



ISSUANCE OF DEBT SECURITIES IN LUXEMBOURG

IMMOBILISATION, DEMATERIALISATION AND BEYOND

WORKING GROUP | LISTING ACT
IN COLLABORATION WITH THE MARKET
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INTRODUCTION

“Modernising” the process for the issuance of securities, in particular enabling the issuance of securities exclusively in electronic form, has been a key topic among capital markets policymakers and practitioners for years. While traditional paper-based bearer securities are not actively in play anymore, fully dematerialised securities are not yet the dominant form of issuance in the international bond markets. Instead, immobilisation – the act of centralising the custody of physical securities with a Central Securities Depository (**CSD**) in a way that enables subsequent transfers to be made by book-entry in the CSD electronic system – remains a common industry practice. The Covid-19 pandemic exposed the vulnerabilities of the market to the physical manipulation of securities both at issuance and post-issuance and showed that full digitalisation may provide a safety net against some operational risks. Moreover, the emergence of new technologies and platforms for issuing securities, such as Distributed Ledger Technologies (**DLT**), creates new opportunities and challenges for the capital markets industry. Many legislators are currently adjusting the legal frameworks to address these changes. Overall, the dematerialisation of securities paves the way for a more effective financial sector, as it bears the potential to increase operational efficiency, shorten time-to-market and settlement cycles, reduce risks, and lower transaction costs across the value chain.

Luxembourg is at the forefront of the dematerialisation trend, thanks to its advanced and comprehensive legal framework, which dates back to 2013, when the [Luxembourg act of 6 April 2013 on dematerialised securities \(Dematerialisation Act\)](#) was first adopted, enabling the issuance of electronic securities. The first issuance under this regime was a landmark Climate Awareness Bond issued by the European Investment Bank, which occurred shortly after the adoption of the Dematerialisation Act, in July 2013. In addition, this legal framework has been amended over recent years and is now covering the entire lifecycle of securities on the DLT.

Luxembourg also has a highly competitive framework for structuring and issuing immobilised securities, as well as a streamlined and high-quality stock exchange admission process, making it the global leader in international debt securities listing. Furthermore, the country boasts sophisticated and reliable securities and settlement services in the post-trade segment, which have secured a prominent place for Luxembourg in the daily operation of global capital markets.

This publication aims at providing more detail on the issuance of dematerialised and immobilised securities in Luxembourg and the advantages that the legal, regulatory and infrastructure frameworks of Luxembourg capital markets offer to issuers, intermediaries and investors.

1. LEGAL REGIME FOR DEMATERIALIZATION AND CIRCULATION OF SECURITIES IN LUXEMBOURG

Luxembourg has enacted all the necessary legislative texts to facilitate and ensure the issuance and safe circulation of securities in dematerialised form.

The Dematerialisation Act introduced already in 2013 a legal framework for securities that exist only as electronic records. The Dematerialisation Act was inspired by the French, Swiss and Belgian regimes, but unlike them, it did not replace the traditional bearer and registered forms of securities. Instead, the dematerialised form of securities now exists in addition to the traditional bearer and registered forms of securities. Dematerialised securities represent a third type of securities issuance, accessible to issuers of equity or debt securities under Luxembourg law, to choose from, or foreign issuers of debt securities under Luxembourg law. The Dematerialisation Act also allowed issuers to convert existing securities into dematerialised form but did not make this mandatory. To dematerialise securities, they must be registered in an account held by a single entity (a securities settlement organisation or a central account keeper).

One year after the Dematerialisation Act, [Regulation \(EU\) No 909/2014 \(Central Securities Depositories Regulation - CSDR\)](#) came into force. The CSDR aimed to harmonise and enhance the safety and efficiency of securities settlement across EU. The Dematerialisation Act already complied with the new regime on the circulation of securities in electronic form required under Article 3 of this Regulation¹.

In addition to the Dematerialisation Act, the [Luxembourg act of 1 August 2001 on the circulation of securities \(Securities Act 2001\)](#) applies to securities which are held and transferred by way of book entry with a Luxembourg account keeper on a Luxembourg securities account. Among other things, the Securities Act 2001 provides rules to protect the rights of the holders of book-entry securities where the account keeper becomes insolvent (in particular, the regulatory requirement for the segregation of securities and rules governing the claim of account holders for the return of securities), to prohibit the upper-tier attachment, to protect good faith acquirers, and to enable creation of a lien in favour of the account keeper in case of delivery or payment default by the account holder.

As such, the Luxembourg framework on dematerialisation makes Luxembourg a destination of choice for issuers and market participants, as it facilitates fast and safe transfers by avoiding the problems linked to the handling of physical securities.

¹ This Regulation was an important step for the circulation of securities in electronic form as Article 3, outlining the circumstances in which issuers of transferable securities, such as shares and bonds that were traded in the European Economic Area, shall arrange for their representation in book-entry form in a Central Securities Depository (CSD), and explicitly mentions in its recital 11 that [the CSDR] “should not impose one particular method for the initial book-entry recording, which should be able to take the form of immobilisation or of immediate dematerialisation”. The Regulation also introduced securities settlement standards across the European Union for entities participating in and operating CSDs and international CSDs.

In addition to the above, Luxembourg has established a comprehensive legal framework to facilitate the use of a DLT for securities issuance, trade and settlement, by progressively adapting its existing laws to accommodate this technology.

The first step was the [Luxembourg act of 1 March 2019 \(Blockchain I Act\)](#), which amended the Luxembourg act of 1 August 2001 on the circulation of securities to allow the transfer and servicing of fungible securities through ‘secure electronic registration mechanisms, including distributed electronic ledgers or databases’ with the same legal effects as book-entry systems. The second step was the [Luxembourg act dated 21 January 2021 \(Blockchain II Act\)](#), which amended the Dematerialisation Act to enable the native issuance of dematerialised securities governed by Luxembourg law in a DLT environment and to expand the role of the central account keeper for unlisted debt securities issued on a DLT to any EU credit institution or investment firm, without requiring an additional licence. The third step was the Luxembourg act of 15 March 2023 (**Blockchain III Act**), which transposed the EU DLT pilot regime into national law by including securities issued on distributed ledgers in the definition of financial instruments and amended the [Luxembourg act of 5 August 2005 on financial collateral arrangements \(Collateral Act 2005\)](#) to recognise that DLT financial instruments can be subject to financial collateral arrangements. This amendment to the Collateral Act 2005 provides further legal certainty and flexibility for market participants and makes Luxembourg one of the few jurisdictions that allow the collateralisation of DLT financial instruments. The Luxembourg DLT framework thus covers all aspects of the security lifecycle – dematerialised securities can be issued, held, used as collateral, traded and settled entirely in a DLT environment.

