



Luxembourg, a global Financial Services Centre

Our Partners:

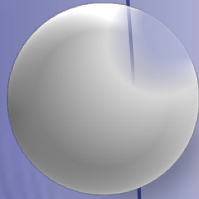
arendt
arendt & medernach

LOYENS  LOEFF
AVOCATS À LA COUR

J.P.Morgan
Asset Management

Deloitte.

KPMG



The Luxembourg Financial Centre



— Jean-Jacques Picard
Secretary General, Luxembourg for Finance
jean-jacques.picard@lff.lu
+352 27 20 21-1



Luxembourg for Finance

Agency for the development of the financial centre

- 50 % Luxembourg State
- 50 % PROFIL (Financial sector holding)

Main targets

- Customers & potential customers
- Investors
- 'Gatekeepers'
- Human Resources



The Luxembourg financial centre

... at a glance :

- Europe's number one investment fund centre
(number 2 worldwide behind the US)
- N° 1 wealth management centre in the Eurozone
- Europe's leading domicile for captive reinsurance companies

Luxembourg: financial centre, but also...



The Luxembourg financial centre

Banks

150

Investment funds

3,614

Insurance

Life : 53

P&C : 41

Reinsurance : 251

Professional
intermediaries
(asset managers,
brokers, transfer
agents...)

~ 300

August 2010; Source: CSSF

The Luxembourg financial centre

■ Employment



Source : Codeplafi, 2008 figures



The Luxembourg financial centre



Main characteristics :

- Social, political and legal stability
- Modern legal and regulatory environment
- Highly international
- Diversified
- Multicultural and multilingual workforce
- Highly specialised service providers

Luxembourg : well regulated

EU member state → EU Directives

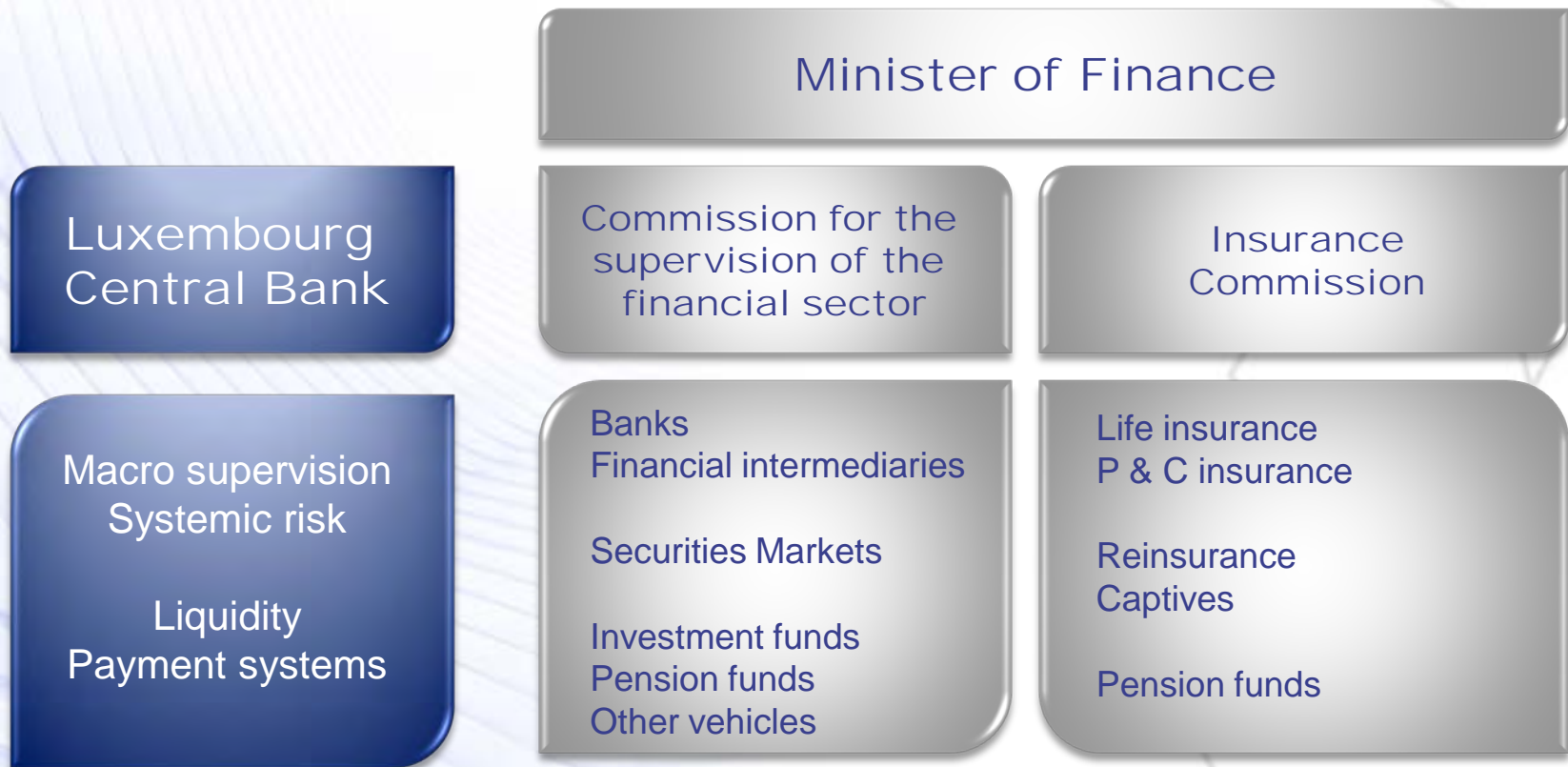
“Local” laws and regulations

- Access to professional activities in the financial sector
- Anti-money laundering legislation
- Legal framework for specific products

