



# **Luxembourg Capital Markets Landscape for Debt instruments**

**by LuxCMA Infrastructure Working Group**

**NOVEMBER 2021**

## Introduction

### Why Luxembourg Capital Markets?

Luxembourg is widely recognized as a major player in international debt capital markets, with a sound market infrastructure, a responsive regulator and an unrivalled economic stability.

Several elements have contributed to this success, including its strategic and successful position in the primary market, offering a high quality and streamlined listing process which enabled Luxembourg to become the global leader on international securities listings. Likewise, its strong presence in the post-trade segment, including advanced settlement & securities services, secured for Luxembourg a place of choice on the global stage.

Nowadays, capital markets are evolving fast, and Luxembourg main financial actors adapt to such changes very efficiently. Luxembourg-based market infrastructures, including its stock exchange, (I)CSDs and issuance platform, are investing heavily in innovation, digitalization and straight-through processing, in order to always provide solutions which combine the most disruptive technology with the ever more stringent regulatory and security as well as performance requirements that the market needs.

Luxembourg is also investing massively in sustainable finance, positioning itself at the forefront of environmental challenges and offering concrete solutions with socially responsible benefits. Thanks to this strong will, Luxembourg is today the natural choice for international sustainable finance and provides the world's first platform entirely dedicated to green, social and sustainable securities.

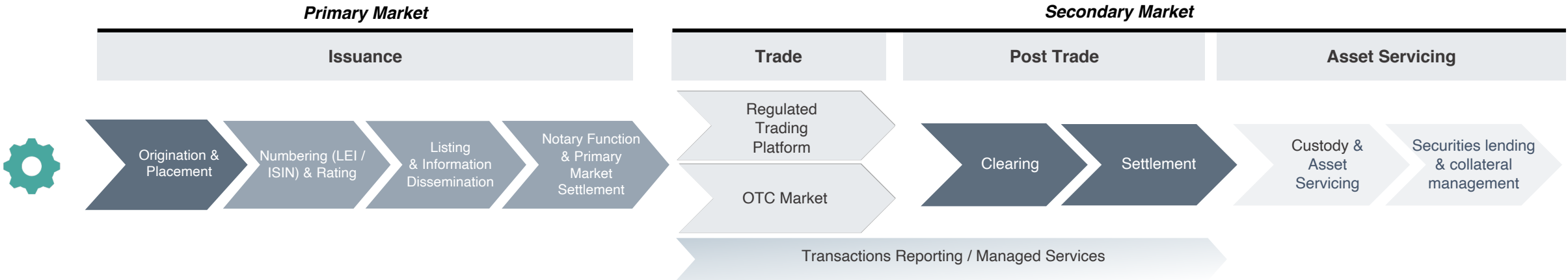
### Why this LuxCMA report?

The Luxembourg Capital Markets Association (LuxCMA) intends to provide a global overview of its current ecosystem in terms of key stakeholders as well as business processes.

The present report aims to focus on the primary markets' key players, capabilities and business activities related to (international) debt instruments (including a section dedicated to the display of green, social and sustainability bonds). We will guide you step by step through the different actions and entities involved from the issuance, origination and syndication of a new security as well as the listing, admission to trading and eligibility with the financial market infrastructures.

The report seeks to help issuers and financial institutions to assess and understand the different components of the Luxembourg primary market value chain with a comprehensive review of each of the related main activities and key stakeholders.

# Luxembourg Capital Markets Landscape



- Intl / Local Issuers
- Issuer Agents
- Investment Banks
- Law Firms
- Issuance Platforms (e.g. eppf)
- CBL / LuxCSD
- Intl / Local Issuers
- Investment Banks
- Law Firms
- Rating Agency
- CSSF (if Regulated Market)
- LuxSE
- Issuance Platforms (e.g. eppf)
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- National Competent Authority (CSSF)
- Issuance Platforms (e.g. eppf)
- CBL / LuxCSD
- Common Depositories
- LuxCSD Principal Agents
- National Competent Authority (CSSF)

- LuxSE Regulated Market
- Trading Members
- Liquidity Providers
- OTC Trading platforms
- Brokers

- LCH and Clearing Members
- REGIS-TR
- CBL / LuxCSD
- Access to T2S
- BCL / ECB
- Settlement Agents

- CBL / LuxCSD
- Common Depositories
- Custodians
- Issuer Paying Agents
- LuxCSD Principal Agents

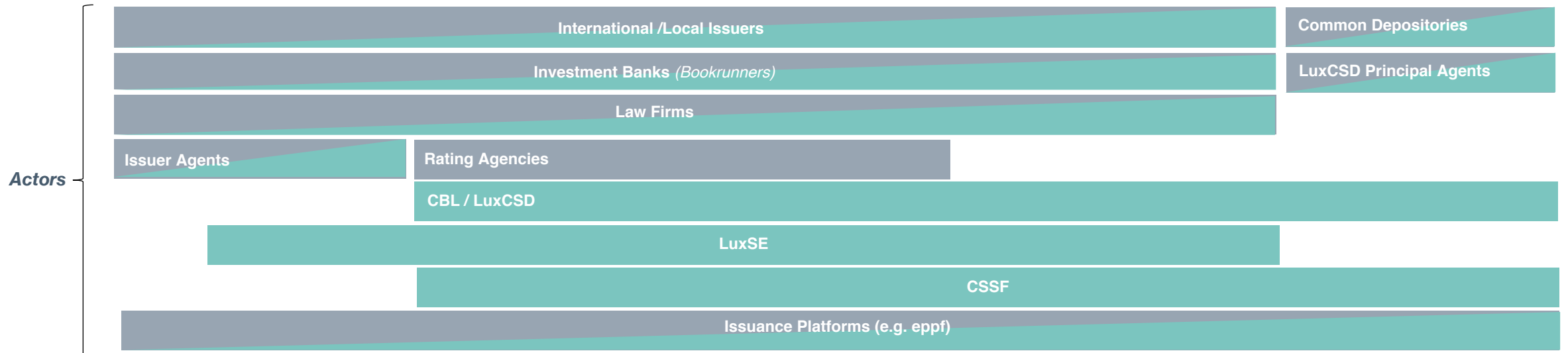
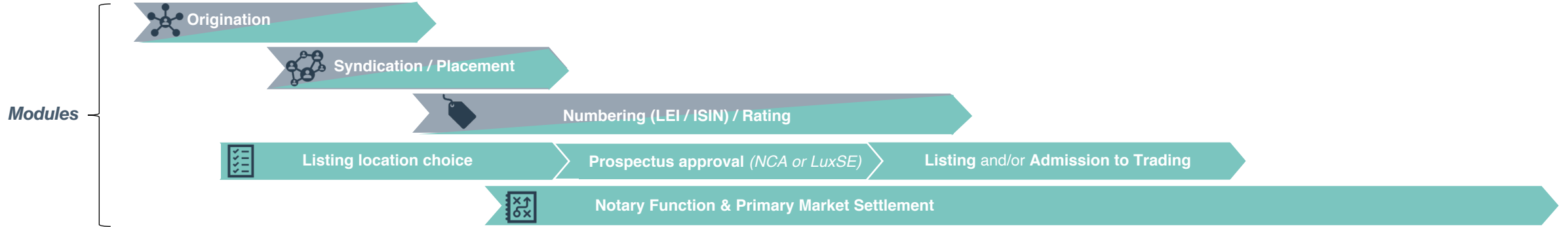


