



# Facts from Belgium

*Publication of the Embassy of Belgium, Washington, DC*

## FINANCING YOUR NEW COMPANY IN BELGIUM

### ***The Financial Sector: Internationally Oriented***

On January 1, 2002 the euro (€) was introduced as the new currency in Belgium and 11 other countries of the 'Euro-zone'. Brussels has become a leading banking and financial center in the euro area, as financial institutions and companies increasingly prefer to be located in the proximity of the EU institutions.

The Brussels financial center is part of Euronext, the first pan-European stock exchange created by the merger in September 2000 of the Amsterdam, Brussels, Paris and Lisbon stock exchanges. Euronext also became owner of LIFFE, the London futures and options exchange. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) and the world's first and largest clearance and settlement system for internationally traded securities (Euroclear) all have their headquarters in Belgium.

International mergers and acquisitions have been a prominent feature in the Belgian banking sector over the last few years. At the end of 2002, over 40% of Belgium's 111 banks were foreign registered (branches of foreign banks) and another 26% were Belgian law based but foreign owned (subsidiaries of foreign companies). Belgian banks also had 9 offices and 11 subsidiaries in the US.

### ***A Dynamic and Integrated Banking Industry***

Customers of Belgium's banks use highly automated systems for interbank transfers (highly developed networks of ATM's, POS and self bank facilities). Standardized customer account numbers for all financial intermediaries are widely used, and internet and phone banking are well developed. For many years the Belgian banking sector has been a leading force in the European payments industry. Banks in Belgium offer over 10,000 distribution points, and three of those banks are among the top 100 banks worldwide.

All credit institutions (banks and savings banks) operate under the same legal framework and are monitored by the same supervisory authorities. The Banking and Finance Commission (BFC) supervises the activities of financial institutions, including banks, investment funds, stock brokers, finance companies and holding companies. As a result of the deregulation of the banking sector since 1993, credit institutions have been able to offer all financial services as defined by European legislation. As from the 1<sup>st</sup> of January 2004 the BFC will also oversee the insurance sector and will be called BFCA.

The BFC supervises the financial sector in close coordination with the National Bank of Belgium (Belgium's central bank). Domestic and foreign banks in Belgium are represented by the Belgian Bankers' Association (BBA). Since June 2003, BBA has been part of the newly created professional organization representing the whole Belgian financial sector (banks, investment funds, leasing companies, stock brokers, asset managers, companies offering credit to the household sector), named Febelfin.

Given the range of banking institutions and the competition between them, the banking sector has developed a gamut of services aimed at funding commerce and industry. These include all of the traditional forms of finance, such as overdraft facilities, short and long term loans, discounting of commercial bills, and documentary credits. Other facilities include investment credits, mortgage loans, factoring facilities for accounts receivable, equipment leasing and export finance.

The Belgian financial sector is also a leading force in the creation of an important cross border bank-insurance group. Some of these groups are developing a significant presence and activity in Eastern Europe.

### ***Private Sources of Funding***

Credit offers by **Belgian banks** are quite vast (at the end of 2002, an outstanding amount of €617 billion, or 2.4 times Belgium's GDP) and their types vary according to a number of factors. Belgian banks are a dominant player in the venture capital market with a share of 55% of new venture capital funds raised in 2002.

Belgium's **venture capital industry** has developed into a mature industry. The *Belgian Venturing Association* (BVA) represents the Belgian venture capital and private equity sector.

Data from the European Venture Capital Association show that in 2002 €360 million was invested by venture capitalists in Belgium in 257 companies. The biotech, IT and communication sectors attracted 46% of investments. Recently there has been a growing interest among large international venture capitalists in the Belgian market.

Recent federal legislation introduced the **Private “PRIVAK” (Private Equity Investment Fund- Investments in non-quoted companies)**. The new law aims at encouraging private investors to invest in non-quoted venture capital, while benefiting from a tax neutral status. Investors may be individual and/or legal entities established in Belgium as well as abroad. The new scheme offers an attractive tax regime for foreign investors: minimal taxation, the possibility to benefit from reduced treaty withholding tax rates, no non-deductible VAT, no withholding tax on dividends distributed and liquidation or share buy-back, and tax transparency when under the form of a limited partnership.

Through a range of informal contacts, **business angels** provide start-ups with risk capital and coaching. In 2000 their networks united in the *Belgian Association of Business Angels Networks (BeBAN)*.