→ Flexibility

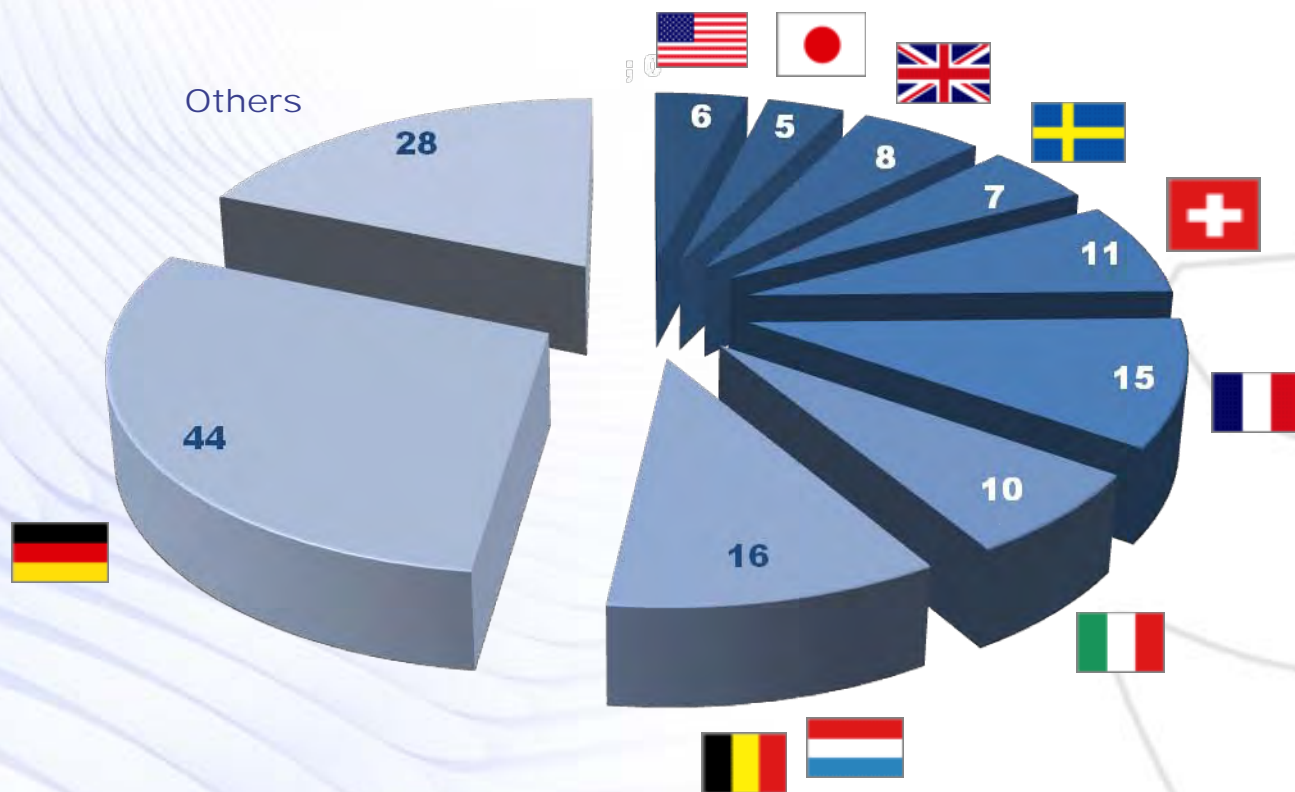
→ Tailor made financial products and services

Luxembourg : well regulated



Luxembourg : highly international

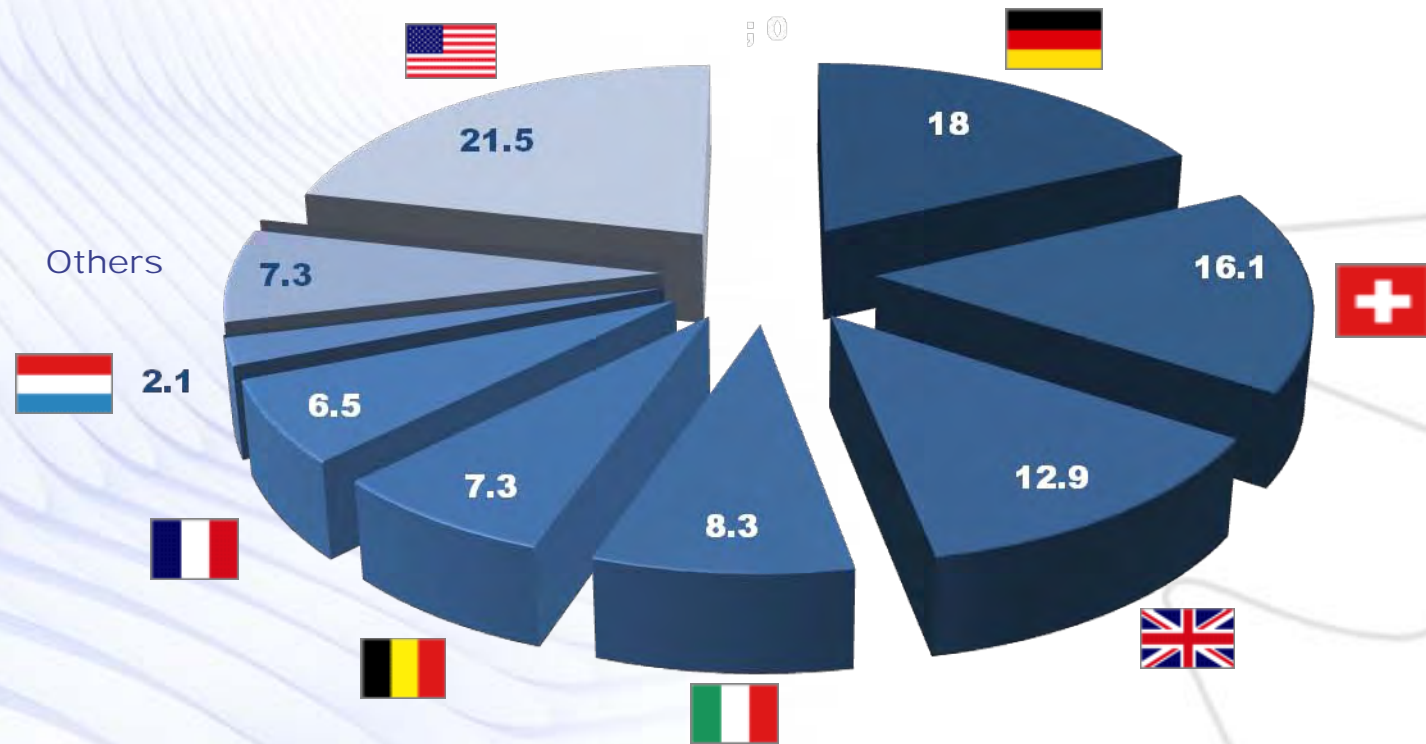
... in terms of origin of banks



August 2010, Source: CSSF

Luxembourg : highly international

... in terms of origin of fund promoters

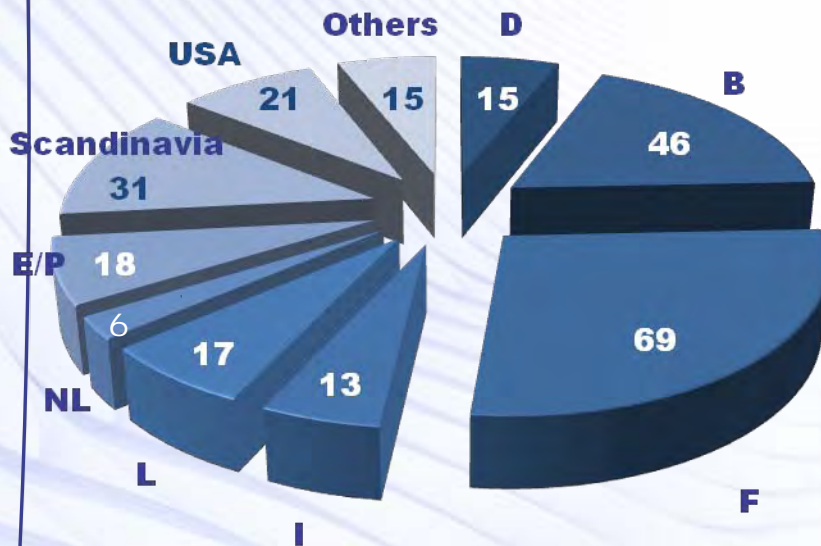


Market shares in terms of assets under management
Figures as at June 30, 2010, Source: CSSF