- **EU:** Prospectus Regulation Framework; MiFID Framework; Market Abuse European Framework; CSDR Framework; Transparency Directive; EMIR (potentially relevant for post-listing)  
 - **LU:** Law of 16 July 2019 on prospectus for securities; Law of 5 April 1993 on the financial sector; Law of 23 December 2016 on market abuse; Law of 11 January 2008 on transparency obligations for issuers

# Luxembourg Capital Markets Landscape: Focus on Primary Market Issuance Modules and Actors

Primary Market

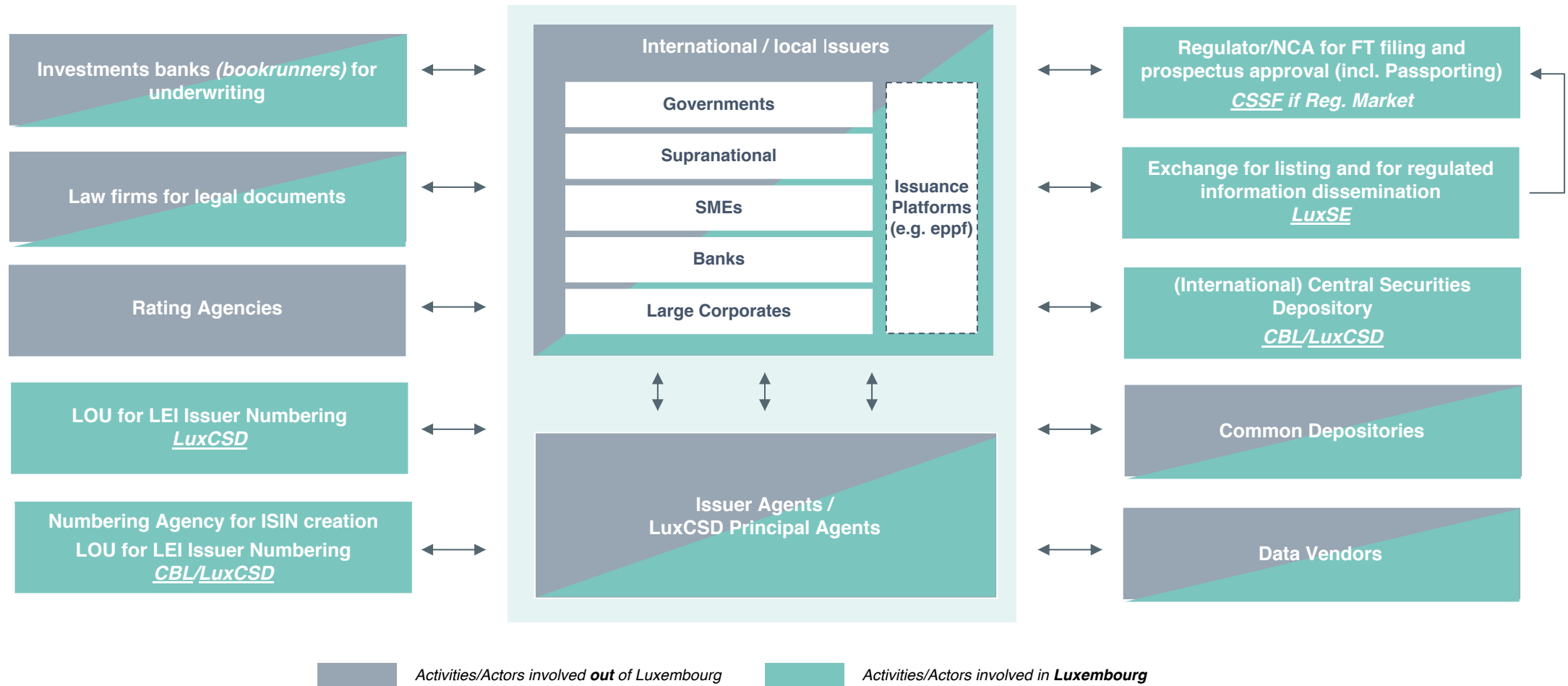
## Bond issuance and distribution processes



Activities/Actors involved **out** of Luxembourg
  Activities/Actors involved in **Luxembourg**

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## High-Level Main Market Interactions

