



# 10 REASONS TO CHOOSE LUXEMBOURG FOR YOUR FUND FINANCING ACTIVITIES

February 2026

Luxembourg has emerged as a premier hub for fund finance in Europe, offering a legal and operational ecosystem that enables complex structuring and credit solutions for investment funds. Supported by an alternative investment fund ecosystem with nearly EUR 3 trillion in assets under management, Luxembourg provides one of the broadest and most active borrower bases in the global fund finance market, where regulatory alignment, operational expertise, and sophisticated fund structuring create a uniquely efficient environment for both lenders and fund managers.

We highlight ten key reasons why Luxembourg is the choice for your fund financing activities.

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## 1. Major global financial centre

Luxembourg is the world's second-largest alternative investment fund centre and the largest in Europe. It serves as a key hub for private equity, real estate, infrastructure and debt funds, which are the primary users of fund finance facilities. This concentration fosters a vibrant fund finance ecosystem, characterised by strong demand and substantial capacity, making Luxembourg an attractive destination for both lenders and borrowers.

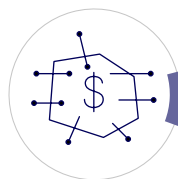
The EU's CRD VI rules further reinforce Luxembourg's position as a pan-European hub for fund finance. By restricting non-EU banks from lending cross-border into the EU without an authorised platform, CRD VI is concentrating activity in established EU financial centres, allowing Luxembourg to benefit from its mature ecosystem and regulatory alignment.



## 2. Legal certainty for financing

Luxembourg law provides predictable and creditor-friendly security arrangements, including pledge structures over bank accounts, receivables, and partnership interests, which facilitate the structuring and origination of fund financing. Enforcement can take place without court intervention, and the courts tend to adhere strictly to the letter of the law.

The Luxembourg Law of 5 August 2005 on Financial Collateral Arrangements is central to this framework, as it enables quick and efficient collateral enforcement, making Luxembourg a highly attractive jurisdiction for lenders.



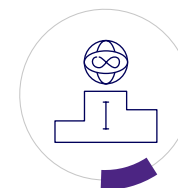
## 3. Cross-border finance hub

As a cross-border finance hub, Luxembourg maintains strong links with major financial centres such as London, New York and Frankfurt. These connections support the exchange of knowledge and best practices in fund finance and help to minimise the legal and operational frictions that may be encountered in typical cross-border operations.



## 4. Deep pool of expertise

Luxembourg is home to a large number of specialist fund administrators, lawyers, banks and advisory firms experienced in fund financing transactions, ensuring it has the capacity to address the growing complexity and liquidity needs of the market. The ALFI Fund Finance sub-committee, which brings together a range of stakeholders, meets regularly to develop best practices. For example, they discussed how Luxembourg law can be applied in fund finance transactions.



## 5. Leader in sustainability

Luxembourg is at the forefront of green finance and Environmental, Social and Governance (ESG) initiatives, which are playing an increasingly important role in shaping fund financing structures and investor preferences.

From a broader perspective, the Luxembourg Stock Exchange is the leading platform for green finance globally.



## 6. Pragmatic regulatory framework

Luxembourg takes pride in its flexible and transparent legal framework for structuring and operating investment funds. A key element of this framework is the well-established relationship between the authorities and the investment industry, which work together to design an efficient, first-class operating environment that enables a very quick time-to-market for major investment fund players.

This is further supported by the longstanding, trusted relationships between the Luxembourg supervisory authority (CSSF) and its counterparts from other countries. The CSSF is accessible and multilingual – accepting applications and all communications in English, French and German via e-filing – and maintains dedicated teams of professionals specialising in the alternative investment sector.



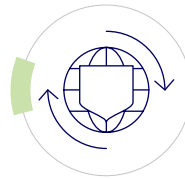
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## 7. Transparent and predictable tax environment

Asset managers can rely on Luxembourg's reputation for its stable tax environment, which offers:

- tax-neutral fund vehicles;
- full access to EU tax directives;
- full support for and participation in OECD tax initiatives (Luxembourg was an early adopter of the Common Reporting Standard);
- a network of double tax treaties focusing on key target jurisdictions for alternative asset managers;
- the lowest VAT rate in the EU, alongside comprehensive VAT exemptions for management services;
- an attractive individual tax regime for qualifying senior expatriate employees; and
- protection of EU fundamental rights and freedoms under the supervision of the Court of Justice of the EU.