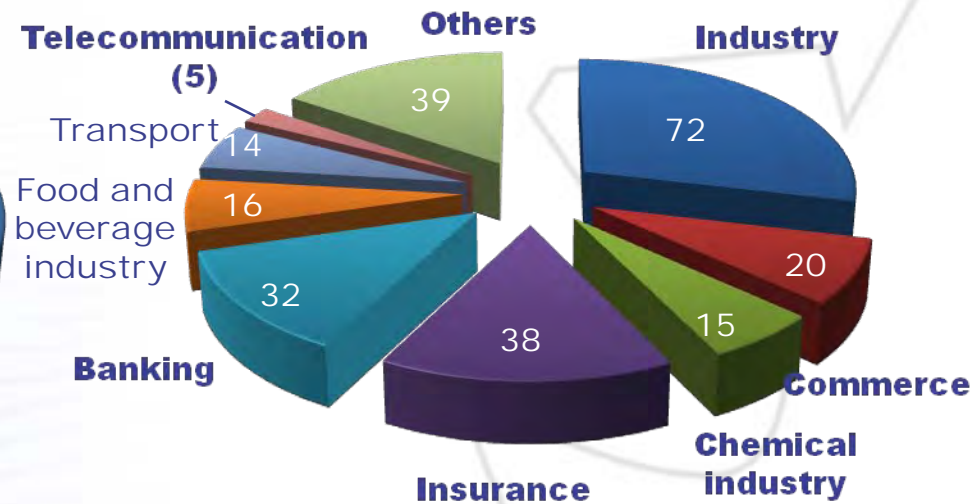
Luxembourg : highly international

... in terms of origin of reinsurance companies

Country of origin



Sector of activities

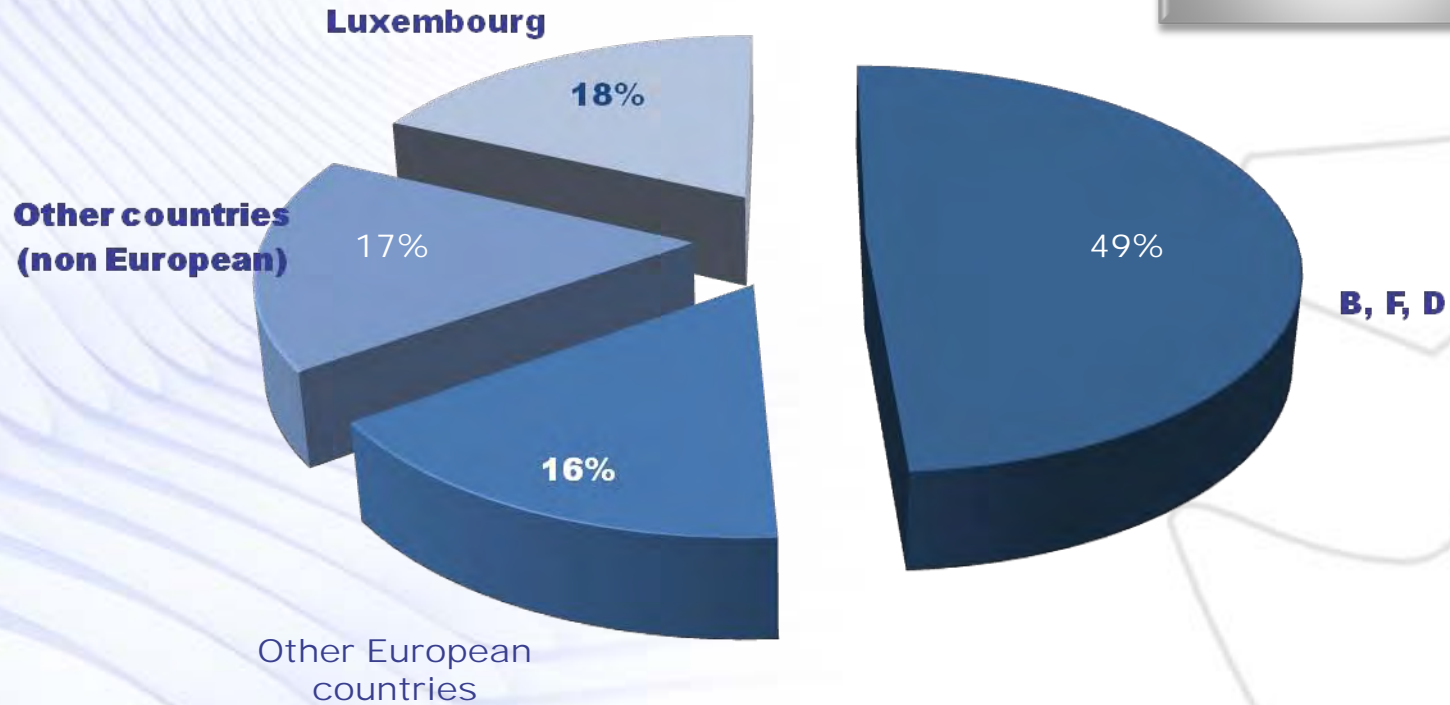


Source: Commissariat aux Assurances, annual report 2009

Luxembourg : highly international

... in terms of clients

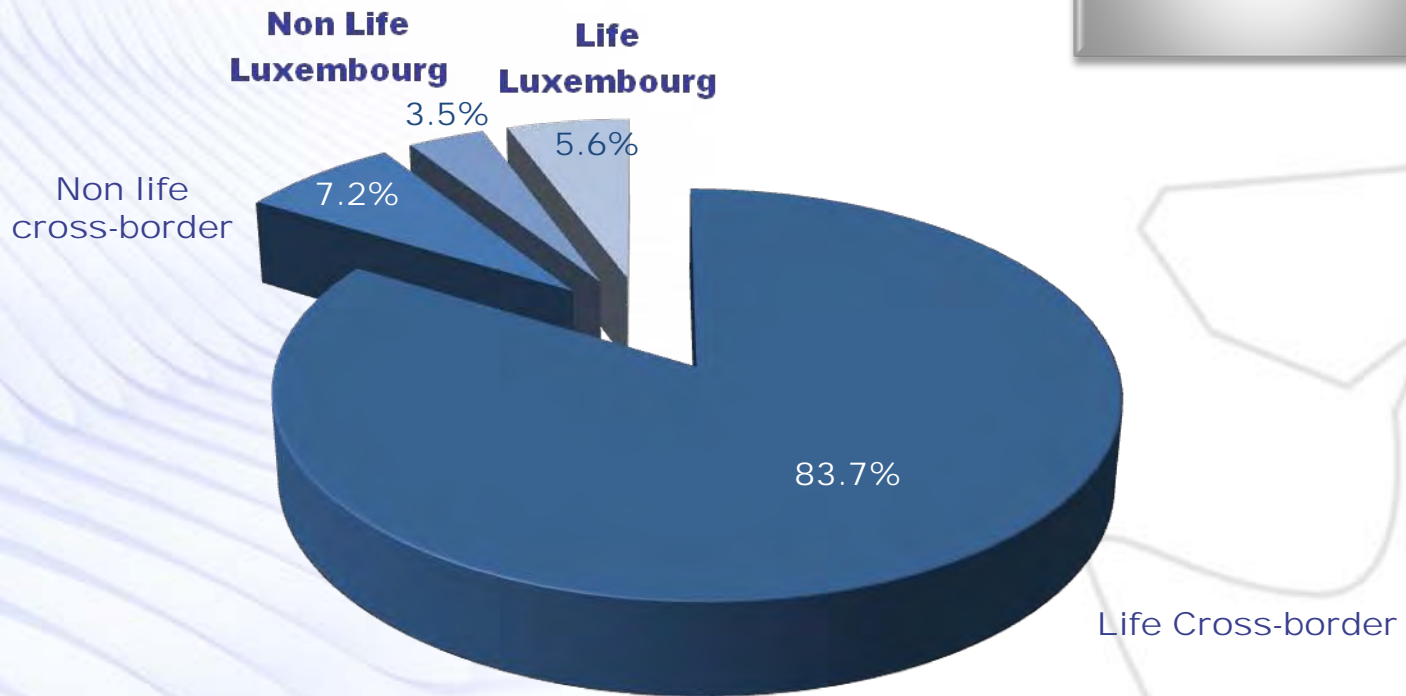
The example of private banking