It is noteworthy in this context that the Luxembourg Stock Exchange became the first stock exchange in the EU to register native DLT financial instruments on its [Securities Official List \(SOL\)](#) in January 2022, thus boosting the visibility and credibility of DLT securities by offering vital information to investors, which is crucial for the growth of this market. In November 2023, it also became the first stock exchange in the EU to admit such securities to trading on its regulated market, in accordance with the CSDR provisions.

2. ISSUANCE AND SETTLEMENT OF SECURITIES

There are two main possibilities for issuing electronic securities in Luxembourg: as fully dematerialised securities or through the immobilisation of a global certificate, known as “Global Note”.

2.1. IMMOBILISED SECURITIES AND GLOBAL NOTES

Securities are immobilised if the issuer has issued a physical document evidencing the securities, which is (temporarily) converted into a book entry upon deposit with an account keeper (in the case of bearer securities) or upon registration in the register of securities held by the issuer or registrar and a corresponding registration in a securities account held by an account keeper (in the case of registered securities). After this initial deposit or registration, the securities are exclusively transferred by book-entry (i.e., by means of debiting and crediting securities to holders' accounts), in the same way as dematerialised securities.

Immobilised securities are in practice issued in the form of global certificate, which represents the whole issue amount in a single document. Such securities can be held in bearer or registered form. In some key European jurisdictions, including Luxembourg, Global Notes in bearer form continue to be the predominant legal form of debt securities.

Issuance process through the ICSDs²

Bearer Global Notes

Debt securities can be issued either in classic global note (**CGN**) form, immobilised with and safekept by a common depository appointed by the International Central Securities Depositories (**ICSDs**), or, where the securities are intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, in new global note (**NGN**) form, which is then immobilised and safekept with a common safekeeper appointed by the ICSDs. The characteristics of the NGN are the same as the CGN, except that the NGN refers to the ICSDs' books and records to determine the outstanding issue amount (rather than physical annotations on the face of the note itself or on the attached schedule(s) as for CGN), and issuers must sign an agreement with the ICSDs to request acceptance of their securities.

² For a comprehensive overview of the process, please refer to the CGN Issuance Structure and NGN Issuance Structure diagrams on the following pages 8 and 9.

Registered Global Notes

These serve to evidence title, although title will not pass by simply handing the certificate over to another person. A change in ownership of registered securities can only take place by entering the name of the new owner in the register. Any changes in the outstanding principal amount of a global certificate, as a result of any mark-up issuance, cancellations, redemptions or payments, will also have to be recorded in the register.

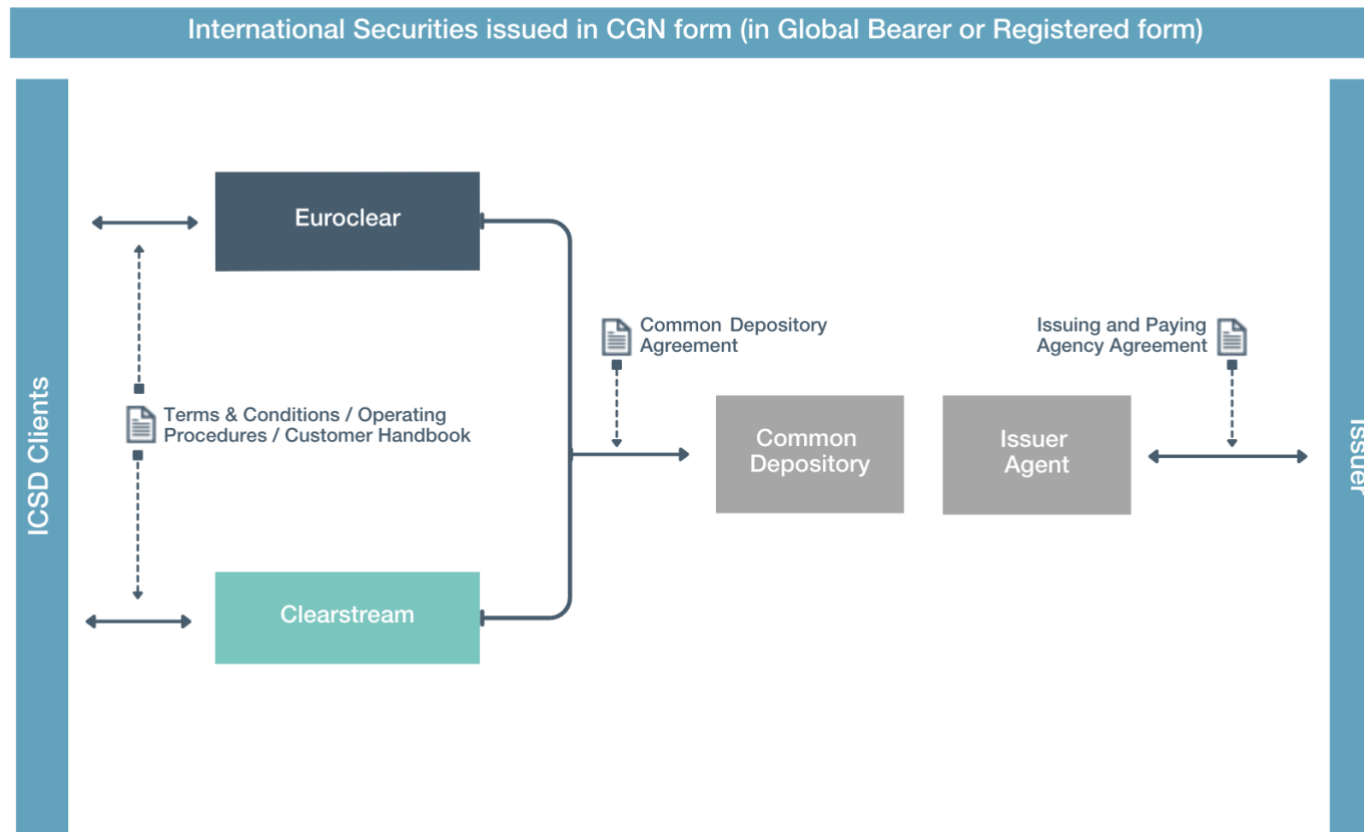
Registered Global Notes can either be held under the classic safekeeping structure (**CSS**), immobilised with and safekept by a common depository appointed by the ICSDs or, where the securities are intended to be Eurosystem eligible, under the new safekeeping structure (**NSS**) immobilised and safekept with a common safekeeper appointed by the ICSDs. Depending on the safekeeping model, the Global Note will be registered under the nominee name of the common depository or the common safekeeper, reflecting what is recorded in the register.

