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Luxembourg praised by OECD Peer Review

An OECD Peer Review has concluded that Luxembourg has been "very active and rapid in the adoption of mechanisms for the exchange of information." This conclusion recognises the sustained effort by Luxembourg in the last 18 months to address real and perceived shortcomings in the area of financial transparency, anti-money laundering and terrorist financing.

In Spring, 2010 a joint decision was taken by Minister of Justice François Biltgen and Minister of Finance Lux Frieden, to tackle head on all the reproaches directed at the Grand Duchy by FATF, the Financial Action Task Force. In a marathon legislative session, Luxembourg law was overhauled to meet, and indeed, exceed the required standards.

Some significant legal changes included:

- Penalties for failure to report suspicious activity to the FIU (Financial intelligence unit) increased to match penalties for breaking banking secrecy;
- tipping off clients under investigation becomes a criminal offence;
- professional associations given more power to intervene when due diligence standards not met;
- powers of the company Registration bureau increased to control due diligence by non-self-regulated professions (such as real estate brokers, car retailers, the jewelry profession);
- requirement to declare cash over €10,000 when crossing the border;
- requirement to justify, on demand, the origin of cash sums over €10,000;
- publication of lists in the context of the freezing of terrorist assets;
- Double tax treaties brought into line with the OECD model tax convention on the exchange of information on request (18 so far).

The question remains, why is there such a gap between reality and the public perception of Luxembourg as a shady financial centre?

In a speech to members of TIGFI, the Luxembourg based Institute for Global Financial Integrity, Minister Biltgen commented on these developments, stating that Luxembourg could not expect to free itself from envy: "It is difficult (for some people) to accept that we have a huge financial centre without criminal activity". He added that the only solution was to comply with every international standard, even if others didn't.

The OECD Peer Report identifies one weakness, in that legislation in Luxembourg "as in other countries" does not meet the required criteria where identification of the ownership of legal entities is concerned. It goes on to report that "Luxembourg has undertaken to meet these criteria within six months".