Luxembourg : highly international

... in terms of clients

The example of insurance



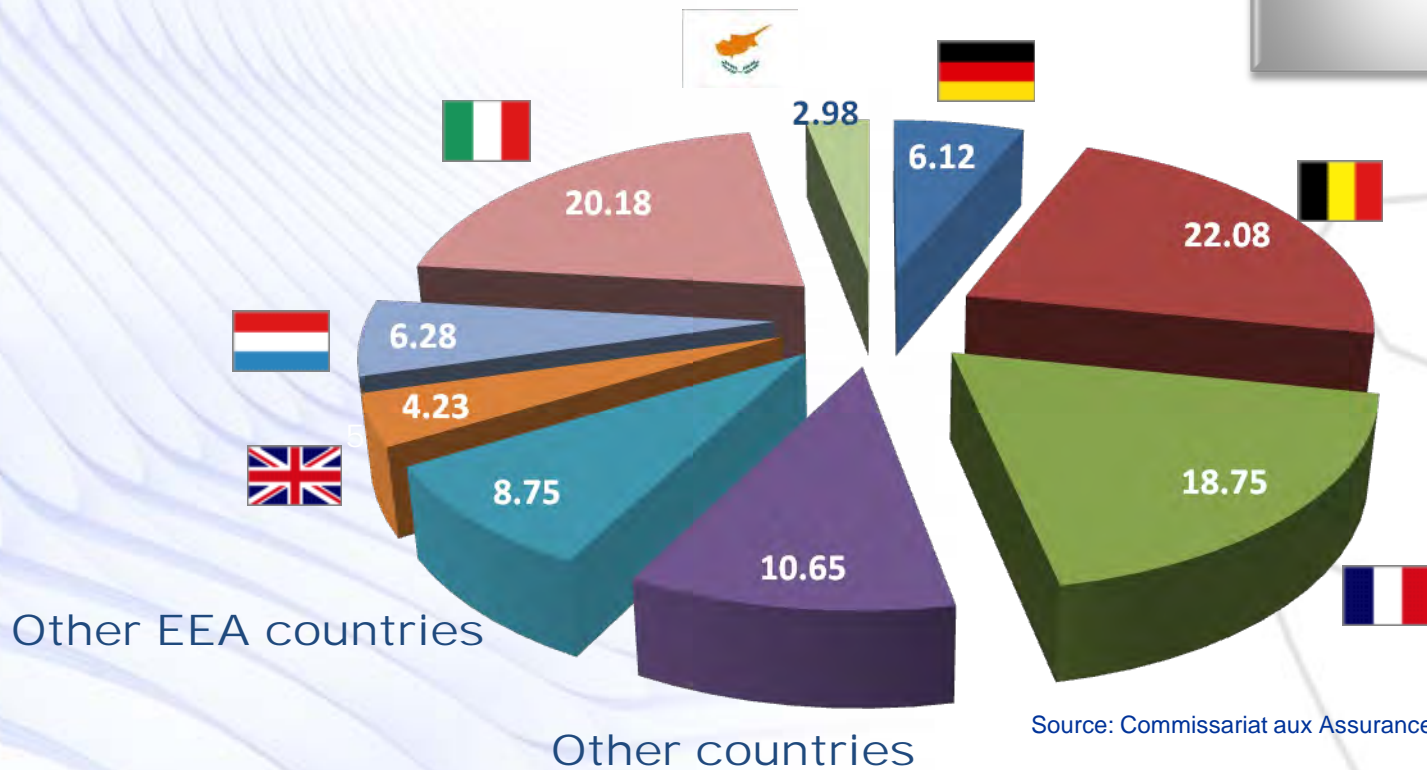
Source: Commissariat aux Assurances, annual report 2009

Luxembourg : highly international

... in terms of clients

The example of life insurance

Origin of premiums



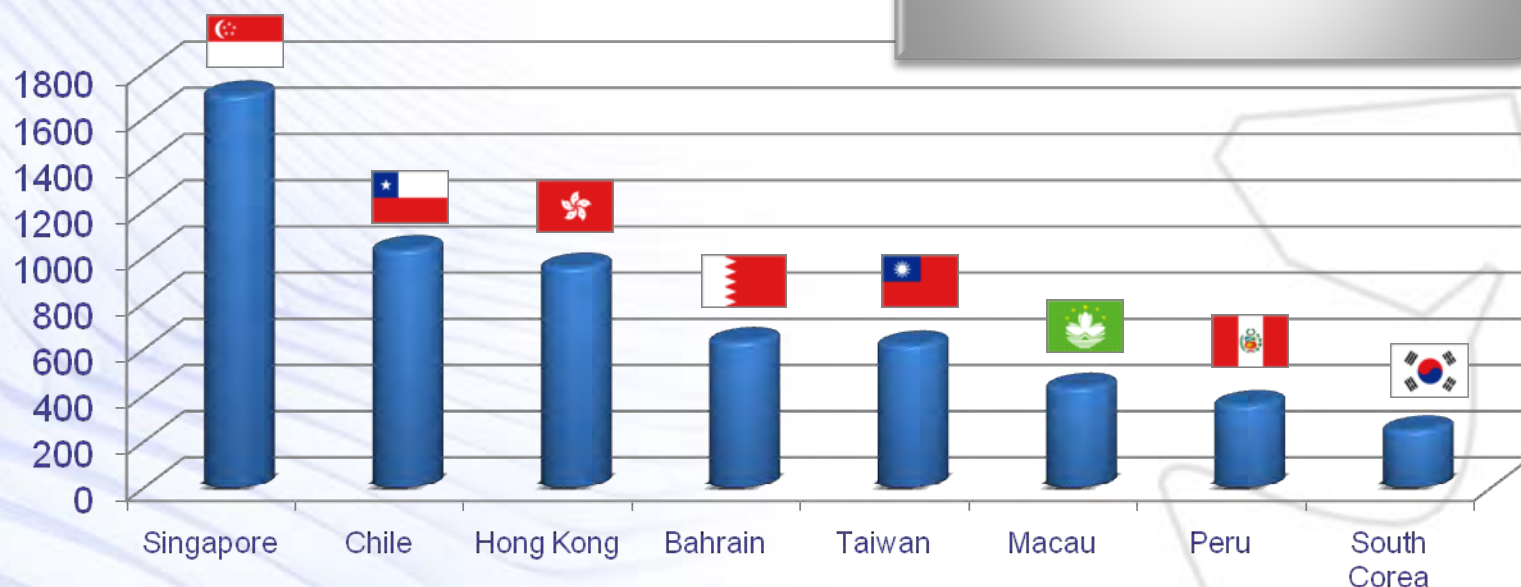
Source: Commissariat aux Assurances, annual report 2009