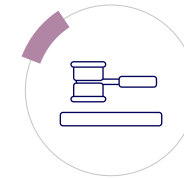


## 8. Trusted ecosystem

With over 30 years of experience in supporting and servicing funds, Luxembourg offers unmatched expertise in helping funds navigate the complexities of European financial market rules and regulations, including CRD VI and AIFMD 2.0 requirements.

Its robust ecosystem of fund administrators, depositaries, and financial and tax reporting providers enables asset managers to rely on trusted partners and focus on value creation.

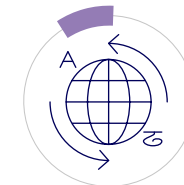
Fund financing solutions complement this established ecosystem, creating operational synergies and enhancing efficiency for borrowers. Today, Luxembourg is the leading fund jurisdiction in the EU, hosting 18 of the top 20 private equity houses as a prime example.



## 9. Stable jurisdiction

Asset managers value certainty and predictability. In this respect, Luxembourg:

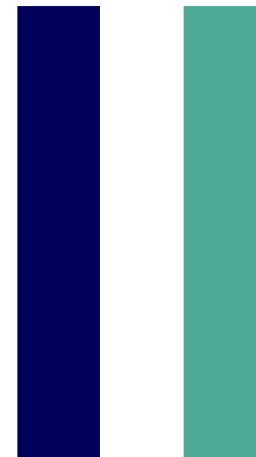
- is a founding EU Member State with sound public finances and fiscal stability;
- holds a AAA credit rating;
- enjoys strong political commitment and support for its development as a leading alternative fund centre;
- has an influential investment fund industry association (ALFI), which collaborates with various industry bodies to foster the growth of alternative investments in the country; and
- offers excellent public and cultural infrastructure, high-quality social services, and a low crime rate.



## 10. International and multilingual environment

As a central European hub, Luxembourg has a proven track record of attracting highly educated talent from neighbouring countries, across the EU, and worldwide. The country is home to more than 180 nationalities, with a wide variety of languages spoken.

Around 52,000 professionals are employed across the financial services sector, including 304 management companies, 968 authorised and registered AIFMs, and 117 banks.



## About ALFI

Founded in 1988, the **Association of the Luxembourg Fund Industry (ALFI)** represents the face and voice of the Luxembourg investment management community, championing sustainable investing, mainstream and private assets.

Our mission is to lead industry efforts to provide solutions and make Luxembourg the most innovative international investment fund centre, facilitate the transition towards more sustainable economies globally and empower investors to meet their goals.

The Association today represents over 1400 Luxembourg-domiciled investment funds, asset management companies and a wide range of business that serve the sector. Our members are investment funds, management companies, asset managers, alternative investment fund managers (AIFMs), depositary banks, legal and consultancy firms, tax advisory firms, auditors and accountants, specialised IT and communication companies and individual members.

Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment funds are distributed in more than 70 countries around the world.

ALFI's main objectives are to:

### Help members capitalise on industry trends

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ALFI's many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond, to identify threats and opportunities for the Luxembourg fund industry.

### Shape regulation

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An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg's competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision making through relevant input for changes to the regulatory framework, implementation of European directives and regulation of new products or services.

### Foster dedication to professional standards, integrity and quality

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Investor trust is essential for success in collective investment services and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organising training at all levels, defining codes of conduct, transparency and good corporate governance, and supporting initiatives to combat money laundering.

### Promote the Luxembourg investment fund industry

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ALFI actively promotes the Luxembourg investment fund industry, its products and its services. It represents the sector in financial and in economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry. ALFI is an active member of the European Fund and Asset Management Association, of the European Federation for Retirement and of the International Investment Funds Association.

To keep up with all the news from ALFI and the fund industry in Luxembourg, follow us on [LinkedIn](#), [YouTube](#) and [Flickr](#).

For more information visit [www.alfi.lu](http://www.alfi.lu)