Electronic Global Notes

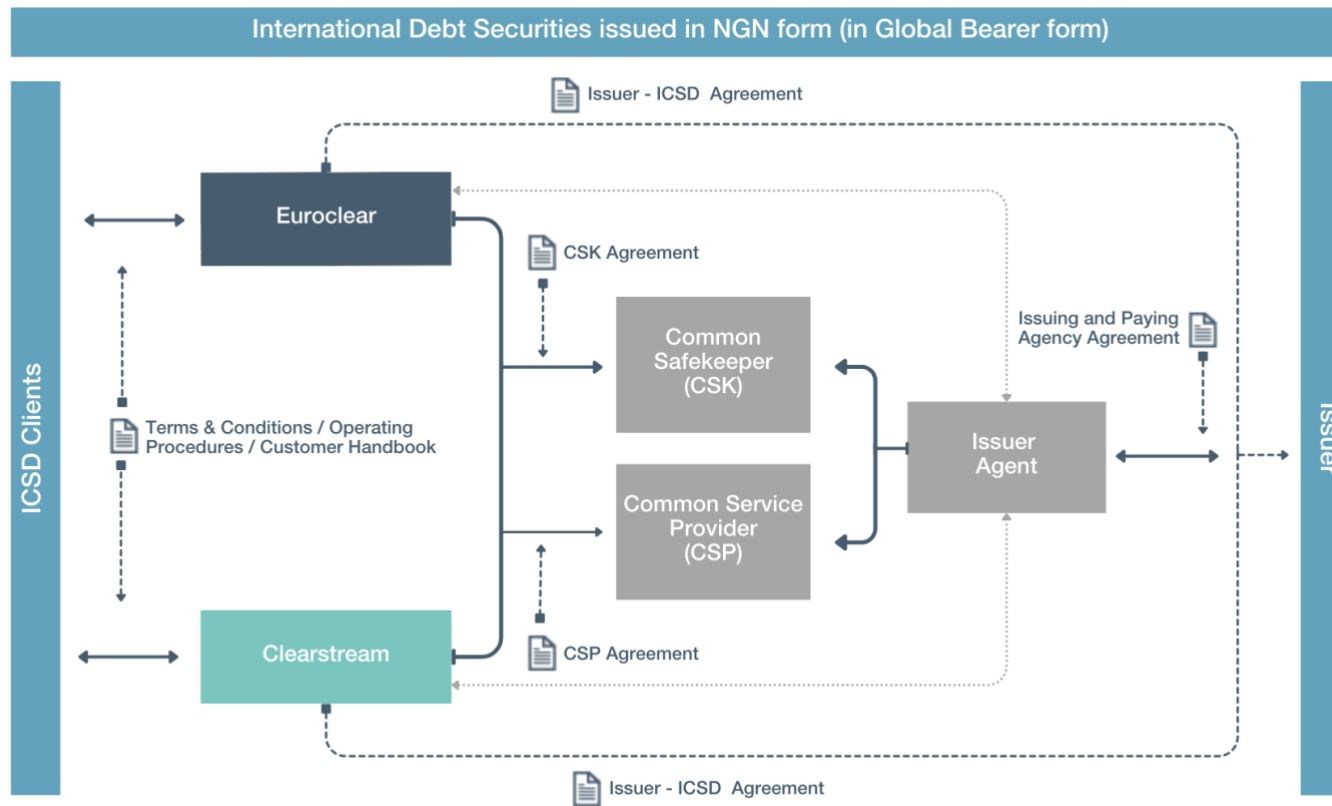
On 3 June 2024, the ICSDs made another step towards the digitalisation of the issuance process of the Global Note and launched an innovative form of electronic Global Note (e-GN) to streamline the issuance, administration, and safekeeping of international securities. The new framework applies to a sub-set of registered securities held under the New Safekeeping Structure (NSS), which reduces time-to-market, and brings operational efficiencies across the securities lifecycle. Paperless issuance, electronic signature, and authentication of the Global Notes, along with storage in electronic vaults, bypasses the need for physical safekeeping of paper form documentation in a physical vault, to the benefit of all intermediaries and end users in the issuance process chain. For the time being, only new issuances of registered NSS securities (the safekeeping structure attributed to Eurosystem-eligible collateral) which are governed by English law can benefit from the new e-GN framework, provided they are issued by non-governmental issuers (corporates or financial institutions) domiciled in England and Wales, and Supranationals.

While e-GNs will co-exist alongside the legacy process of issuing traditional physical securities and underlining that the new form of those securities will not modify the existing ISIN allocation rules, the ICSDs strongly recommend the adoption of this electronic alternative, as the industry progressively evolves towards the prevalence of electronic flows.

Issuance of Classical Global Note (CGN) Structure



Issuance of New Global Note (NGN) Structure



Initial allocation / settlement procedures

The initial distribution of the securities through the ICSDs to the primary market is typically processed in one of two ways:

- Syndicated process³: via a syndicate of managers, underwriters and selling group members. This process is used mainly for settlement of stand-alone securities, although it can be used for EMTNs (Euro Medium Term Notes) as well.
- Non-syndicated process: via individual dealers. This process is used mainly for initial settlement of securities issued under a programme facility. Distribution occurs through the issuer (issuer's agent) account(s) with the ICSD(s).

Global Notes by their nature require physical handling and usually need to be signed by the issuer and authenticated by its agent (or, in the case of NGN, effectuated by the CSK to become valid).

After their authentication, the issuer's agent delivers the authenticated global note to the common depository / common safekeeper. Following the deposit of the global note to the common depository / common safekeeper, delivery versus payment settlement (**DVP**) occurs in the ICSDs system. The DVP will trigger settlement along the complete chain of instructed primary market transactions. Simultaneously with the DVP, the ICSDs instruct payment(s) of the issuance proceeds to the issuer (and potentially secondary market transactions).