Luxembourg : highly international

... in terms of clients

The example of investment funds

Main countries of distribution outside Europe



Source: PricewaterhouseCoopers: Global Fund Distribution 2010

Luxembourg : highly international

— ... in terms of population and work force

- More than 40% of the Luxembourg population are non Luxembourgers
- 145,000 commuters from Germany, Belgium and France are working in Luxembourg
- Most Luxembourgers speak 2 or 3 foreign languages

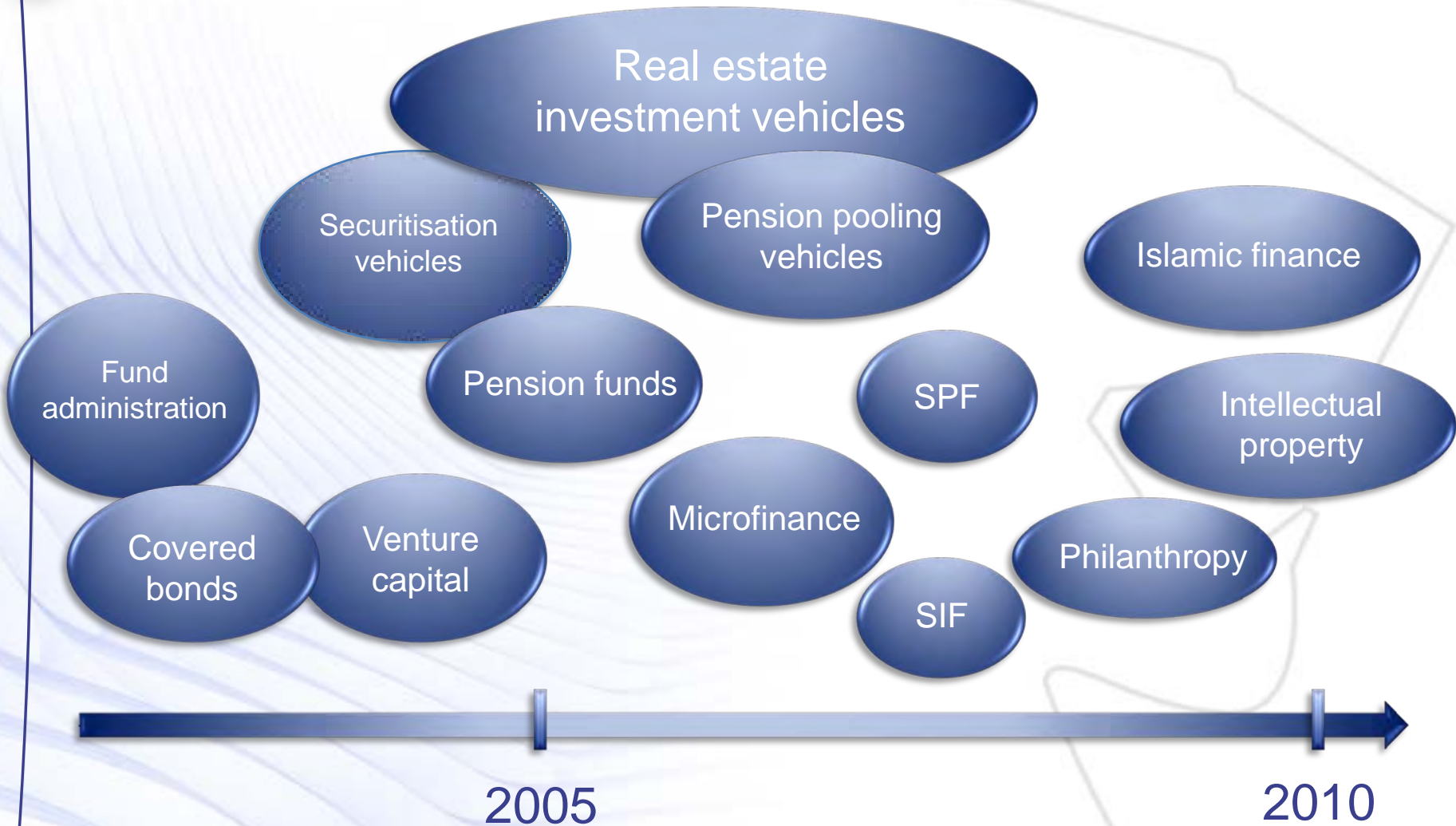
Highly diversified service providers

- Legal and tax advisers
- Consultants, accountants, auditors
- Regulated service providers (PSF – Financial Sector Professionals)
 - Supervised by the CSSF



Outsourcing

Ongoing diversification



Luxembourg

The Global Fund Centre of Choice

■ Moderator:

Claude Kremer

President, Association of the Luxembourg Fund Industry

Panelists:

Jérôme Wigny

Partner, Elvinger, Hoss & Prussen

Rafik Fischer

Director, Head of Global Investor Services, KBL European Private Bankers

Jon Griffin

Managing Director, J. P. Morgan Asset Management

Georges Bock

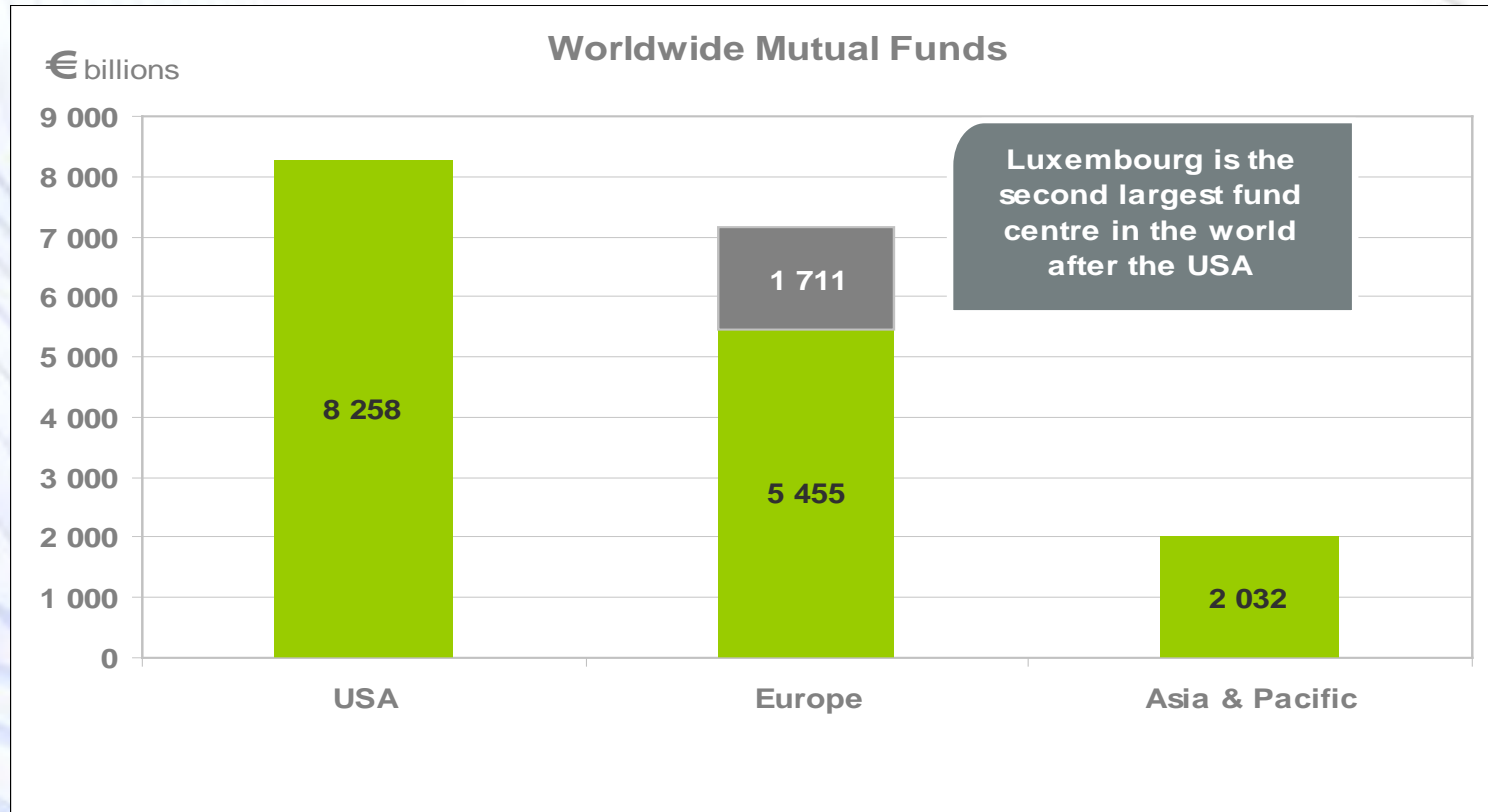
Partner, Global Chairman of KPMG's Fund Tax Network, KPMG

