



EMN

Legislative Mapping Report

LUXEMBOURG

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This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

- 1 Regulation of lending activity
- 2 Supervisory framework for non-bank lending
- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development

1

Regulation of Lending Activity

Luxembourg does not have a specific regulatory framework for microcredit provision. Non-bank lenders are allowed to lend money directly to the public and are approved on a case-by-case basis by the Commission de Surveillance du Secteur Financier (CSSF), which is the national regulator. In this context, an ad hoc authorisation to disburse microloans was granted to Microlux by the CSSF. Microlux, which operates as a limited company, is currently the only MFI operating in the country.

2

Supervisory Framework for Non-Bank Lending

Non-bank lenders are supervised by the CSSF and, depending on the activities of the organisation, the institution could be labeled as a Professionnel du Secteur Financier (PSF) or be exempted from this classification altogether. Exemption from PSF results in very few mandatory reporting requirements, which is the case of Microlux. Furthermore, there is no national credit bureau in Luxembourg.

3

Products

Microlux establishes the maximum loan thresholds together with the CSSF. The current thresholds are EUR 25.000 for business microcredit and EUR 10.000 for personal microcredit; however, personal microcredits are not yet offered. There is no interest rate cap established for Microlux.

4

Incentives and Support

In Luxembourg, there are no national/regional level funds dedicated to support the provision of microcredit, and there is no incentive support in the form of tax deductions for organisations that provide financial support to microcredit providers in the country. However, since 2009, Luxembourg law exempts investment funds whose main objective is to invest in MFIs from the otherwise mandatory subscription tax.¹

5

Development of the Existing Framework for Non-Bank Microcredit Provision

Currently, meetings with the government are tackling issues related to the duration of the welfare benefits that would enable welfare payments, Revenu Minimum Garanti, to be kept proportional to business income as a bridge to help transition from unemployment to self-employment. This is a challenge for entrepreneurs given that they lose unemployment benefits as soon as the business is operational, either as a solo-entrepreneur or through a company.

6

Inclusive Entrepreneurship and Microenterprise Development

In the context of Luxembourg, there are no simplified administrative procedures for entrepreneurs nor is there a mandatory welfare bridge in place for self-employment out of unemployment.

The government is actively running educational campaigns to enhance inclusive entrepreneurship, with initiatives such as the life Fit4Entrepreneurship programme by Adem.

1. Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe



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