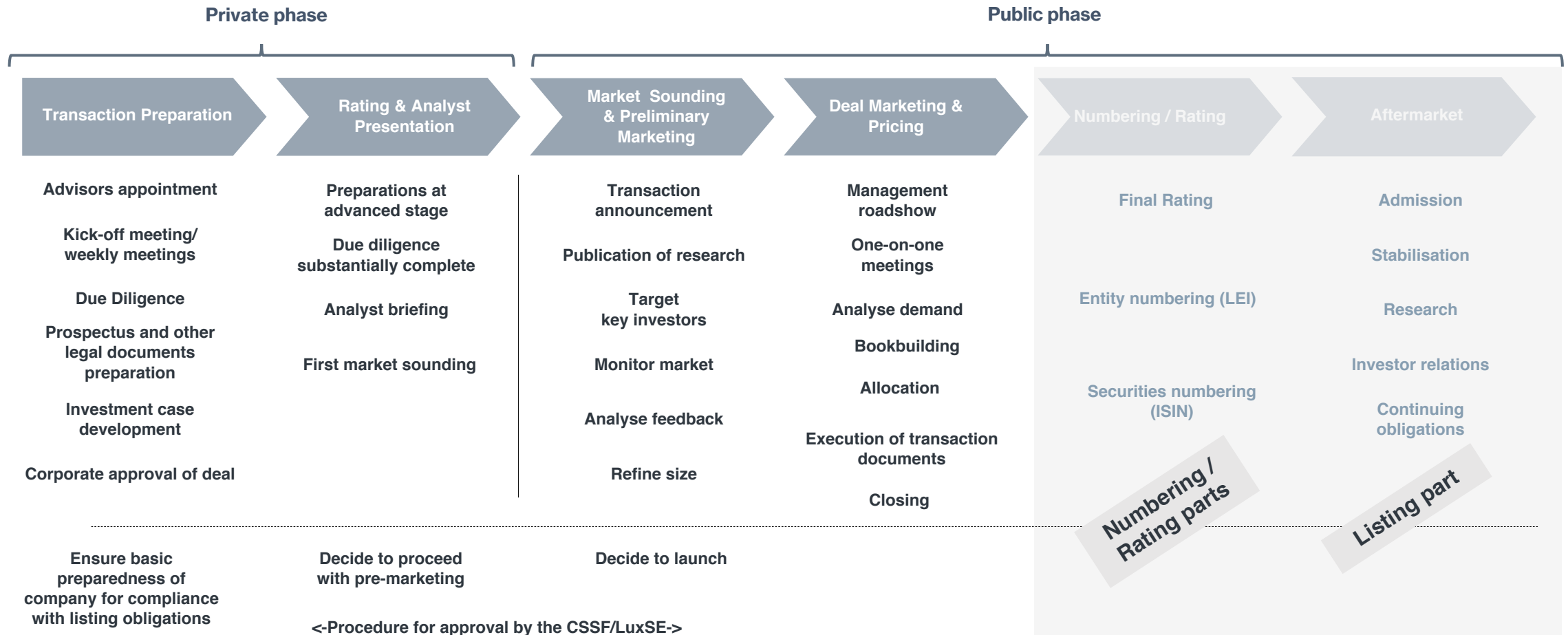


Notes:

Issuance platforms may support one or several of these interactions digitally.

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## Focus on Origination



**Notes:**

\* Timeline and activities are only indicative. The list is not exhaustive, nor does it present the minimum activities that need to be done.

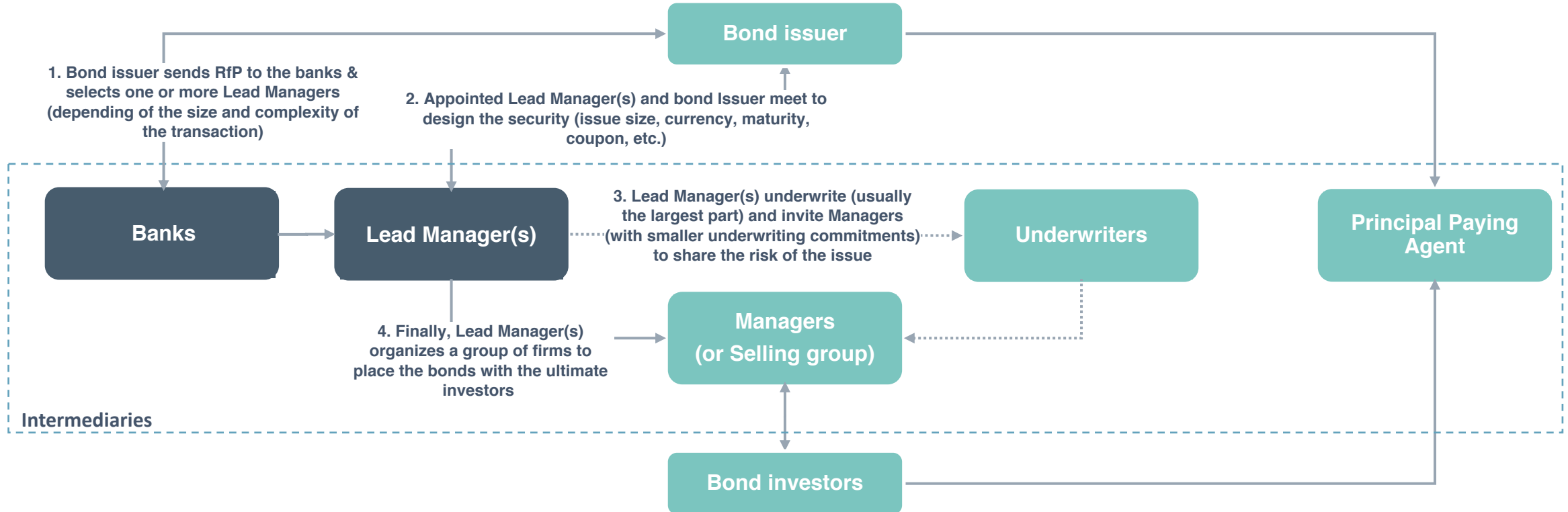
\*\* We have not considered compliance with the Market Abuse European Framework.

# Luxembourg Capital Markets Landscape: Focus on Primary Market



## Syndication / Placement

### Case: Eurobond Syndication and Placement

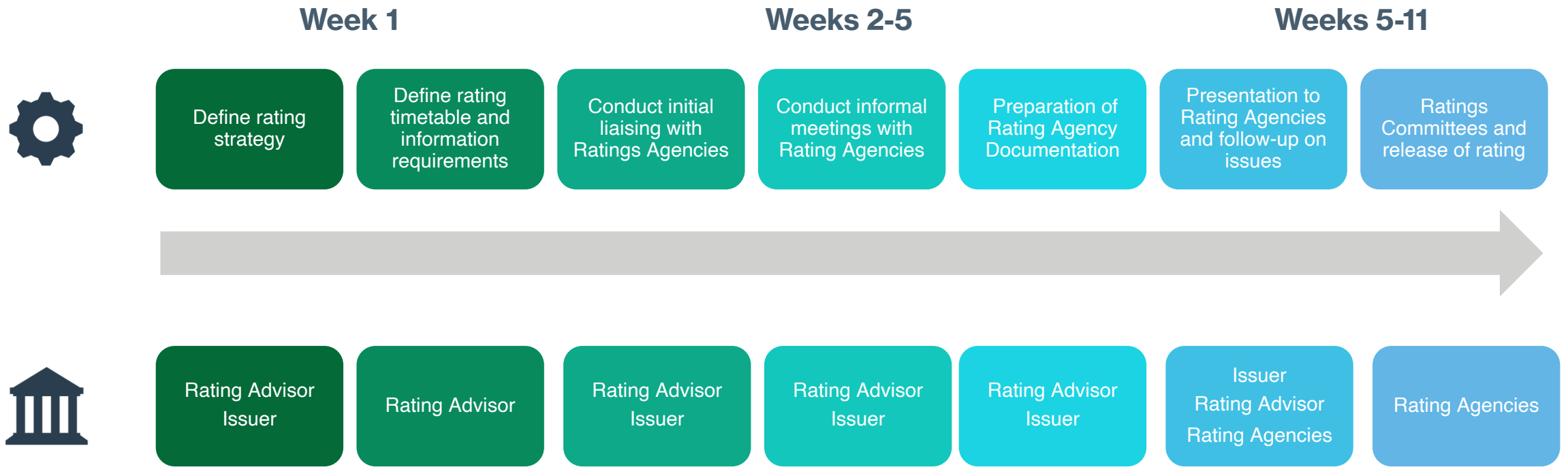


#### Notes:

- In practice, one company can endorse more than one role.*
- In case of a bought deal, lead management, underwriting, and sales are all provided by a unique intermediary.*
- Alternatively there could also be a best effort placement without fix underwriting commitments (hence step 3. may be skipped).*
- Principal Paying Agent acts also as Fiscal Agent and Trustee (may be needed for English law transactions).*