Luxembourg your Gateway to Europe and the World



Worldwide Fund Industry

Luxembourg - Second largest fund centre in the world

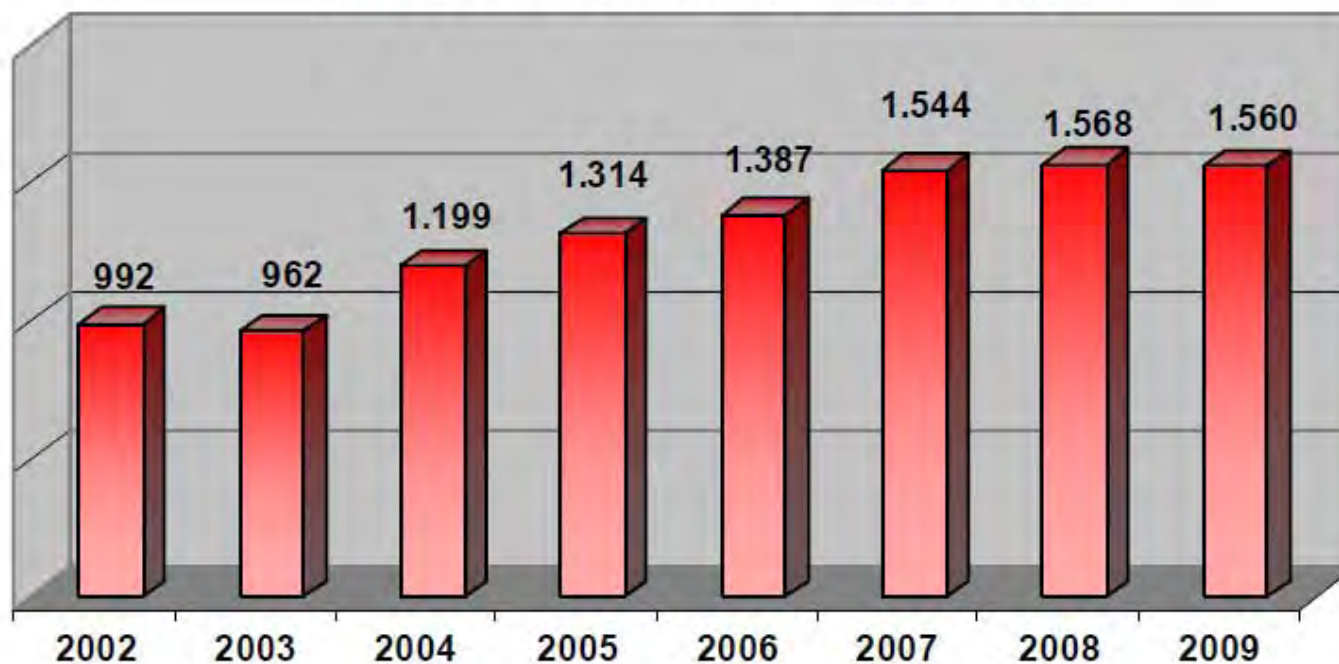


Figures as at March 31, 2010

Sources: EFAMA & ICI

Fondos Mutuos Aprobados 2002-2009

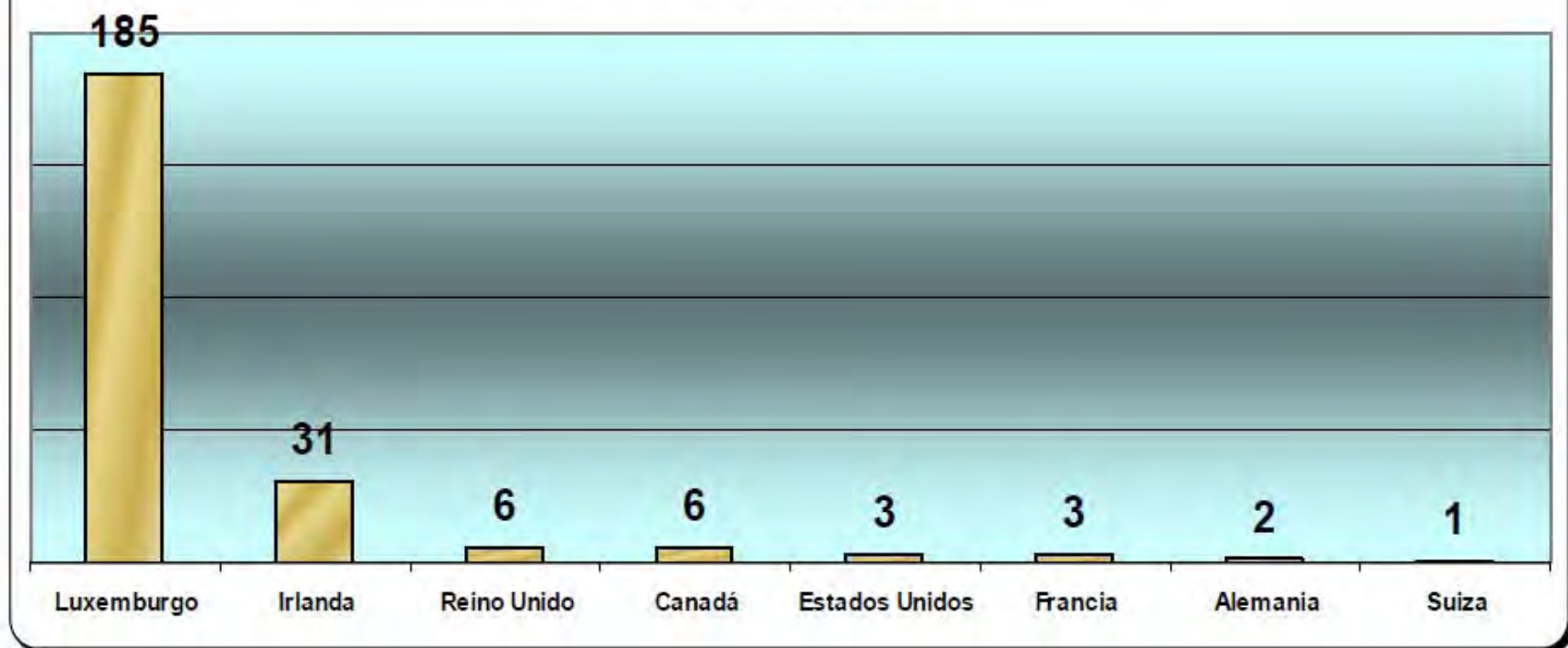
Fondos Mutuos Aprobados (al 31 de diciembre de cada año)