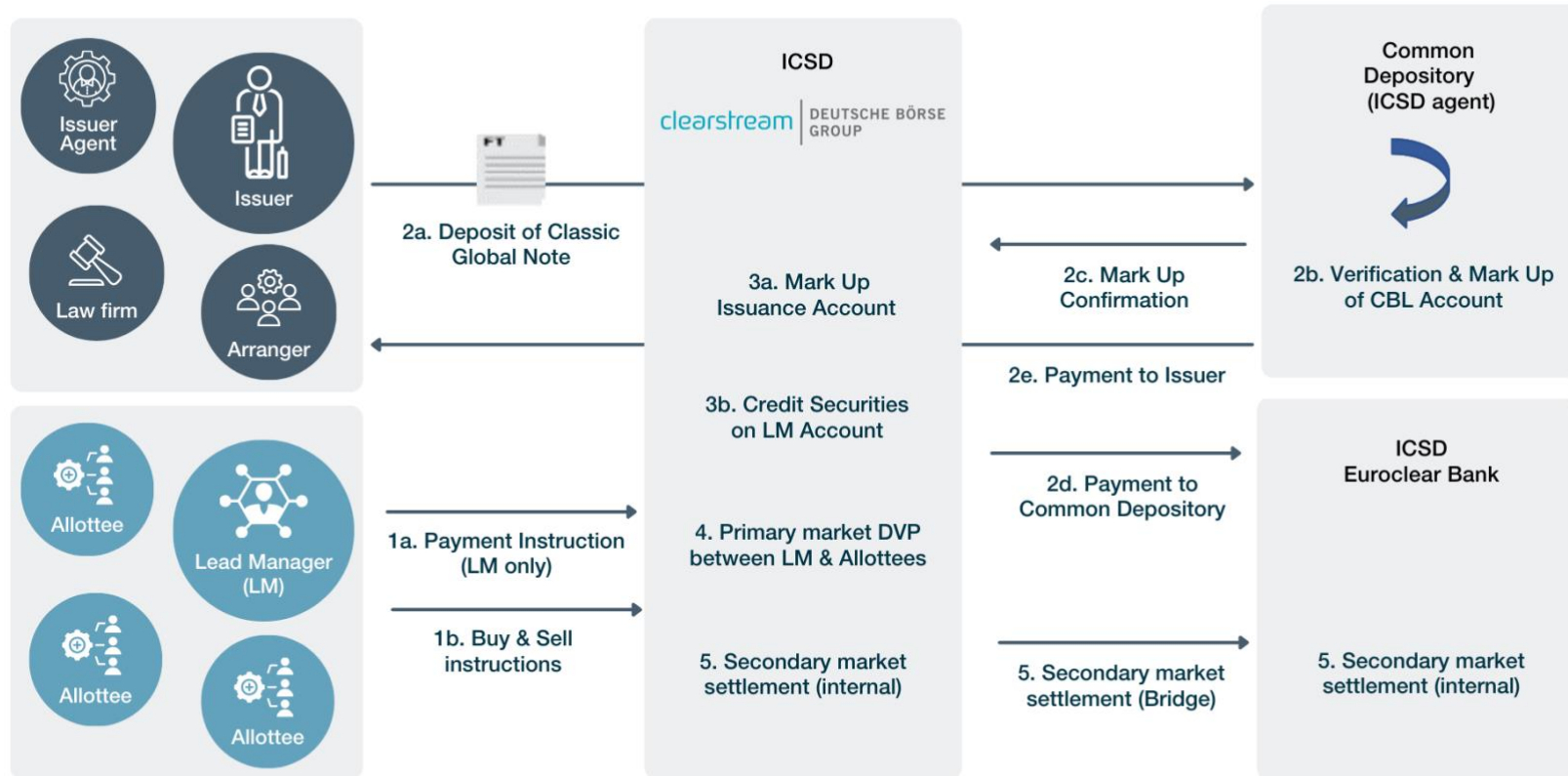
E-signature

From 3 June 2024, all issuers have the option of using electronic signature to sign global notes for all new issuances (NGN, NSS or CGN), regardless of jurisdiction of incorporation and whatever the governing law of the notes. This option is available in respect of new standalones, programme establishments, programme updates and new securities issued under existing programmes. All forms of electronic signature will be accepted, e.g. a scanned PDF copy of the signed signature page being provided, an image of a signature being pasted into a soft copy of a document or use of a web-based electronic signing platform such as DocuSign.

³ Please refer to the diagram Syndicated Distribution via ICSD on the next page for a comprehensive overview of the process.

Syndicated Distribution via ICSD

For securities issued in Classic Note form



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).

Temporary and Permanent Global Note

Under certain circumstances, the issue's terms and conditions foresee a global certificate to be issued as a Temporary Global Note that can later be converted into a Permanent Global Note. This is to address restrictions of bearer form securities in the United States or for securities marketed to US investors under the US tax law (**TEFRA Rules**).

While the securities are represented by the Temporary Global Note, distributors generally may not sell the securities to a US person or in the US and no payments may be received by holders except upon certification of non-US beneficial ownership. At the end of the lock-up period the holders' interests in the Temporary Global Note are exchangeable for interests in a Permanent Global Note to the extent that the holders provide certification of non-US beneficial ownership. The clearing systems collect certificates confirming non-US beneficial ownership before exchanging for either a Permanent Global Note or for definitive certificates in the denominations foreseen in the terms and conditions of such issue. The exchange of securities from global form into definitive form is total and irreversible.

The Permanent Global Note represents the security until it is matured or terminated (for example, early reimbursement). A Permanent Global Note is normally not exchanged into securities in definitive form unless under limited circumstances as described in the terms and conditions of such issue.

2.2. DEMATERIALISED SECURITIES

Dematerialised securities are securities that exist without any physical medium and are only represented by a record in the securities issuance account. Under Luxembourg law, they can be issued directly as dematerialised securities, or the bearer and registered securities can be converted into dematerialised securities. However, as opposed to immobilised securities, the conversion will be definite, and the securities will always remain in dematerialised form during their lifecycle.

In order to benefit from the Luxembourg regime, debt securities must be governed by Luxembourg law. The Dematerialisation Act does not provide for compulsory dematerialisation, but for compulsory conversion if an issuer so decides⁴.

⁴ For completeness, there is an exemption for bearer shares where technical dematerialisation is compulsory following to the law dated 28 July 2014 on the immobilisation of shares.

Securities issuance account

Issuers issue listed securities⁵ in dematerialised form exclusively through a single “securities issuance account” (*compte d’émission*) opened by the issuer and maintained by a Luxembourg securities settlement organisation⁶ (*organisme de liquidation*). Among Luxembourg securities settlement organisations, only LuxCSD accepts dematerialised securities. In the case of unlisted securities in dematerialised form, an issuer may issue exclusively through a single securities issuance account held by a Luxembourg securities settlement organisation or with a Luxembourg Central Account Keeper⁷ (**CAK**) (*teneur de compte central*). The CAK function for unlisted securities can be exercised by certain credit institutions and investment firms⁸.

