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Localization of Banking Headquarters in Europe: Comparative Analysis of Tax, Regulatory and Market Factors (2024–2025)

Localisation des sièges bancaires en Europe : analyse comparative des facteurs fiscaux, réglementaires et de marché (2024–2025)

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Abstract: The strategic choice of the location of a bank headquarters in Europe is a multi-factor process influenced by tax regimes, regulatory stability, market dynamics, availa-bility of talent and operating costs. This research comparatively analyzes the most attrac-tive European jurisdictions for the establishment of central banking offices, integrating updated statistical data (2024-2025) and numerical projections. The main options are examined, with a focus on the current presence of foreign banks and the importance of the financial sector in the local economy. In addition, reflections on the impact of Brexit, geo-political tensions and the ease of the regulatory environment in relation to the choice of venue are incorporated, outlining the future prospects up to 2030.

Keywords: Banking headquarters, Taxation, Legislation, Brexit, Geopolitics.

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1. Introduction

The European financial landscape is characterized by increasing regulatory complexity, intense competitive pressure, and the adoption of international tax standards, such as OECD's Pillar Two. Added to these factors are the implications of Brexit, growing geopolitical tensions globally and the need to operate in environments with high regulatory ease. In this context, banking institutions are called upon to carefully consider where to establish their headquarters to optimize operational efficiency, minimize the tax burden and ensure regulatory compliance, also taking into account these elements of risk and opportunity. The aim of this research is to provide an evidence-based analysis to guide this strategic decision, extending the analysis to future projections for the next 5-10 years.

This study aims to take an in-depth look at European jurisdictions that stand out for their attractiveness as locations for banking headquarters. The existing literature has extensively covered the importance of tax regimes and regulatory stability in the choice of a corporate location, but a gap in the research concerns the integration of data updated to 2024-2025 and medium-long term projections up to 2030, simultaneously considering the impact of exogenous factors such as Brexit and geopolitical tensions. This analysis aims to fill this gap by providing a holistic and forward-looking view. The main question this research seeks to answer is: what are the most favorable determinants and jurisdictions for the location of bank headquarters in Europe in the period 2024-2025, with a look at future trends up to 2030, and how Brexit and the geopolitical context influence these strategic decisions?

To answer this question, the analysis will focus on several key topics. First, the fiscal evolution will be discussed, in particular the impact of Pillar Two, which will reduce the benefit of lower nominal rates. Secondly, the role of digitalisation and innovation will be explored, with a focus on Fintech hubs and the availability of digital talent. Third, the importance of sustainability and green finance will be examined, which will push banks towards leading jurisdictions in this area. Finally, the ongoing geopolitical scenario will be assessed, highlighting the need for value chain resilience and data security.

2. Methodology

The research is based on the analysis of public data and sector reports relating to: corporate tax rates (CIT) and tax regimes specific to the financial sector; contribution of the financial sector to GDP and the size of banking assets; employment statistics in the banking sector; "Ease of Doing Business" indicators in the financial sector; and economic and sectoral projections. The information has been aggregated from institutional sources and market analysis with a reference date of 2024-2025 where available.

3. Comparative Analysis of Jurisdictions

3.1 Luxembourg

Luxembourg remains a major financial hub in Europe, particularly for investment funds and private banking services. The overall corporate income tax (CIT) rate for businesses with profits above €200,000 will be reduced from 24.94% in 2024 to 23.87% in 2025. For small businesses, the reduction will be from 22.80% to 21.73% over the same period. The jurisdiction offers exemptions on dividends and capital gains for holding companies. Luxembourg manages about 60% of alternative investment funds in Europe, showing a consolidated international presence. Banking assets , as a percentage of GDP, reached an impressive 1945% in 2020, the highest value in the EU, underlining its centrality as a financial hub. In 2023, Luxembourg's banking sector employed around 26,150 people, reflecting a skilled workforce. In 2020, Luxembourg was ranked 14th in EuCham's "Best European Countries for Business" index.

3.2 Ireland

Ireland remains an attractive destination for multinational corporations due to its favorable tax regime and skilled workforce. The standard rate of corporation tax is 12.5%. However, for large multinationals with global revenues of more than €750 million, the minimum effective tax rate is 15% as a result of the OECD Pillar Two agreement (in force from 2024/2025). Ireland is recognised as an "important hub for international business". Bank assets , as a percentage of GDP, were 372% in 2020, highlighting the significant size of its financial sector. Ireland was ranked 12th in EuCham's "Best European Countries for Business" index in 2020.