# Luxembourg Capital Markets Landscape: Focus on Primary Market

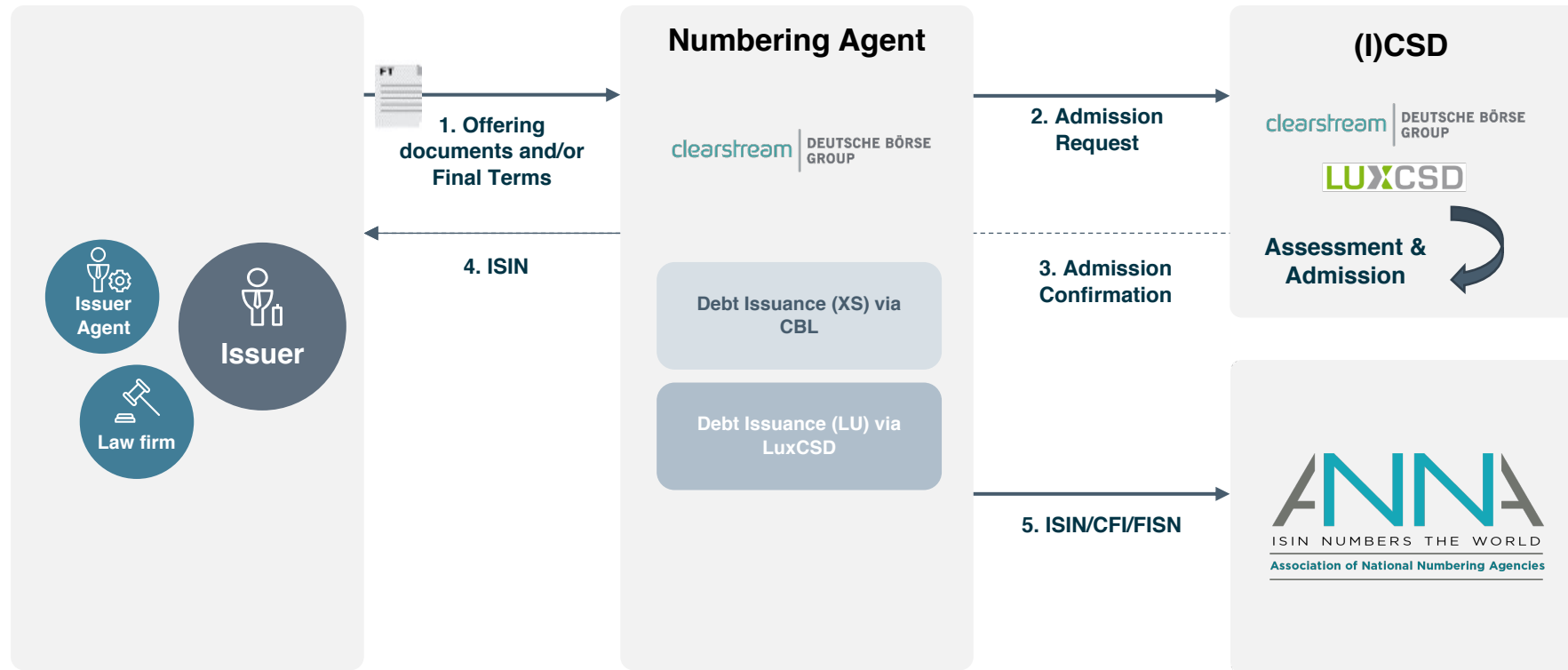
## Rating Process





# Luxembourg Capital Markets Landscape: Focus on Primary Market

## Securities Numbering (ISIN) & (I)CSD Admission



### Notes:

1. For securities issued under programme, ISINs are delivered on a pre-allocated basis or real-time via EPIM; for stand-alone securities, requests are reviewed individually and a response provided within 24h.
2. (I)CSD admission is not always required for ISIN allocation; for exhaustive ISIN allocation rules & guidelines, please refer to ISO & ANNA publications.
3. Details for securities flagged as confidential are not shared with ANNA.

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## Issuer Numbering (LEI)

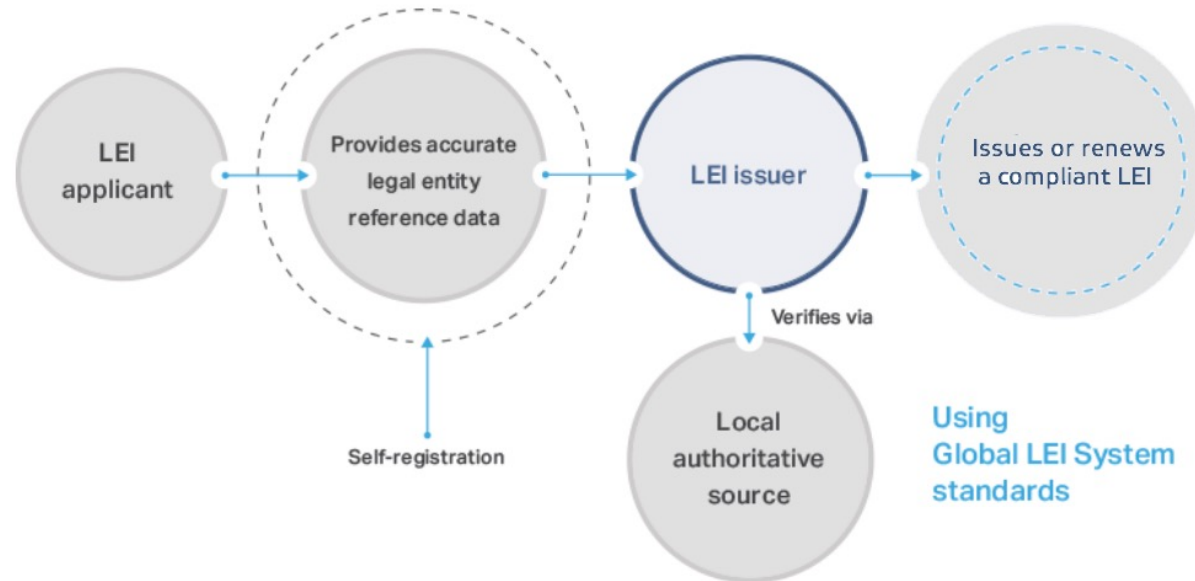


Figure: LEI attribution process from [GLEIF](#)