The securities issuance account is the account in which dematerialised securities are initially recorded in a book-entry system, but this account does not constitute a securities account. This means that a securities issuance account is a form of record against which the settlement organisation or the CAK compares the holdings of investors (account holders) in the securities accounts that it keeps (“reconciliation of records”), but no actual securities transit happens through the securities issuance account. The securities issuance account indicates the identification elements of securities, the aggregate quantity issued (separated by specific issuances (or series)) and any subsequent changes (“central maintenance service”). Issuers may ask intermediaries in the custody chain to disclose information about the identity of the final investor(s) and, in case of non-compliance, may suspend the relevant voting rights until disclosure⁹.

Securities account

At the same time, the securities held by investors are represented by book-entry records in the securities accounts (*inscription en compte-titre*) kept by the settlement organisation or CAK themselves (at the first level) or the securities accounts are maintained by an account keeper (at the second level) to which securities may be transferred or received.

⁵ According to the Dematerialisation Act, securities are listed if they are admitted to trading on a regulated market or a multilateral trading facility.

⁶ As defined by the law dated 10 November 2009 on payment services.

⁷ As defined by the law of 5 April 1993 on the financial sector, as amended.

⁸ Credit institutions and investment firms established in Luxembourg, Luxembourg branches of credit institutions authorised in another EU member State, Luxembourg branches of investment firms which are legal persons authorised in another Member State and credit institutions and investment firms established in the EU. The entities have to meet certain structural requirements.

⁹ Article 8 of the Securities Act 2001.

Issuance and Settlement through LuxCSD

LuxCSD's core service as issuer CSD is to provide issuance services for securities in dematerialised form. LuxCSD fully supports the Dematerialisation Act, recognising that it significantly diminishes inefficiencies, expenses, and risks.

If an issuer chooses LuxCSD as its settlement organisation under the Dematerialisation Act, it must also appoint a LuxCSD Principal Agent (**LPA**) according to the LuxCSD Operational Arrangements. The LPA's main duties are to send standard communications (ISO/SMPG standards) in order for LuxCSD to ensure the timely and accurate processing of LuxCSD securities.

The initial credit of securities is in the issuance account in the books of LuxCSD. LuxCSD has outsourced its settlement services to Target2-Securities or T2S. T2S is a Eurosystem infrastructure that provides the European post-trading industry with a single, borderless, pan-European platform for securities settlement in central bank money. Through its TARGET services the Eurosystem facilitates the settlement of wholesale financial transactions in central bank money, the safest and most liquid settlement asset. The below diagram shows in more detail the issuance process through LuxCSD.

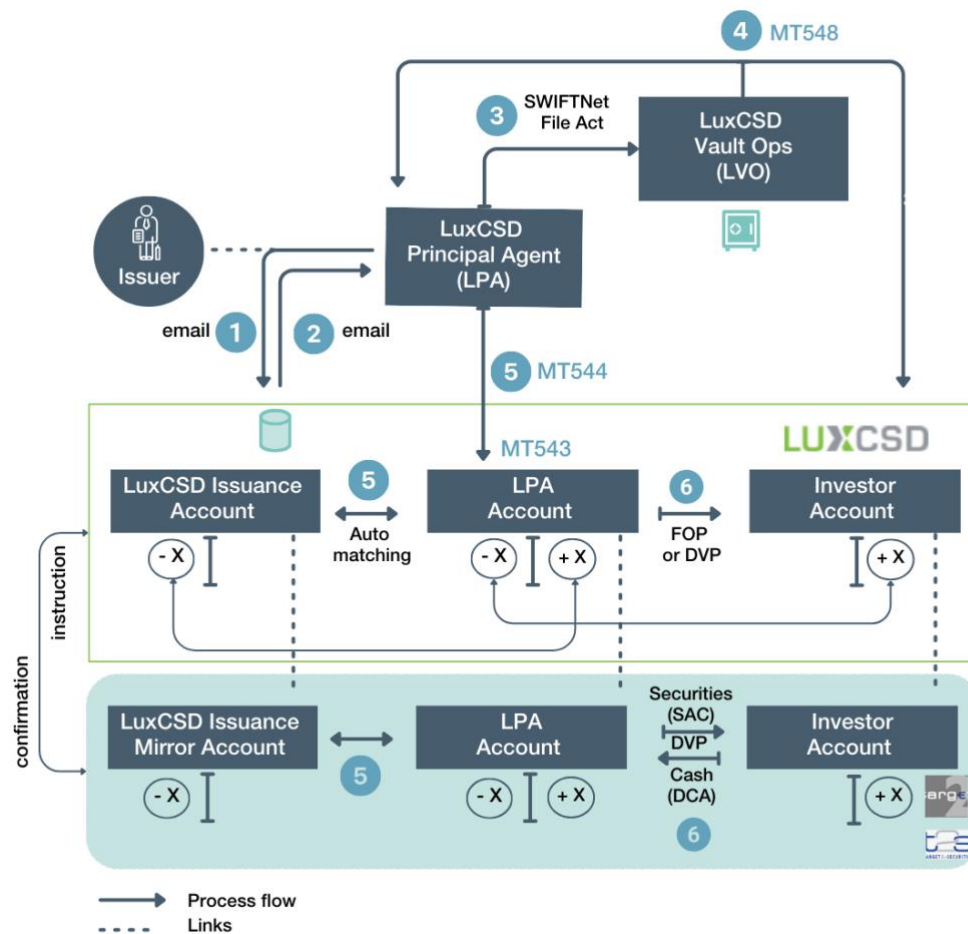
Primary market distribution through LuxCSD will take place against central bank money payment in the real-time processing environment on T2S, provided all counterparties have put the matching settlement instructions in place and ensured appropriate funding of their "TARGET2" or T2 Dedicated Cash Account (DCA)¹⁰. Settlement of secondary market activity shall take place immediately thereafter.

In addition to issuing securities in dematerialised form, LuxCSD offers issuers the possibility to issue the following immobilised forms (see section 2.1) of securities Immobilised securities (see section 2.1) can be issued also in a CSD (such as LuxCSD), in the following form:

- **Bearer instruments:** represented by a global certificate that refers to the records of the LuxCSD for evidence of the total issued outstanding amount of the issuer.
- **Registered instruments:** represented by a global certificate that must be registered in the name of LuxCSD in the books of the registrar.