3.3 Switzerland

Although Switzerland is not a member of the EU, it is a global financial centre renowned for stability and discretion. The combined effective rates of corporation tax (federal + cantonal + municipal) for 2025 range from approximately 12% to 21%, with a national average of around 14-15%. The federal rate is flat at 8.5% (effective about 7.8% on pre-tax profit). Large multinationals with revenues of more than €750 million will be subject to the minimum rate of 15% from 2024. At the end of 2023, Swiss banks employed 93,299 full-time equivalents, an increase of 1.4% compared to the previous year, indicating sustained employment growth in the sector. The aggregate balance sheet total of all Swiss banks amounted to CHF 3,177.0 billion in 2023. Swiss GDP grew by 1.3% in 2023, with a similar growth forecast of 1.2% for the end of 2024. The Swiss banking sector showed aggregate net profit up 2.9% in 2023 to CHF 72.3 billion. Switzerland ranked 5th in EuCham's "Best European Countries for Business" index in 2020.

3.4 Cyprus

Cyprus has strengthened its position as an EU jurisdiction with a competitive tax regime. The corporate tax rate is 12.5% on taxable profits for 2025, one of the lowest in the EU. The IP Box regime can reduce the effective rate by up to 2.5%. The financial sector and professional services were "important contributors to GDP growth". The Central Bank of Cyprus expects robust GDP growth of around 3% per year between 2025 and 2027. The banking sector has shown remarkable resilience and capital adequacy levels (CET1 ratios) are significantly above the EU average.

3.5 Malta

Malta offers a single tax regime for holding companies and direct access to the EU market. Although the nominal corporate tax rate is 35%, the full imputation and partial refund system allows the effective tax rate for shareholders to be reduced to a range of 0% to 10% on profit distribution. Malta, as an EU member, will also apply the Pillar Two directive which provides for a global minimum tax rate of 15% for large multinational groups. The financial and insurance business sector recorded the highest basic wages in the fourth quarter of 2024. Malta was ranked 28th in EuCham's "Best European Countries for Business" index in 2020.

3.6 Hungary

Hungary has one of the lowest tax rates in the EU. The statutory corporate tax rate remains 9%. However, with the introduction of Pillar Two rules (Income Inclusion Rule and Qualified Domestic Minimum Top-up Tax at 15% from 2024, Undertaxed Profits Rule from 2025) for large multinationals, the effective rate for the latter will approach 15%. Hungary's GDP in 2023 was HUF 75.087 billion, which was 0.9% lower than the previous year.

3.7 Bulgaria

Bulgaria offers a very competitive tax regime in Eastern Europe. The corporate tax rate is 10% on profits. The share of banking sector assets in GDP in Bulgaria was 95.4% at the end of 2019, rising to 104.6% at the end of 2020, indicating the growing importance of the banking sector in the national economy. Bulgaria ranked 37th in EuCham's "Best European Countries for Business" index in 2020.

3.8 Germany

Germany, as the largest economy in the EU, represents a significant financial hub, with Frankfurt as its financial heart. The corporate income tax rate is 15% (15.825% including solidarity tax), plus a municipal business tax that ranges from 7% to 17%. The total effective tax rate (including solidarity tax and business tax) typically ranges between 30% and 33%. Germany is home to 28% of all EU banks in 2020, the highest number among member states, and 26% of people employed in the EU banking sector. German bank assets amounted to €8,943 billion in 2020, corresponding to 266% of its GDP. Germany ranked 22nd in the "Ease of Doing Business" index in 2020. Frankfurt has benefited from Brexit, with more than 100,000 people employed in the financial services sector. German banks face geopolitical risks, particularly due to economic ties with China, which could affect borrowers' creditworthiness and creditworthiness in the event of an escalation of tensions.

3.9 France

France is the world's seventh-largest economy and a major financial center. The standard corporate income tax rate is 25%, with an additional social surcharge of 3.3% for companies with taxable income above €763,000. France showed strong growth in the financial services sector, partially due to Brexit, with the financial center of Paris seeing the expansion of several U.S. banks. French banking assets amounted to €10,491 billion in 2020, corresponding to 454% of its GDP, the highest in the EU in absolute terms. In 2020, France employed 18% of people in the EU banking sector. The World Bank Ease of Doing Business Index ranked France 32nd out of 150 globally, with a score of 81.9. The French banking sector is committed to supporting sustainable economic growth and navigating the geopolitical environment, facing risks related to digitalisation and reliance on non-European entities for digital solutions.