*“New EU rules (MiFID II/MIFIR) took effect on 3 January 2018. According to MiFIR, investment firms should obtain LEIs from their clients before providing services which would trigger related reporting obligations.”*

*“In the context of primary market distribution, the issuer of the security is required to have a valid LEI.” (CSDR requirement).*

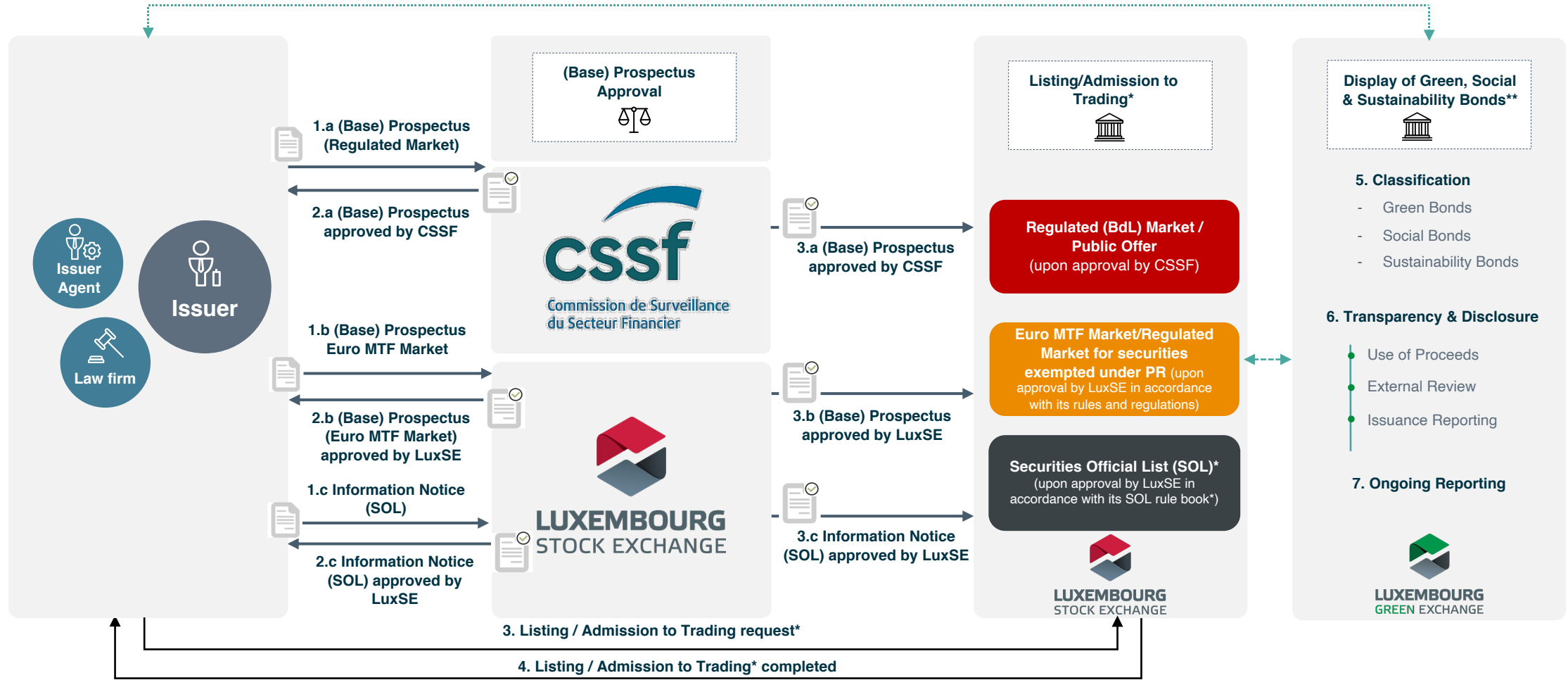
## Local Operating Unit (LOU) in Luxembourg: **LUXCSD**

LEI may also be applied via LuxSE acting as Registration Agent, as it is an obligation for issuers to have a valid LEI to operate on LuxSE Regulated Market or on LuxSE Euro MTF market and to communicate it to the relevant supervisory authorities.

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## Approval of (Base) Prospectus for SIPs and bonds - LuxSE