¹⁰ One of the Target Services developed and operated by Eurosystem. T2 is a platform to settle payments. This payment system is operated by the European Central Bank.

LuxCSD dematerialised securities issuance model



- 1 ISIN / CC allocation**
Before Closing Date: LuxCSD Principal Agent submits relevant doc. (security issuance checklist, official issuance/program doc, contractual agreements to newissues@luxcsd.com and request LU ISIN to Lux NNA (CBL) through LuxCSD.
- 2 Eligibility assessment and ISIN allocation**
Before Closing Date: LuxCSD confirms the eligibility to the LuxCSD Principal Agent, and Clearstream Banking SA (acting as NNA) allocates the LU ISIN and CC. The initial securities' setup in RDF is done by New issues.
- 3 Closing Activities**
Closing Date: LuxCSD Principal Agent sends the final T&C to LuxCSD Vault Ops via SWIFT Net File Act and for LBN and LRN shall arrange for deposit of the Global Certificate. LVO sends MT548 confirmation to LPA and LuxCSD.
- 4**
- 5 Creation of security records in LuxCSD**
Closing Date: Upon receipt of the MT548, LPA sends MT544 (receive free confirmation on his LuxCSD account) to LuxCSD which is automatically matched against the new issues account of LuxCSD representing the notary function of LuxCSD. In T2S, the securities are credited on the LPA SAC account (LuxCSD accounts have corresponding linked SAC and DCA accounts in T2S).
- 6 Primary market distribution**
Option 1: DvP within LuxCSD
LPA (account at LuxCSD) instructs a Delivery versus Payment delivery to investor account. The investor match the delivery instructions accordingly via the Investor omnibus account at LuxCSD. In T2S, the securities are transferred from LPA SAC account to Investor SAC account. The cash is transferred from Investor DCA to LPA DCA.
Option 2: FoP in LuxCSD and DvP in CBL (or CBF)
 - LPA instructs a Delivery FoP to his CBL account via CBL omnibus at LuxCSD.
 - LPA instructs a Delivery DVP from his LPA account in CBL to investor account in CBL in CoBM.

Position of the ultimate investor

The issuance of global notes or dematerialised securities places the investor in a unique legal position that differs from holding securities directly through physical certificates. In these cases, investors no longer possess a direct legal interest in the securities and are not recognised as the legal owners entitled to receive payments from the issuer or to vote at meetings of security holders (the documentation will however make it clear that persons allowed to vote will be those holding an interest in the relevant securities through the clearing systems, as specified below). Instead, when securities are held through ICSD, the legal or registered holder will be either (i) the common depository or common safekeeper for bearer issues, or (ii) the nominee of the common depository or common safekeeper for registered issues, whose name is entered in the register as the holder. If the securities are held through LuxCSD, the legal holder of the securities will be LuxCSD, regardless of the legal form of the securities (bearer, registered or dematerialised).

Structures using global notes or dematerialised securities make it also more complicated for the issuers to identify and communicate with the ultimate investors which can be necessary for example, to duly propose the repurchase or exchange of outstanding securities or to convene a general meeting of bondholders.

Regardless of how the securities are legally held, the standard terms for the issuance of securities typically mandate that decisions regarding the exercise of voting rights should be deferred to the ultimate investor. Two different approaches are therefore used to enable this in the transactional documents:

- **Accountholder Approach:** This method stipulates that while the securities are represented by a global note held on behalf of an ICSD, the term 'holder' refers to (a) the bearer/registered holder concerning payments and (b) the 'accountholders' for all other matters, including voting rights. Accountholders are entities with accounts directly recorded with the ICSD and they may vote directly or provide voting instructions through the settlement systems.
- **Depository/Nominee Approach:** This method defines 'holder' as the bearer/registered holder for all intents and purposes. While the securities are represented by a global note held on behalf of an ICSD, the entity entitled to vote is the common depository/safekeeper/nominee. This entity casts votes according to instructions received from the ultimate investors through the settlement systems.

Furthermore, an investor cannot enforce its rights directly against the issuer and it can only interact with its direct custodian (intermediary). In this context, Luxembourg law offers strong protection to investors in indirect, intermediated holding structures. For instance, Luxembourg law expressly recognises the appointment of third-party voting agents by the issuer and the nominee approach. The Luxembourg law specifically also foresees that the investor may exercise or have the company rights attached to the securities and the interests linked to the holding of the securities exercised against issuer through the

production of a certificate drawn up by the relevant account keeper which certifies the number of securities maintained on its securities account¹¹.

3. ADVANTAGES OF ISSUING DEMATERIALISED SECURITIES IN LUXEMBOURG

In contrast to the immobilisation structure, issuing securities in fully dematerialised form, eases the initial recording and primary distribution of the securities:

- The issue of bearer/registered securities increases the chain of intermediaries in the issuance process flows as compared to a fully electronic issuance e.g., the intermediary of a registrar or other issuer agents. In consequence, issuers can be exposed to higher debt issuance and servicing costs.
- Moreover, a longer chain of intermediaries increases the level of operational risk embedded in the issuance process, resulting potentially in delays in the completion of the issuance step. This may, in turn, expose the issuers and investors to financial, operational or legal risks. On the opposite, dematerialisation can help accelerating time-to-market for new issuances.
- Using fully dematerialised securities also eliminates some operational inefficiencies, such as physical depositing/annotation of documents in the vaults, at least until the e-GN will be available for all type of issuances. In addition, the physical certificates may (at least in theory) be subject to theft, loss, damage, or forgery, and the intermediaries may face operational failures, fraud, or insolvency that could affect the integrity and efficiency of the issuance and transfer of the securities.
- Separately, dematerialisation can be a good solution to address issues related to the restrictions and prohibitions of bearer form securities within the US or for securities marketed to US investors under the US tax law (TEFRA rules discussed above).
- Dematerialisation also facilitates the introduction of new technologies that leverage smart lifecycle management. DLTs, which can be used in conjunction with smart contracts, can generate significant efficiency gains in the servicing of debt instruments. These gains span various aspects such as trading, clearing, settlement and payments. DLTs enable shortened settlement cycles, or even “atomic transactions”, where a security (or asset) is exchanged for another security (or asset) and is instantly cleared and settled. This occurs outside of market hours, which enhances portability and mobility (e.g., collateral), and reduces settlement and credit risk and releases capital that would otherwise be trapped. Furthermore, DLTs simplify reconciliation due to single source of truth shared between all parties in an ecosystem, which may reduce overall costs for issuers, intermediaries, and investors alike. These technologies also permit different users to collaboratively manage data, process financial market transactions and monitor their holdings of securities and cash. Additionally, DLTs enable direct communication between issuers and bondholders, including in relation to the passing of resolutions or the declaration of events of default.

