

## Luxembourg : A global hub for Islamic finance



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The Grand Duchy of Luxembourg benefits from a long history in Islamic finance when in 1978 Luxembourg became the first country in Europe to license an Islamic financial institution. Since then, all required legal, tax and regulatory structures have been put in place to enable Luxembourg to become a major European hub for Islamic finance and to position itself as the key center of choice for Shariah compliant investment funds in Europe.

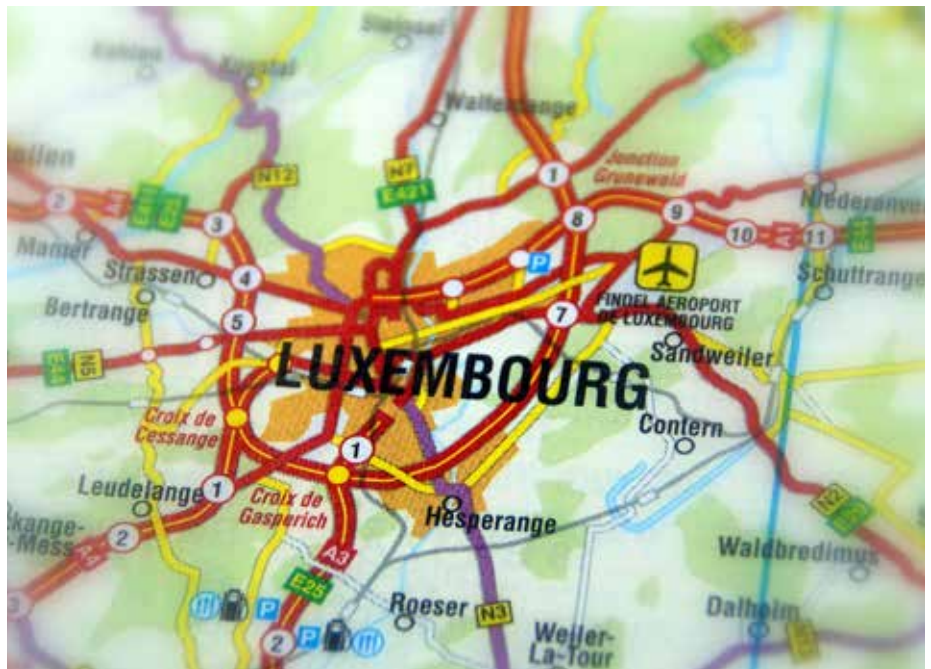
### Leading Islamic fund center in the EU

Luxembourg offers a large variety of attractive fund structures for Shariah compliant investment vehicles. For that reason, it has become the world's leading non-Muslim domicile for Islamic investment funds with more than 49 Shariah funds.

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The majority of funds domiciled in Luxembourg are UCITS [Undertakings for the Collective Investment in Transferable Securities] funds, that are allowed to market their shares freely in all EU member states and are accepted in many non-European countries, particularly Asia, Latin America and increasingly in the Middle East. This flexibility makes Luxembourg the ideal location for the domiciliation of Shariah compliant funds intended for international distribution to retail or institutional investors.

In addition, more flexible structures such as the specialized investment fund (or SIF) or the reserved alternative investment fund (or RAIF), which allows



for a wide variety of different investment strategies, can be used for Shariah compliant private equity, property or other alternative investment schemes mainly aimed at institutional or high-net-worth investors.

As with conventional finance, Islamic finance benefits from Luxembourg's unique and stable legal and tax regime and efficiency for investment vehicles. The Grand Duchy's legal and regulatory framework offers a wide choice of tailor-made products that meet the needs of the different investment markets and the requirements of Islamic finance.

### First eurozone stock exchange to list Sukuk

Luxembourg has also become a high-profile location for Sukuk having successfully attracted a number of sovereign issuers including Pakistan, Malaysia and South Africa. In 2002, the Luxembourg Stock Exchange (LuxSE) became the first eurozone exchange to list Sukuk.

Since that listing, it has become one of the most prominent centers for Shariah compliant securities in Europe with 21 Sukuk listed on the LuxSE, representing almost EUR8 billion (US\$9.45 billion) raised through Sukuk since 2002.

Along with the tax advantages that Luxembourg offers for Sukuk,

Murabahah and Ijarah agreements, issuers of Sukuk also benefit from the large flexibility and efficiency of the listing process of the LuxSE (especially when listing on the Euro MTF).

In addition to the aforementioned conventional investment fund structures, Luxembourg also offers the means to set up securitization vehicles, which are considered the most suitable vehicle for Sukuk issuances.

The Luxembourg securitization law dated the 22<sup>nd</sup> March 2004, as amended (the 'Securitisation Law'), has proved to be particularly beneficial for the creation of innovative Sukuk structures due to the nature of these instruments and the flexibility of the vehicle.

It is also worth mentioning that the recently contemplated update of the Securitisation Law by the Luxembourg draft law 7825 dated the 21<sup>st</sup> May 2021 will further enhance the attractiveness of Luxembourg securitization vehicles for the issuance of Sukuk. ☺

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