Case: Standalone and Programme for debt securities

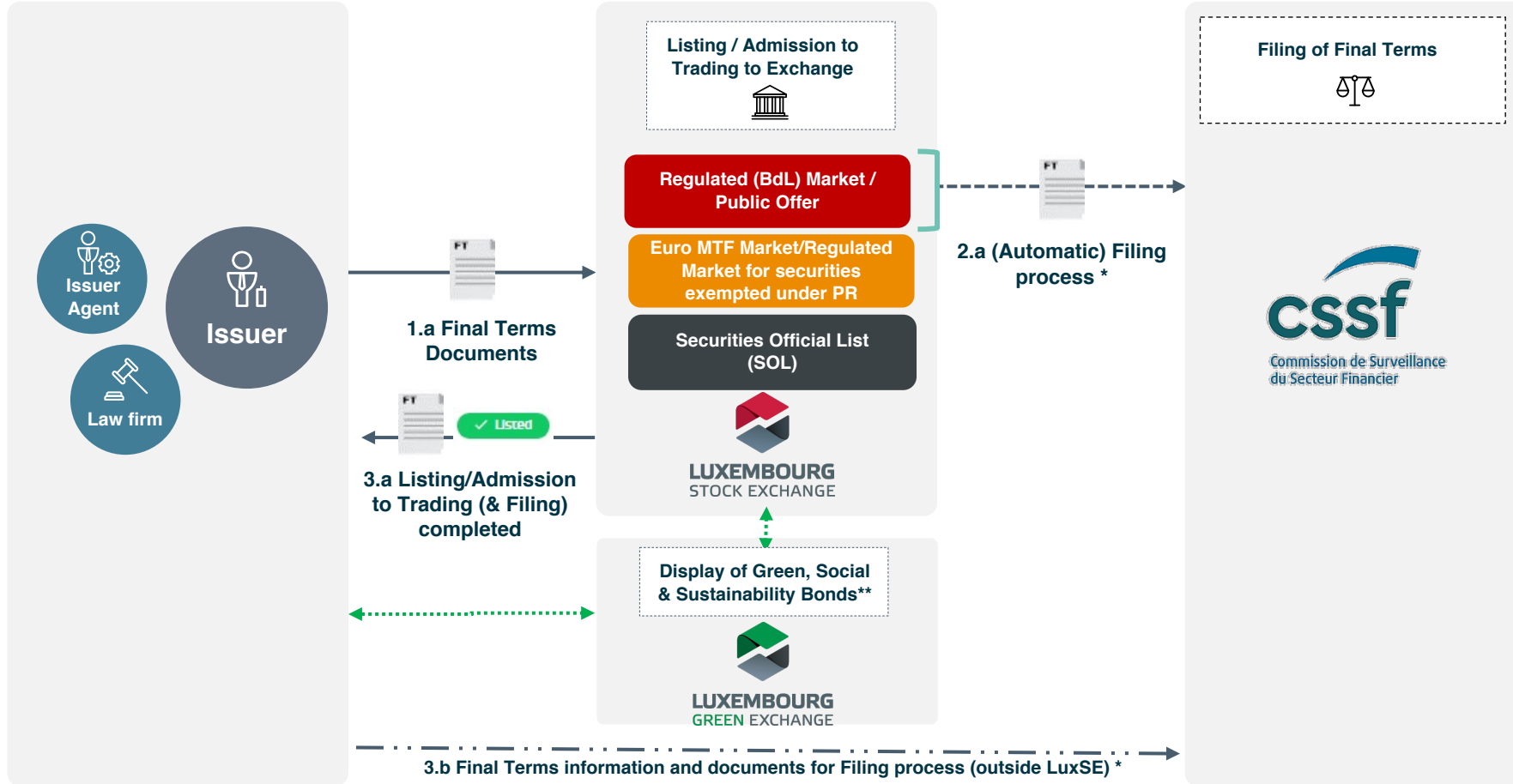


Notes: \* For SOL only listing applies (no admission to trading). \*\*See Appendix 3 for more information on the Display of Green, Social and Sustainability Bonds.

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## ☑️ Listings of SIPs and Bonds - LuxSE

Case: Final Terms – Issue Under Programme with Base Prospectus Already Approved by CSSF



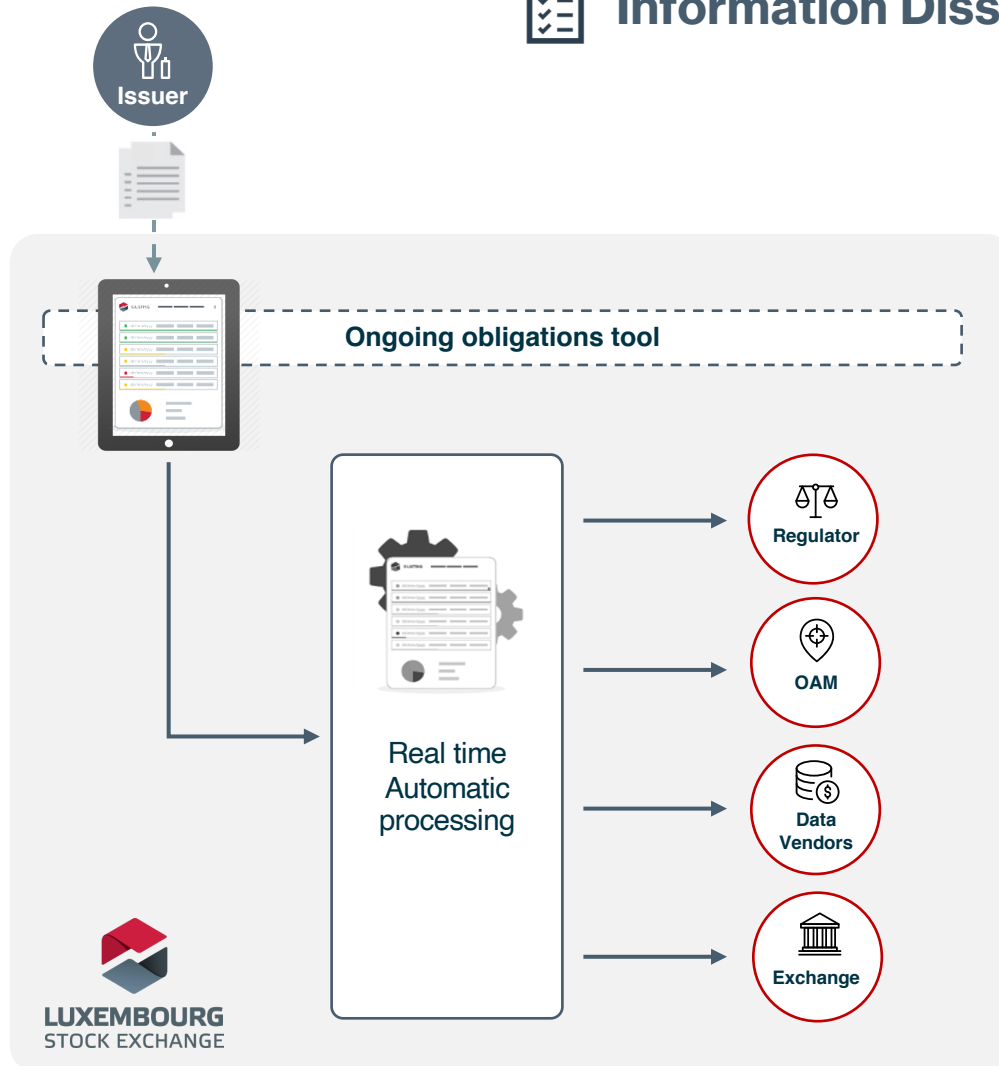
Notes:

\* Filing of FT only applies to the listing on the Regulated Market and to Public Offers.

\*\*See Appendix 3 for more information on the Display of Green, Social and Sustainability Bonds & LGX.