¹¹ Article 8 of the Securities Act 2001.

4. LUXEMBOURG LAW AS LAW GOVERNING THE SECURITIES

Debt securities must be governed by Luxembourg law to benefit from the Luxembourg regime on dematerialisation.

Luxembourg law offers many benefits as the governing law for the terms and conditions of securities, whether immobilised or dematerialised, and has become a popular choice among issuers. The EU and some EU institutions, such as the European Investment Bank, are using Luxembourg law, and market participants have noticed a gradual increase in its use by international financial institutions, and other types of issuers. For instance, the European Commission has put in place NextGenerationEU instrument under which the European Union can raise up to EUR 806.9 billion through the issuance of EU-Bonds. The EU-Bonds issued under this instrument are governed by Luxembourg law. The European Stability Mechanism has been issuing new Euro-denominated bills and bonds under Luxembourg law since 2019 and has found high market acceptance. The UK's departure from the EU has also boosted this trend. For instance, because of questions surrounding the recognition of judgments issued by English courts as well as the ECB's eligibility criteria for collateral for Eurosystem credit operations, that contain restrictions on securities issued outside the European Economic Area. In addition, several banks have been using Luxembourg law for some time to issue their debt issuance, including regulatory capital securities¹².

Luxembourg law can be seen as flexible, allowing for a wide range of debt securities structures, features, and terms, such as subordination, negative pledge, covenants, events of default, acceleration, redemption, conversion, exchange, and modification that are important for debt securities issuances. Under Luxembourg law, there is also no requirement to appoint a trustee or fiscal agent. Luxembourg law is also seen in use for innovative and hybrid instruments, such as hybrid corporate bonds and sustainability-linked bonds, as well as securitisations.

In addition, Luxembourg law allows the disapplication of the legal provisions for the holding of bondholder meetings, which leads to a more flexible approach unlike certain other jurisdictions.

¹² The European Banking Authority and Single Resolution Board have indicated that EU banks should consider issuing instruments that are intended to be eligible to meet the MREL target under the governing law of one of the EU Member States.

5. LUXEMBOURG ECOSYSTEM

Luxembourg law and market infrastructure ecosystem provides a robust and efficient framework for the issuance and listing of securities in Global Notes or fully dematerialised form, with a variety of options, specific features and platforms available. Luxembourg is also committed to providing the highest level of service and is home to a large body of capital markets service providers, including bankers, administrative agents, domiciliation agents, paying agents, transfer and register agents, lawyers, chartered accountants and tax advisors. These all offer a broad range of services to international clients. Luxembourg is home to the Luxembourg Stock Exchange, which is the leading venue for international bond listings, the Luxembourg Green Exchange, the world's first platform entirely dedicated to ESG bonds, Clearstream, the international central securities depository and LuxCSD, the Luxembourg Central Securities Depository acting as a CSD and operating a Securities Settlement System under Luxembourg law.

5.1. LUXEMBOURG STOCK EXCHANGE

Leading Listing Venue for International Debt Securities

The [Luxembourg Stock Exchange \(LuxSE\)](#) is the world's leading listing venue for international debt securities, and the venue of choice for issuers from around the world. LuxSE serves issuers covering more than 100 countries from an array of sectors and industries, including sovereign and supranational issuers, multilateral development banks, financial institutions, and corporates.

Markets Operated by LuxSE

With robust and integrated pre- and post-issuance services, LuxSE operates two markets, the **Bourse de Luxembourg** - an EU-regulated market - and the **Euro MTF** - an exchange regulated market, on which issuers can list a vast array of securities. In addition, LuxSE operates the Securities Official List (**SOL**), which allows issuers to register securities at LuxSE without admitting them to trading. SOL is designed for issuers looking for visibility for their securities and for whom admission to trading is not a prerequisite.

On the Euro MTF, LuxSE allows for a streamlined and simplified admission process with FastLane, under which exemptions from the formal prospectus approval by LuxSE are available for eligible issuers. This ensures a smooth and flexible admission process marked by increased speed and efficiency.

Unique Features

Both markets and SOL provide issuers with the possibility to have their securities displayed on the [Luxembourg Green Exchange \(LGX\)](#), allowing them to showcase their sustainable finance strategies and benefit from greater visibility while contributing to sustainability goals.

In addition, LuxSE's **e-Listing** digital platform allows users to submit a listing request online. Alongside e-Listing, LuxSE has also partnered with **Origin**, a leading platform in the digitisation of debt capital markets, to allow users to list their securities in one simple click.

Post-listing Services

Finally, LuxSE also provides a range of post-listing services, such as the [Financial Instruments Reporting Services Tool \(FIRST\)](#), an all-in-one tool which allows issuers to meet reporting requirements set out under the EU Transparency Directive, file information with the CSSF, publish and disseminate financial and corporate news on LuxSE's website and distribute it to data vendors and the wider media. LuxSE also supports official filing and storage of information in the [Officially Appointed Mechanism \(OAM\)](#)¹³.

5.2.CLEARSTREAM

[Clearstream Banking Luxembourg S.A. \(CBL\)](#) is a leading European supplier of post-trade services, headquartered in Luxembourg. It is the largest part of the post trade arm of the Deutsche Börse Group, together with its sister companies Clearstream Banking Frankfurt AG and LuxCSD. The Clearstream group holds over EUR 17 trillion assets under custody.

Key Services and Innovations

As a trusted leader in the post-trade industry, Clearstream offers a range of innovative solutions for securities issuance, settlement, custody as well as lending, liquidity, and collateral, management. Clearstream also leads the industry in digital securities issuance with its D7 platform. D7 offers native digital securities issuance in both CeFi and DeFi environments and had seen over 30,000 issuances in Q1 2024.

Ratings and Global Reach

CBL is an AA rated bank by both S&Ps and Fitch and fosters operational efficiency and risk reduction across global multi-networks. It maintains relationships with customers in over 110 countries and its market network extends across 59 domestic markets globally. In total over 300,000 domestic and internationally traded bonds, equities and investment funds are currently deposited with CBL and more than 250,000 transactions are settled daily.

