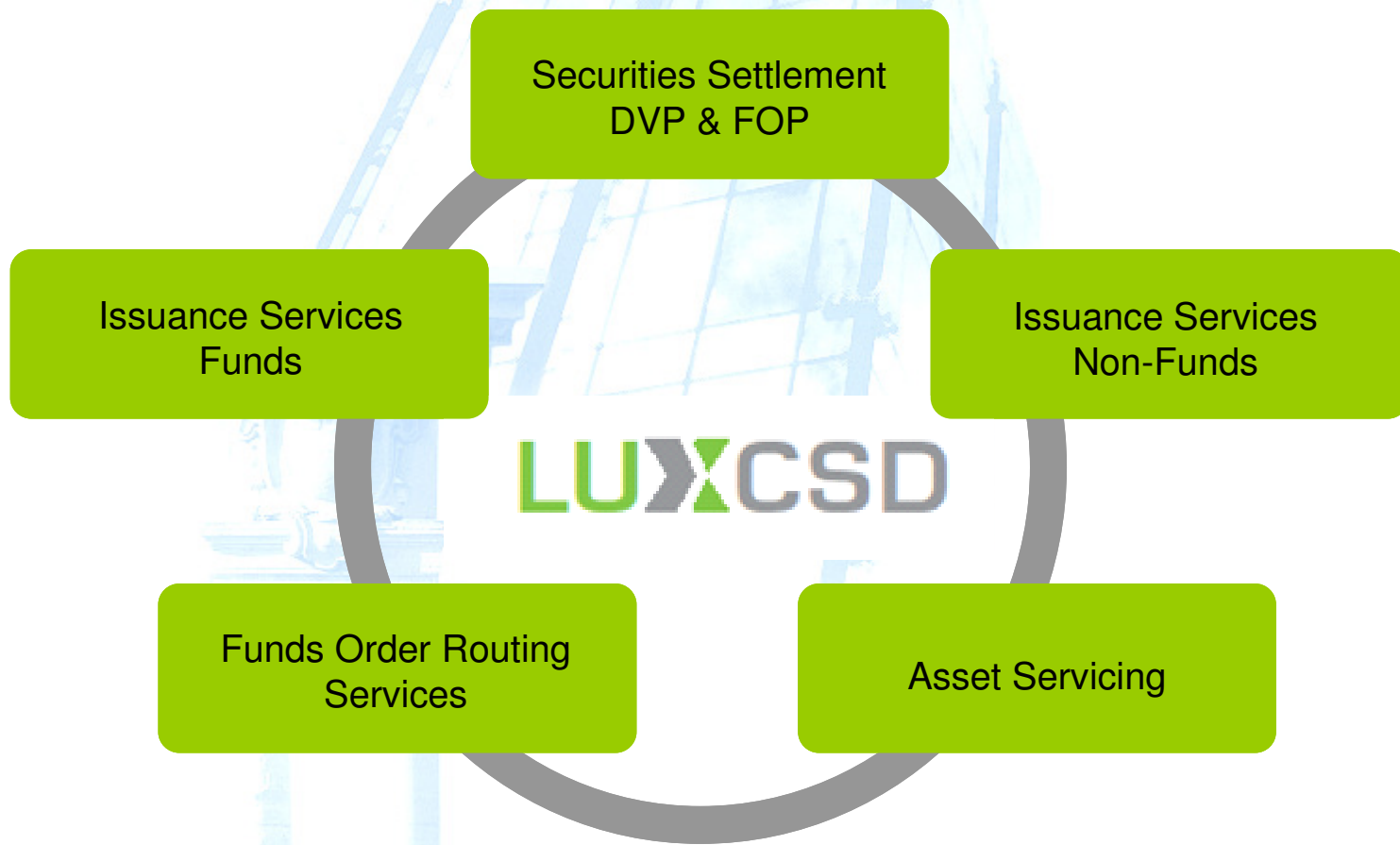
# LuxCSD





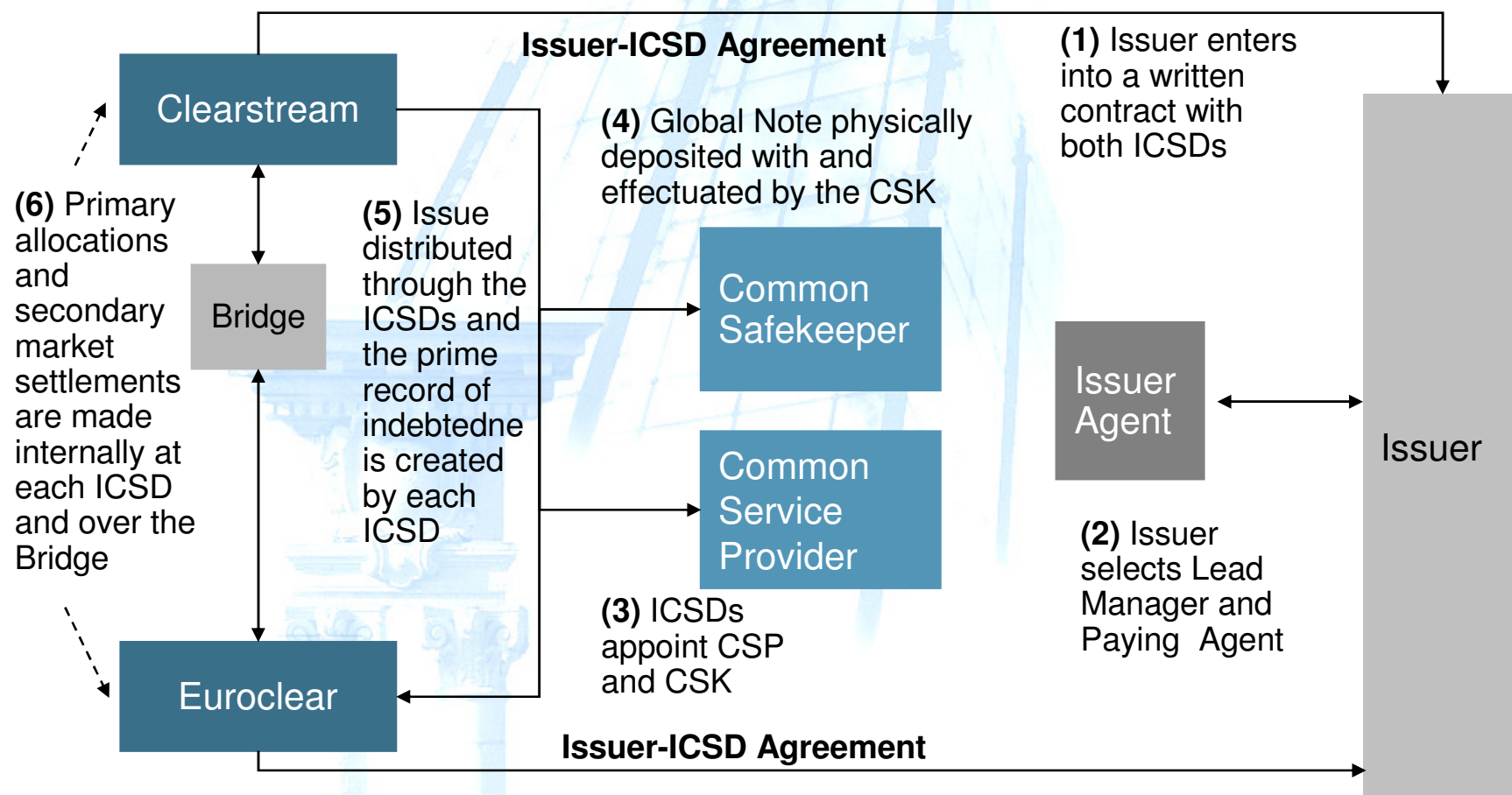
# LuxCSD

## ■ Scope of Services:



# Forms of Issuance in the ICSDs

## International Securities in 'New Global Note' form



Note: since 2007, issuers who want their debt to qualify as eligible collateral in the Eurosystem must issue in NGN form.