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## Information Dissemination - LuxSE

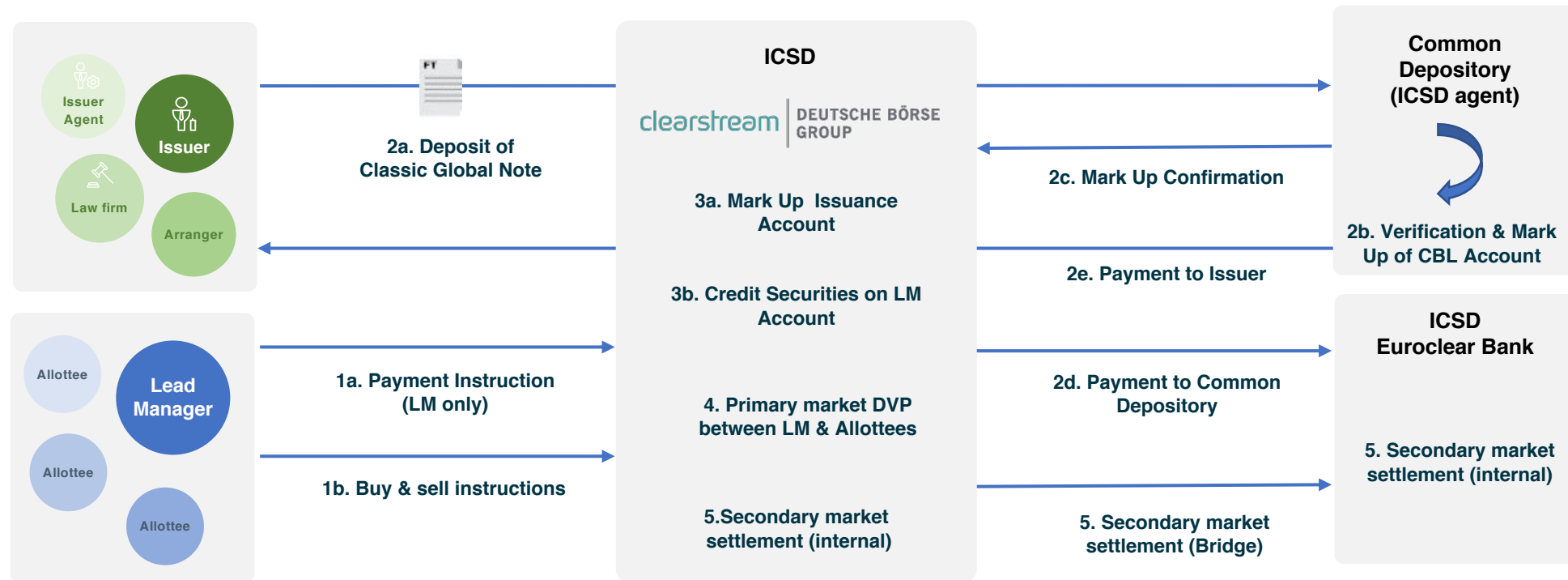


- LuxSE website: access to centralised information
- Prospectus publication
- Storage of ancillary documents (PLUS)
- Financial Instruments Reporting Services Tool (FIRST): multi-functional tool for reporting, filing and storage of documents for respective dissemination to the market, to the Officially Appointed Mechanism (OAM) and/or the regulator
- Financial News Services (FNS) to comply with issuers' obligations to disseminate notices, announcements and press releases on regulatory and statutory information
- LuxSE acting as OAM for Luxembourg / Regulated information access point: to file, store and consult regulated information and documents

# Luxembourg Capital Markets Landscape: Focus on Primary Market

## Notary Function and Primary Market Settlement

### Case: Syndicated Distribution via ICSD



**Notes:**

1. All payment (1a) and buy & sell (1b) instructions from the Lead Manager and the allottees shall be entered into the ICSD systems ahead of the new issues closing date.
2. The payments to the Issuer (2e) is only executed upon effective closing and deposit of the Global Certificate (Classic Global Note).
3. The above illustration is valid for syndicated distribution for securities issued in Classic Global Note form; for securities issued in New Global Note form or non-syndicated distribution, please refer to Clearstream publications.

# Appendix 1

## Abbreviations

- **ANNA:** Association of National Numbering Agencies
- **BCL:** Banque Centrale du Luxembourg, acting as National Central Bank for Luxembourg
- **BdL:** Bourse de Luxembourg (Regulated Market)
- **CBL:** Clearstream Banking Luxembourg
- **CSSF:** Commission de Surveillance du Secteur Financier, acting as NCA for Luxembourg
- **ECB:** European Central Bank
- **eppf:** European primary placement facility
- **FT:** Final Terms
- **ICSD:** International Central Securities Depository
- **ISIN:** International Securities Identification Number
- **LEI:** Legal Entity Identifier
- **LOU:** Local Operating Unit
- **LGX:** Luxembourg Green Exchange
- **LM:** Lead Manager
- **LuxSE:** Luxembourg Stock Exchange
- **NCA:** National Competent Authority
- **OTC trade:** Over The Counter (outside Stock Exchange) trade
- **RfP:** Request for Proposal
- **SIPs:** Structured Investment Products

# Appendix 2

## Definition of Regulations



**Prospectus Regulation Framework:** Regulation (EU) 2017/1129 (as amended), as well as any implementing acts, rules and regulations

**MiFID Framework:** Directive 2014/65/EU (as amended) and Regulation (EU) No 600/2014 (as amended), as well as any implementing acts, rules and regulations

**Market Abuse European Framework:** Regulation (EU) No 596/2014 (as amended), as well as any implementing acts, rules and regulations