3.10 Spain

Spain has a significant banking sector with a direct contribution to GDP of more than 3%. The total assets of Spanish credit institutions amount to €4.2 trillion. The Spanish banking sector is the second largest in terms of concentration among the main European countries. The share of bank assets in GDP was 258% in 2020. Spanish banks have shown a good trajectory in reducing non-performing loans (NPLs). Spain ranked 30th in the "Ease of Doing Business" index in 2020. Spanish companies show better economic prospects and greater investment than the European average in advanced digital technologies and the green transition. Brexit has had an impact on the Spanish economy, with the exposure of Spanish banks to the UK, mainly concentrated in loans and mortgages. Spanish banks have significant exposure to third countries considered material for the banking system, including the United Kingdom and the United States.

3.11 Italy

Italy, as the third largest economy in the Eurozone, is home to a significant banking sector. The standard rate of Corporate Income Tax (IRES) is 24%. However, for the 2025 tax year, a reduced alternative IRES rate of 20% has been introduced for companies that meet certain conditions, such as reinvesting at least 80% of 2024 profits in specific company assets and hiring new permanent employees. The Italian banking sector, although among the most fragmented in Europe with 428 banks operating at the end of 2023, has shown resilience. Italian banks have performed strongly in 2024 thanks to higher interest rates and low funding costs. Italy ranked 17th in the "Global Attractiveness Index 2024", gaining one position compared to the previous year, and among the best countries for the sustainability index. As for ease of doing business, the country has an "Ease of Doing Business" index of 58 (on a scale of 1 to 189, with 1 being the best) as of 2019. Italy is under the supervision of the ECB's Single Supervisory Mechanism (SSM), ensuring regulatory consistency with the Eurozone. Brexit led to the termination of passporting rights for UK financial institutions in Italy, making it necessary for UK banks to obtain specific authorisations from the Bank of Italy to operate. The Italian banking sector, like others in Europe, is exposed to geopolitical risks that can affect the capitalization of banks through economic and financial channels, such as reduced economic activity or increased sovereign risks. Challenges for 2025 include the implementation of Basel IV and the impact of the ECB's potential interest rate cuts.

Figure 1. Radar: Comparison of European Jurisdictions (Normalized Indicators)

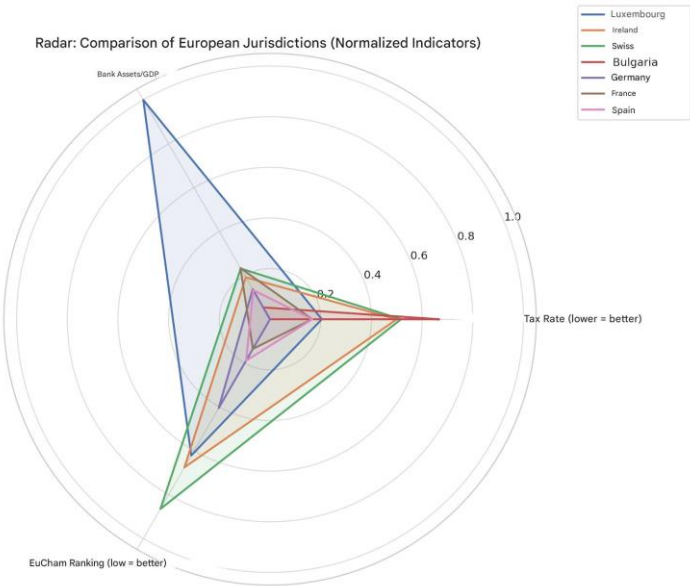
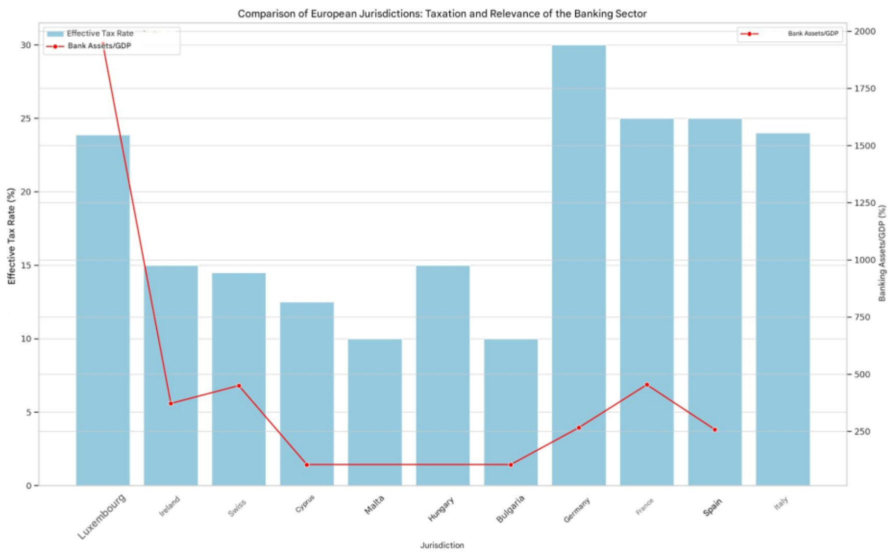