# Forms of Issuance in LuxCSD

## Issuance in LuxCSD:

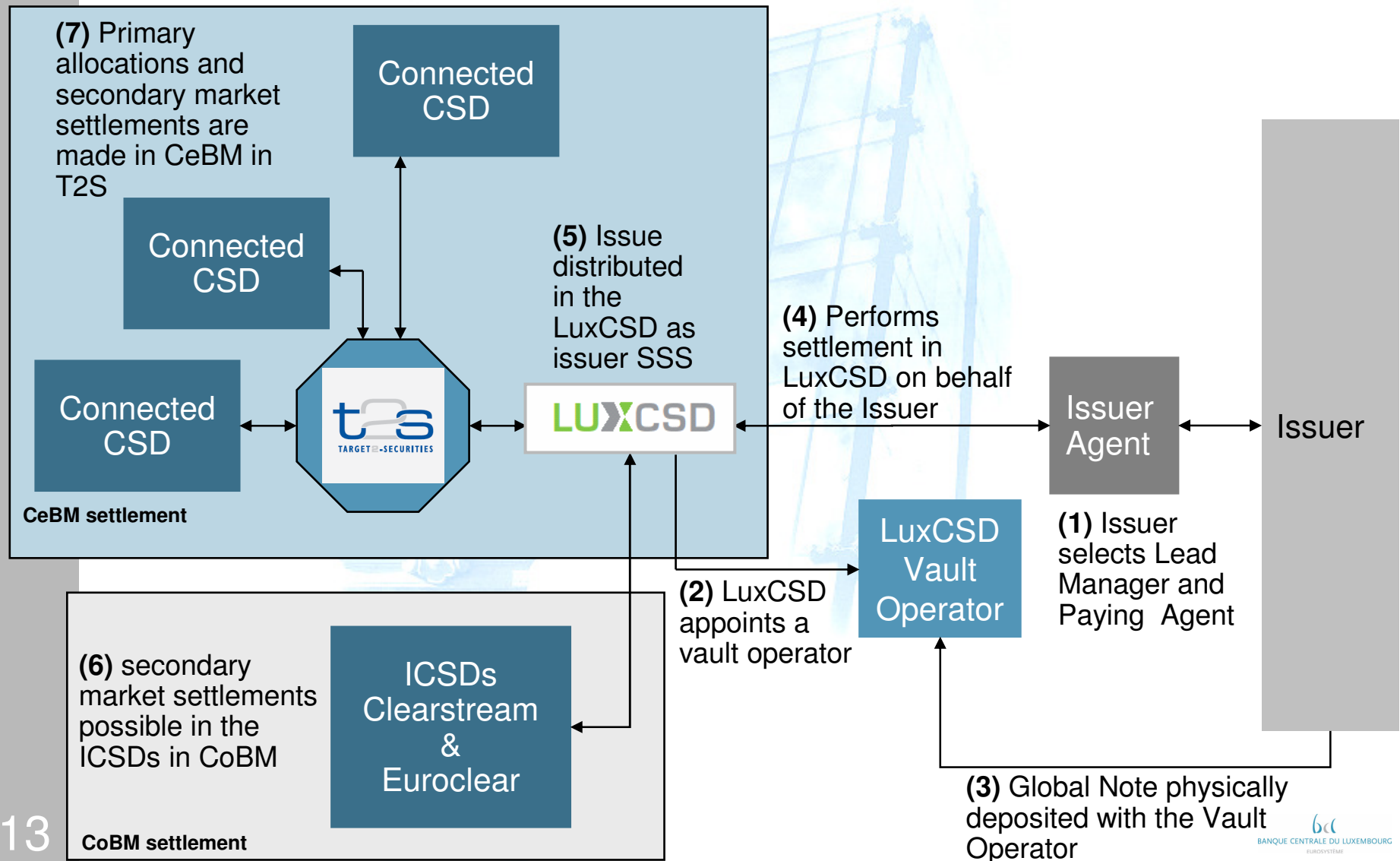
- LuxCSD is built in parallel to the ICSDs mechanisms and benefits from their experience, safety and reach;
- LuxCSD is however mainly focused on providing Central Bank Money (CeBM) settlement (in TARGET2 for EUR);
- LuxCSD will allow to reach:
  - Other customers of LuxCSD (banks, investment funds,...);
  - Customers from the ICSD's;
  - Customers having an account in any of the other CSDs linked to Target2Securities.

# Forms of Issuance in LuxCSD

## Issuance in LuxCSD:

- LuxCSD will support:
  - The issuance of LuxCSD global notes (LGN's) in a very comparable framework as NGN's. (in which case the BCL could act as “vault operator” for LuxCSD);
  - Other forms of issuance depending on the evolution of the Luxembourg legal framework (dematerialised issues).

# Forms of Issuance in LuxCSD



# Forms of Issuance

## Why the issuance form matters

- For a market to develop, there is the need to bring issuer and investor in an environment whose level of risk they can properly assessed.
- The second requirement is that an issuer can easily reach its targeted investor base.
- For these reasons, safe market infrastructures with global reach are essential.

# Conclusion

Going forward, issuing securities through LuxCSD as it will allow to:

- Rely on a robust infrastructure;
- Maximise customer reach;
- Reduce risk by enjoying central bank money settlement.

LuxCSD and the Luxembourg market in general are best placed to support the issuance and wide distribution of Shariah compliant instruments.