National Numbering Agency Role

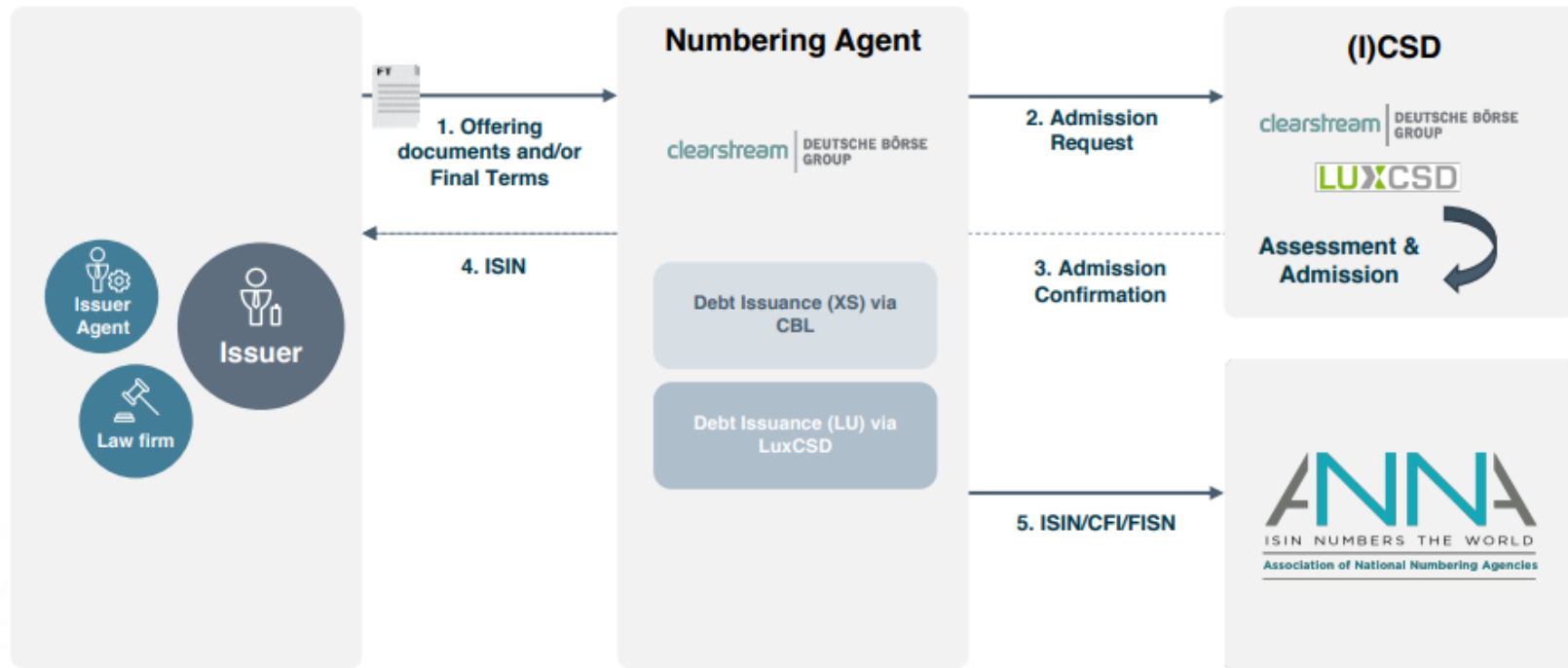
CBL is also one of the two national numbering agencies (NNAs) for international securities (preceded by "XS") and the domestic NNA for Luxembourg securities (preceded by "LU").

CBL allocates ISINs following ISO 6166 rules, with ANNA as the registration authority¹⁴. Clients can identify securities by common code or ISIN. To request an ISIN, use the NNA Portal of CBL (accessible via the Xact Web Portal as an NNA Participant). CBL admits new issues if the requestor submits the draft documentation, and the issue is eligible. For programme securities, ISINs are pre-allocated or real-time. For stand-alone securities, requests are processed within 24h.

¹³ The LuxSE has been Luxembourg's OAM since July 2008, by means of the Grand-Ducal regulation of 3 July 2008.

¹⁴ Please refer to the ISIN Allocation Process Diagram on the next page for a comprehensive overview of the process.

ISIN Allocation Process



5.3. LuxCSD

LuxCSD S.A. (LuxCSD) was incorporated in July 2010 and is fully owned by Clearstream International S.A. (CI). The object of LuxCSD is the custody, safekeeping, administration, clearing and settlement of securities and other financial instruments and the provision of related financial services in Luxembourg and abroad. LuxCSD acts as a Central Securities Depository (CSD) and operates a Securities Settlement System under Luxembourg law.

Core Offerings and Additional Services

As a CSD, LuxCSD provides services for settlement in EUR central bank money in TARGET2-Securities (T2S) as well as issuing and custody services for domestic and international securities (both as issuer CSD and as investor CSD) in the Grand Duchy of Luxembourg and abroad. Since April 2020, LuxCSD is a licensed CSD under CSDR in Luxembourg.

LuxCSD offers custodians and distributors across Europe custody and added value services built on a highly efficient settlement process with access to many counterparties and as such contributes to the safety and efficiency of the financial market. It offers an exhaustive suite of connectivity to its participants and providers to access its platform.

Legal Authorisations

LuxCSD offers issuances and distribution services for T2S-eligible securities in EUR and issuance is supported by DVP in central bank money. Next to issuing securities governed by Luxembourg law, UK law and Guernsey law, LuxCSD is authorised under Article 23 of the CSDR to provide issuer CSD services under Dutch Law (equity and debt instruments), French law (equity and debt instruments) and German Law (equity) and continues to extend the scope of its issuer CSD services. With regard to the ANNA process, please refer to paragraph 5.2 above.



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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](#), which is composed by banks, law firms and services providers, amongst others.

Working Group I Listing Act

The primary objective of the Working Group is to analyse the legislative proposals of the Listing Act and their impact on the capital markets of the European Union (EU) and Luxembourg. The Working Group also provides feedback and participates in consultations related to the texts at the EU and national level. The diverse experience of its members ensures that the analysis considers the interests of capital market participants from various sectors. Additionally, the Working Group collaborates with other entities, associations, and state bodies to share, consult, and promote its views on the Listing Act initiative.

For more information, please contact info@luxcma.lu.

LuxCMA – Luxembourg Capital Markets Association
6 rue Jean Monnet | L-2180 Luxembourg
info@luxcma.lu | www.luxcma.com | Follow us on [LinkedIn](#), [YouTube](#) and [Spotify](#)