Figure 2. Comparison of European Jurisdictions: Taxation and Relevance of the Banking Sector



4. Presence of International Subsidiary Banks

Although specific data on the "number" of foreign banks were not directly available for all jurisdictions surveyed through the research carried out, the "presence" and attractiveness of these financial centres are inferred from the high volume of assets managed by international banks, the contribution of the financial sector to GDP and their positioning as international financial hubs. Countries such as Luxembourg and Ireland, with their competitive tax rates and established infrastructure, have historically attracted a significant number of cross-border banking and financial entities. Although Switzerland is not in the EU, it continues to be a hub for global banking operations.

5. Numerical Projections and Outlook

The overall economic projections for Europe point to a continued evolution of the banking sector, with a decline in the overall number of banks (5,441 banks in the EU in 2020, down 33% since 2009) but an increase in assets and greater concentration. The implementation of the global minimum tax regime of 15% (Pillar Two) from 2024/2025 will be a key enabler for large institutions, potentially reducing the comparative advantage of lower nominal rates but strengthening global fiscal stability. The projected economic growth in countries such as Cyprus (around 3% per year 2025-2027) can offer opportunities for expansion.

6. Exogenous Determinants: Brexit, Geopolitical Context and Regulatory Ease

In addition to the economic and fiscal factors inherent in each jurisdiction, the decision on the location of a bank headquarters is increasingly influenced by macro-regional and global external dynamics.

6.1 Impact of Brexit

The United Kingdom's exit from the European Union has redefined the European financial landscape. UK-based banks lost passporting rights, which allowed them to offer financial services across the EU without further authorisation. This has prompted many financial institutions to relocate significant portions of their operations or establish new legal entities in the EU to maintain access to the single market. It is estimated that assets worth over £1 trillion were moved from the City of London to EU financial centres in the early post-Brexit years. Jurisdictions such as Dublin (Ireland), Paris (France), Frankfurt (Germany) and Amsterdam (Netherlands) have benefited from this shift. Dublin, in particular, has attracted several banks and asset managers due to its English language, common law legal system, and competitive tax rate. Although Switzerland is not a member of the EU, Brexit has indirectly strengthened its position as a stable alternative for some cross-border transactions that do not require direct access to the EU. Brexit has increased operational complexity for banks with significant assets in both the UK and the EU, making jurisdictions that offer seamless access to the entire single market more attractive. This fragmentation could persist in the medium term.

6.2 Geopolitical context

Global geopolitical tensions, such as regional conflicts (e.g. Ukraine, the Middle East) or escalating international sanctions, introduce an additional layer of risk into the assessment of the location of a bank headquarters. Banks seek jurisdictions that are perceived as politically stable and have a strong rule of law. Countries with a history of neutrality or a low risk of direct involvement in conflicts are often preferred. Switzerland excels in this, offering a unique perception of security and stability, which is essential for the management of large assets. A headquarters must be located in an environment that can withstand external shocks. This includes the robustness of digital infrastructures and the ability to ensure business continuity even in adverse scenarios. Investments in cybersecurity and resilient infrastructure will increasingly be a decision-making factor. The increased use of economic sanctions as a foreign policy tool requires banks to operate from jurisdictions with clear and sophisticated regulatory frameworks for sanctions compliance, reducing exposure risk. A country's ability to maintain a balanced position in international relations and to provide regulatory clarity on this front is crucial.