**CSDR Framework:** Regulation (EU) No 909/2014 (as amended), as well as any implementing acts, rules and regulations

**EMIR:** Regulation (EU) No 648/2012 (as amended), as well as any implementing acts, rules and regulations

**Transparency Directive:** Directive 2004/109/EC (as amended), as well as any implementing acts, rules and regulations



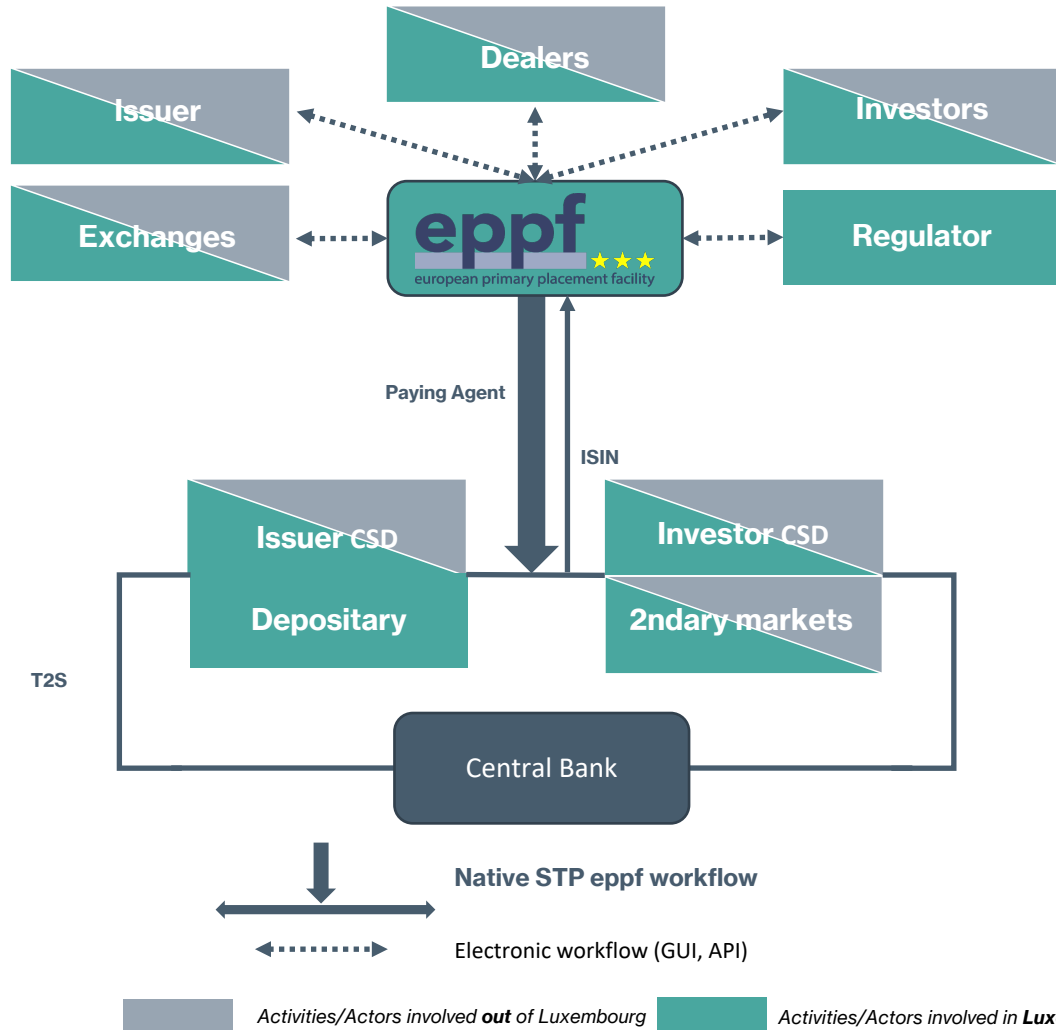
# Appendix 3: Display of Green, Social and Sustainability Bonds –

## Luxembourg Green Exchange



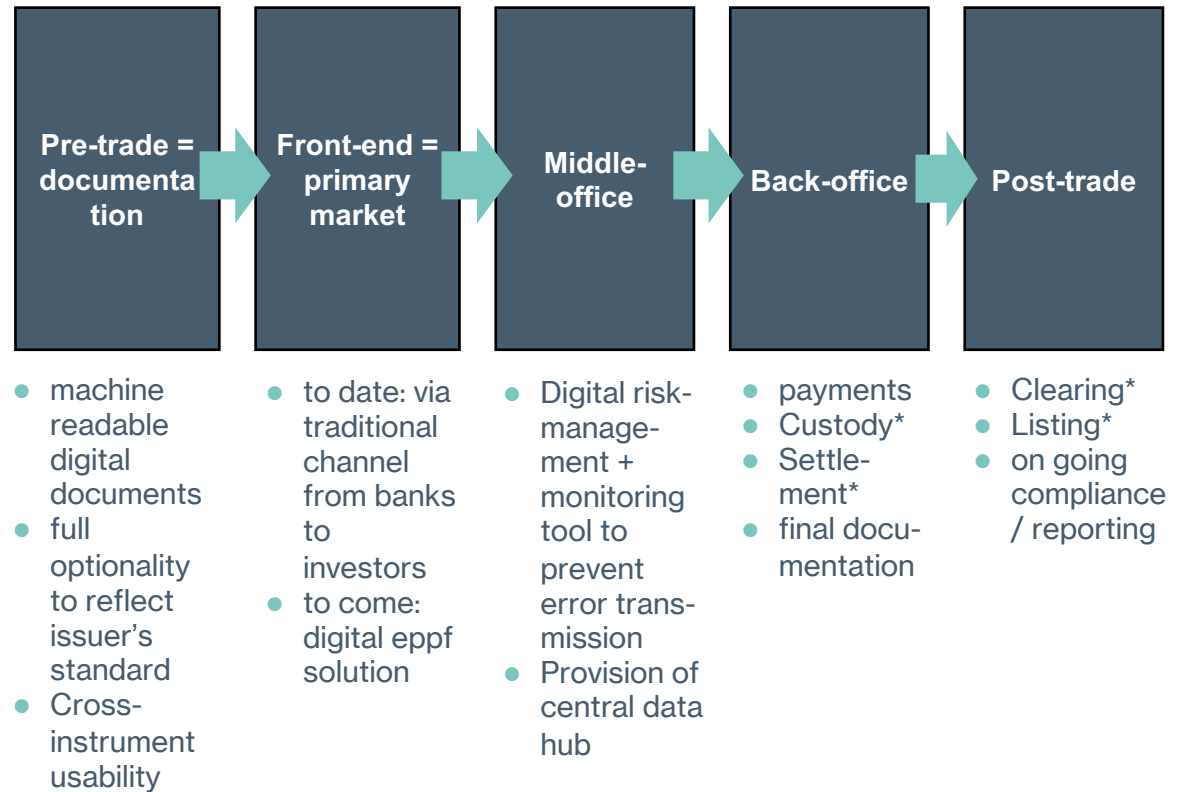
# Appendix 4: eppf end-to-end value chain, simplified workflow

eppf is Luxembourg's only one-stop-shop



eppf: covering value chain end-to-end (high level view)

All steps along value chain covered: pre-trade with modular documentation, price discovery incl. term sheet automation, full middle-/back-office suite and post trade incl. clearing and settlement connections out of one hand.



\* via GUI or API connections to service providers

### **About the LuxCMA – Luxembourg Capital Markets Association**

Created on 1 March 2019, the LuxCMA is a not-for-profit association (a.s.b.l.), registered at the RCSL (F12205), whose registered office is 6 rue Jean Monnet, L-2180 Luxembourg. The LuxCMA today represents memberships detailed on LuxCMA's website ([www.luxcma.com](http://www.luxcma.com)), which is composed of banks, law firms and services providers, amongst others.

### **Working Group – Infrastructure**

The main purpose of the Infrastructure Working Group is to cover topics related to market infrastructures, as well as preparing relevant position papers.

For more information, please contact [info@luxcma.lu](mailto:info@luxcma.lu)

## **LuxCMA - Luxembourg Capital Markets Association**

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