## Public Sources of Funding

### A. Federal Level

The **Participation Fund** offers loans with low fixed interest rates to the self-employed and SMEs (small and medium -sized enterprises), such as :

- \*'creation loans' to finance initial investments by independent professionals and small businesses within the first year of activity
- \*'growth loans' to assist with the growth of a business.
- \*'transmission loans' to partially finance the acquisition of a commercial business or the majority of shares in a small business .

In case of liquidation, these subordinated loans do not have to be reimbursed until other creditors are compensated. In some cases , grace periods for the reimbursement of capital apply.

### B. Regional Level

The Flanders, Wallonia and Brussels Capital Region each offer additional funding mechanisms for new companies. The **Regional Investment Company of Flanders (GIMV)**, the **Brussels Regional Investment Company (GIMB-SRIB)**, the **Regional Investment Company of Wallonia (SRIW)** and the **Wallonian SME finance and guarantee company (SOWALFIN)** finance the creation, re-organization or expansion of private businesses. Regional investment companies act either by purchasing shares, by increasing the capital of the business, by subscribing to a bond issue, or by granting subordinated or convertible loans. Growth and venture capital are provided to established companies as well as start-ups in newer innovative sectors. Special venture capital funds were created in biotech and sustainable energy.

Regional **guarantee funds** provide prospective entrepreneurs with the necessary guarantees for a commercial loan, or guarantee the venture capital investments by venture capital funds in small innovative companies. Financial assistance helps cover the cost of expert legal or financial advice (**consultancy aid**).

#### Useful Addresses

##### Bart Deelen, Business Development, Embassy of Belgium

3330 Garfield Street, N.W. Washington, D.C. 20008  
Phone (202) 625-5810, Fax (202) 625-7567  
bart.deelen@diplabel.org  
www.diplabel.us

##### Economic and Commercial Office of the Brussels Capital Region

1330 Avenue of the Americas, 26th Floor NY, NY 10019-5422  
Phone (212) 399-8522, Fax (212) 399-8517  
brusselsusa@msn.com  
www.investinbrussels.com, www.brussels-usa.com

##### Office of Foreign Investors of Wallonia (OFI)

333 N. Michigan Avenue, Suite 905 Chicago, IL 60601- 4186  
Phone (312) 357-6349, Fax (312) 357-6407  
jpvasaune@investinwallonia.com  
www.ofisa.be

##### Flanders Foreign Investment Office (FFIO)

13601 Preston Rd., Suite 707W Dallas, TX 75240  
Phone (972) 503-3346, Fax (972) 503-3362  
jan.offner@ffio-usa.com  
www.ffio.com

##### Federal Service for Foreign Investments

G. Lemanstraat 60, 1040 Brussels  
Phone + 32 2 206 58 73  
invest.belgium@mineco.fgov.be  
www.investinbelgium.fgov.be

##### Taxation Department for Foreign Investments

Leuvensestraat 38, 1000 Brussels  
Phone +32 2 233 82 54  
bart.adams@minfin.fed.be, jose.vilain@minfin.fed.be  
albert.wolfs@minfin.fed.be  
www.fiscus.fgov.be/int erfinvesten

#### Useful Links

National Bank of Belgium	<a href="http://www.bnb.be">www.bnb.be</a>
Banking and Finance Commission	<a href="http://www.cbf.be">www.cbf.be</a>
Belgian Bankers' Association	<a href="http://www.abb-bvb.be">www.abb-bvb.be</a>
Euronext Brussels	<a href="http://www.euronext.com">www.euronext.com</a>
BVA - Belgian Venturing Association	<a href="http://www.bvassociation.org">www.bvassociation.org</a>
Participation Fund	<a href="http://www.fonds.org">www.fonds.org</a>
Belgian Association of Business Angels Network	<a href="http://www.beban.be">www.beban.be</a>
Brussels Regional Investment Company	<a href="http://www.srib.be">www.srib.be</a>
Regional Investment Company of Wallonia	<a href="http://www.sriw.be">www.sriw.be</a>
Regional Investment Company of Flanders	<a href="http://www.gimv.be">www.gimv.be</a>
Wallonian finance and guarantee company for small and medium-sized (SME) companies	<a href="http://www.sowalfin.be">www.sowalfin.be</a>
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	<a href="http://www.swift.com">www.swift.com</a>
European Venture Capital Association	<a href="http://www.evca.com">www.evca.com</a>
Euroclear	<a href="http://www.euroclear.com">www.euroclear.com</a>