6.3 Ease and Regulatory Consistency

A predictable, transparent and consistent regulatory environment is vital for banks, given their highly regulated nature. The establishment of the European Central Bank's (ECB) Single Supervisory Mechanism (SSM) has centralised the supervision of significant banks in the Eurozone, creating a regulatory level playing field in these countries. This can make some Eurozone jurisdictions more attractive, reducing the need for larger banks to interact with multiple national supervisors. Jurisdictions that strictly and consistently apply European directives and regulations (e.g. CRR/CRD, MiFID II) offer greater predictability. Luxembourg and Ireland are examples of countries that have demonstrated a remarkable ability to adapt and implement EU financial regulations. The stability of the tax system is a crucial aspect of ease of regulation. Frequent or unpredictable changes in tax laws can create uncertainty and increase compliance costs. Participation in international agreements such as OECD's Pillar Two, which aims to establish a global minimum tax rate of 15% for large companies, can contribute to greater long-term fiscal stability for multinational banking companies by reducing tax arbitrage practices. The speed and efficiency of authorisation and licensing processes by national supervisory authorities are important factors when choosing a location. Countries with a proactive and business-oriented approach by regulators may be preferred. The digitization of banking administrative processes will be an increasingly important criterion.

7. Future projections and Outlook (2025-2030)

Today's strategic decisions on the location of bank headquarters must consider the projections and trends that will shape the financial sector over the next decade.

7.1 Tax developments

By 2030, a global consolidation of Pillar Two implementation is expected. This will significantly reduce the ability to take advantage of the extremely low nominal tax rates (below 15%) for large multinational banks. As a result, the focus will shift from the "low tax rate" to the "efficiency of the tax system" (e.g. dividend exemptions, taxation of capital gains, specific incentives for innovation). Some countries may introduce or amend specific taxes on the banking sector (e.g. bank levies, taxes on financial transactions) to finance public budgets or face the costs of future crises. The predictability of these measures will be critical.

7.2 Digitalisation and Innovation

The growing importance of financial technology (Fintech) will make jurisdictions with a vibrant Fintech ecosystem and an innovation-friendly regulatory framework (e.g. regulatory sandboxes) particularly attractive. Countries such as Ireland and, increasingly, Nordic and Baltic jurisdictions, could gain ground in this area. The availability of skilled talent in areas such as artificial intelligence, blockchain, cybersecurity and data analytics will become an even more decisive factor than traditional finance labor alone. Cities with excellent universities and a high quality of life for tech professionals will become more competitive. Headquarters will have to be located in places that allow the efficient implementation of advanced technologies for the automation of banking processes, reducing operational costs in the long term.

7.3 Sustainability and Green Finance

The growing emphasis on sustainability and ESG (Environmental, Social, Governance) criteria will push banks to consider jurisdictions that are establishing themselves as leading centers in green finance. Luxembourg, for example, is actively promoting its role in this area. The ability of a jurisdiction to provide a clear and harmonized regulatory framework for sustainable finance will be a competitive advantage.

7.4 Continuous geopolitical scenario

Banks will need to assess the resilience of their operational value chains and dependency on specific regions in a context of increasing geopolitical fragmentation. The geographical diversification of critical operations could become a priority strategy. Cyber threats related to geopolitical tensions will require headquarters in countries with strict data protection laws and robust cybersecurity infrastructure, as well as effective international cooperation on this front.

8. Conclusion

The decision on where to open a banking headquarters in Europe in 2024-2025, with a perspective up to 2030, is a complex undertaking that requires a holistic and forward-looking analysis. Luxembourg continues to be a preeminent choice due to its robust financial infrastructure, its established role in international finance and a competitive tax regime that, while aligning with Pillar Two, maintains structural advantages. Ireland offers an attractive corporate tax rate, an English-speaking workforce, and a pro-business environment, further strengthened by post-Brexit travel that has seen significant asset transfers. Switzerland remains a prestigious option due to its political and economic stability, its neutrality and its highly qualified workforce, serving as a refuge in an uncertain geopolitical environment. Countries such as Cyprus and Malta have competitive tax rates and may be suitable for certain structures or market niches, although they must continue to strengthen their reputation and oversight capabilities. Hungary and Bulgaria, while offering very low nominal rates, will see their tax advantages mitigated by the application of Pillar Two for large companies.

In summary, the location of bank headquarters will increasingly be influenced by the ability of jurisdictions to balance a competitive tax regime (albeit with the limitation of a minimum of 15%), with a stable and predictable regulatory environment, access to a skilled talent market (with an increasing emphasis on digital skills), a robust financial ecosystem, and the ability to manage the complexities arising from Brexit and increasing geopolitical tensions. Banks will need to prioritize operational resilience, regulatory compliance (especially in a sustainable finance and cybersecurity environment) and adaptability to technological innovation as well as tax optimization to ensure long-term success and sustainability. Future "convenience" will not be just a matter of fiscal numbers, but of a balance between stability, adaptability and the ability to innovate.

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