Source: Comision Clasificadora de Riesgo – Management Report 2009

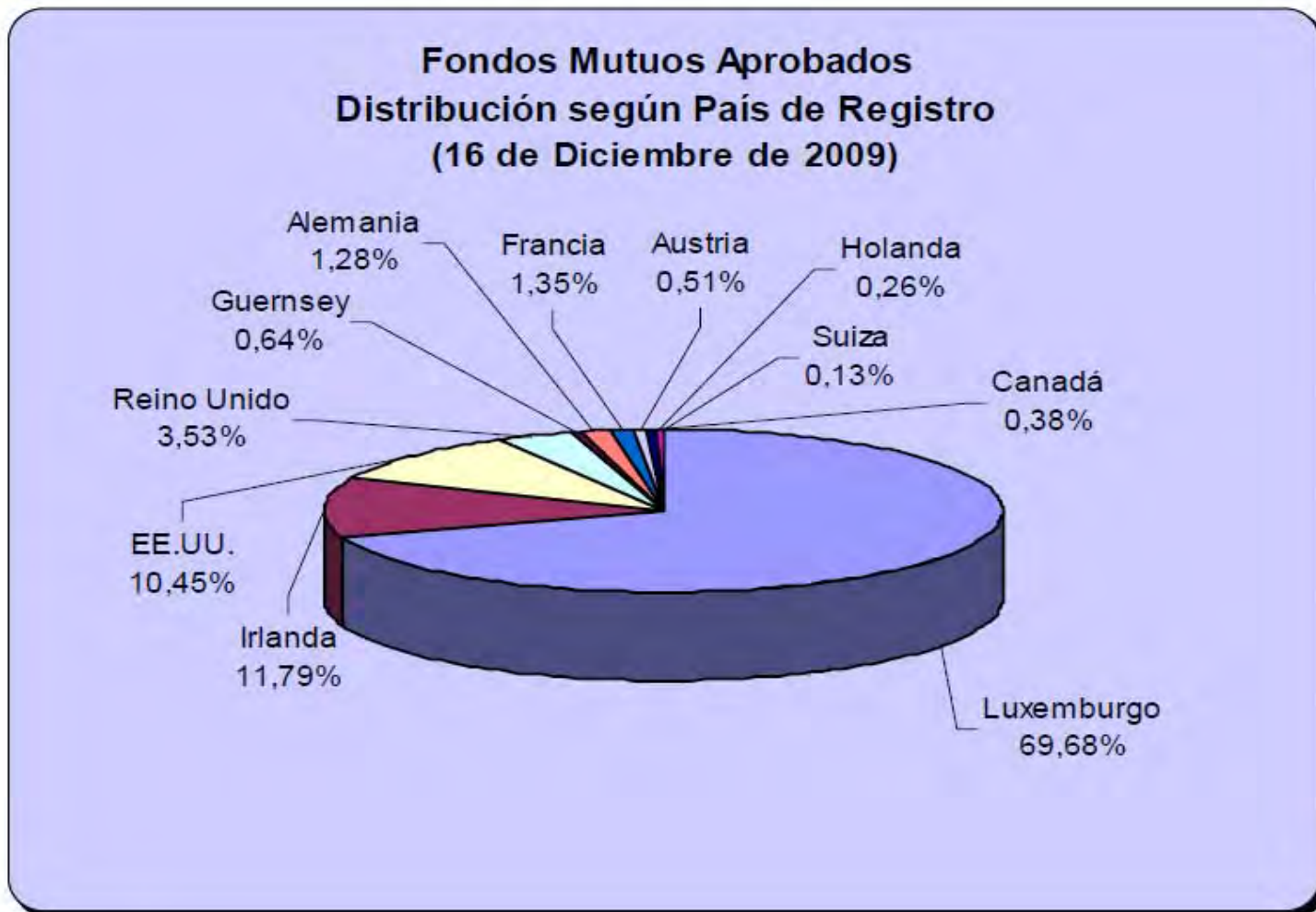
Fondos Mutuos Aprobados 2009

Fondos Mutuos Aprobados Durante Año 2009 País de Registro



Source: Comision Clasificadora de Riesgo – Management Report 2009

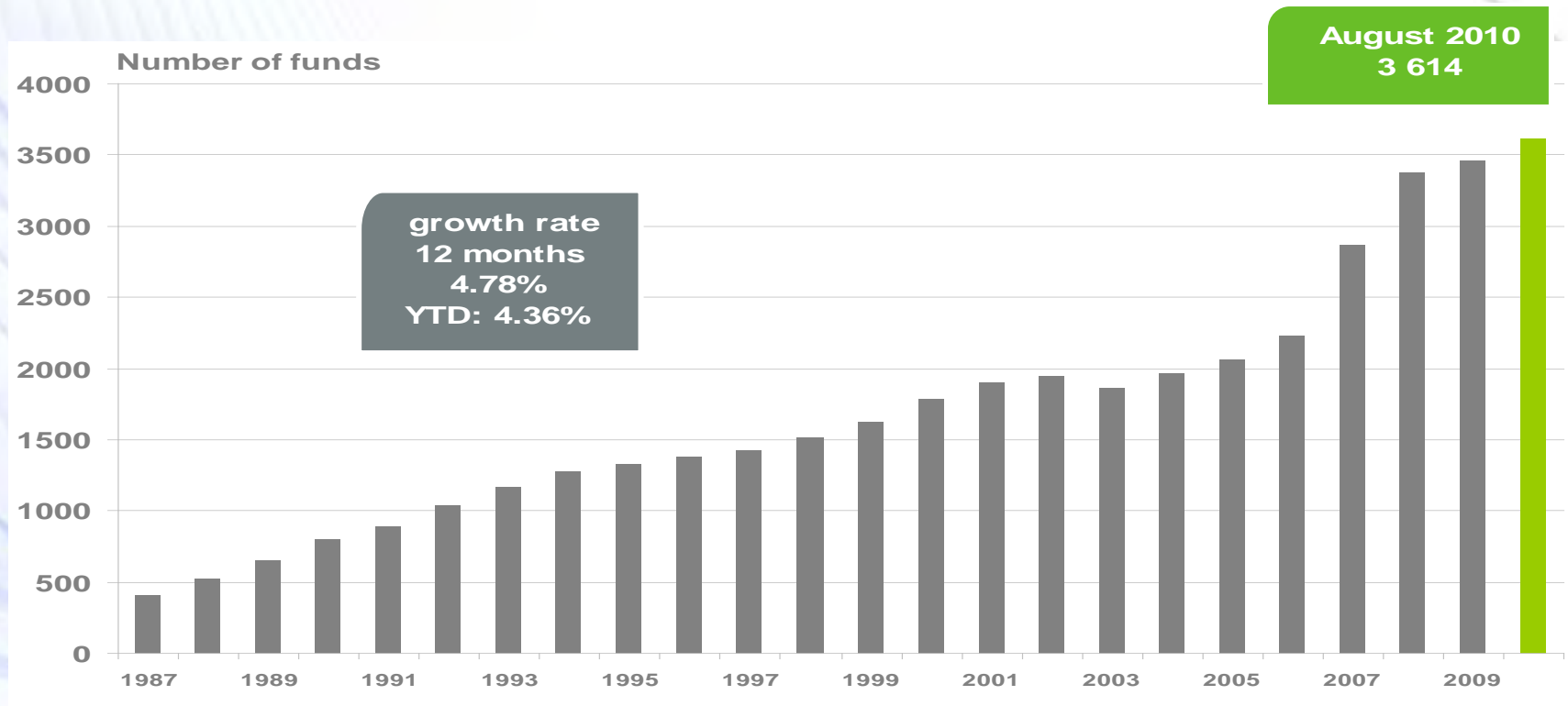
Distribución según País de Registro



Source: Comision Clasificadora de Riesgo – Management Report 2009

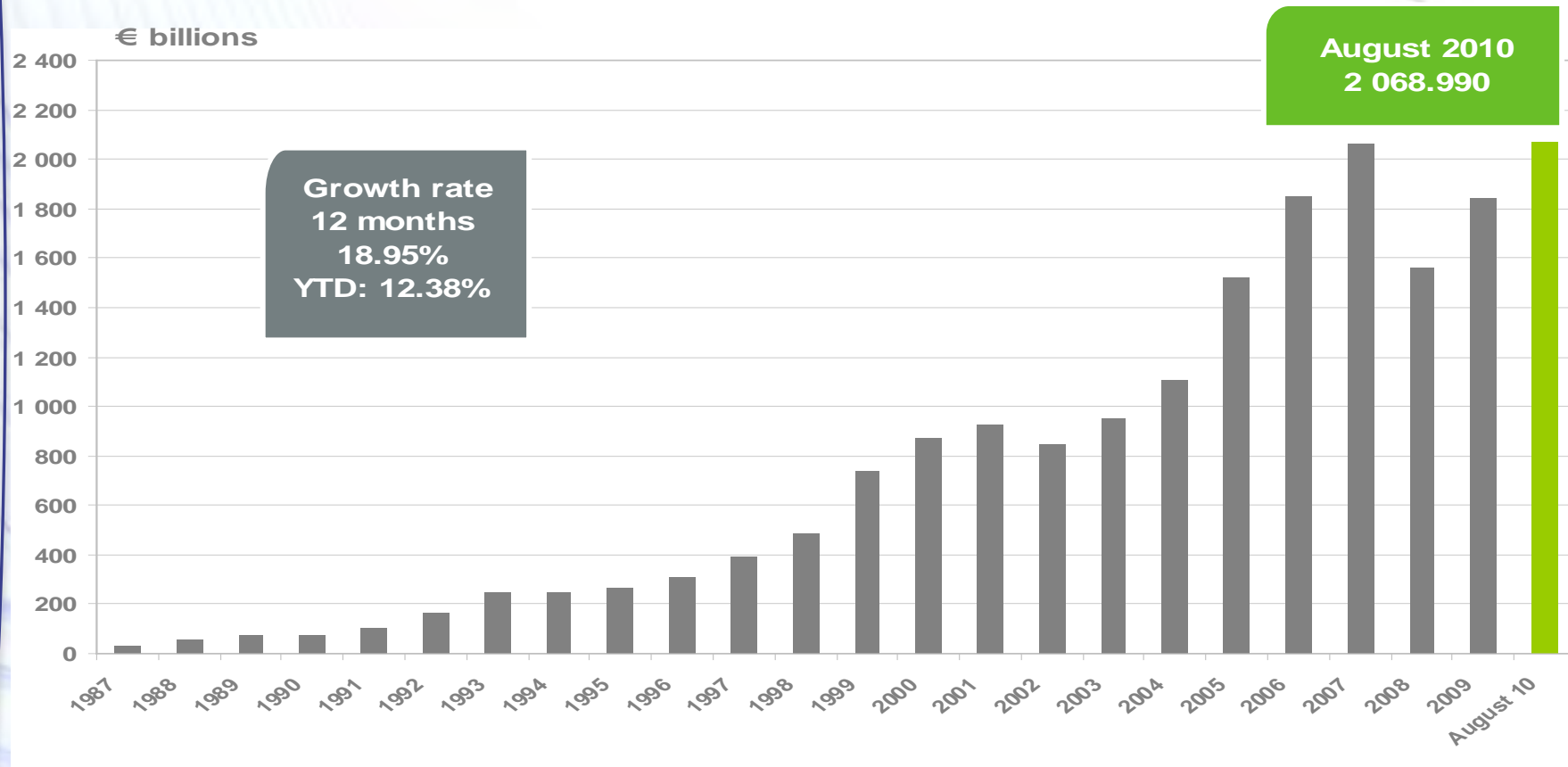
20 years of sustained growth.....

Number of Luxembourg domiciled funds



20 years of sustained growth.....

Net Assets of Luxembourg domiciled UCI's



Figures as at

August 31, 2010

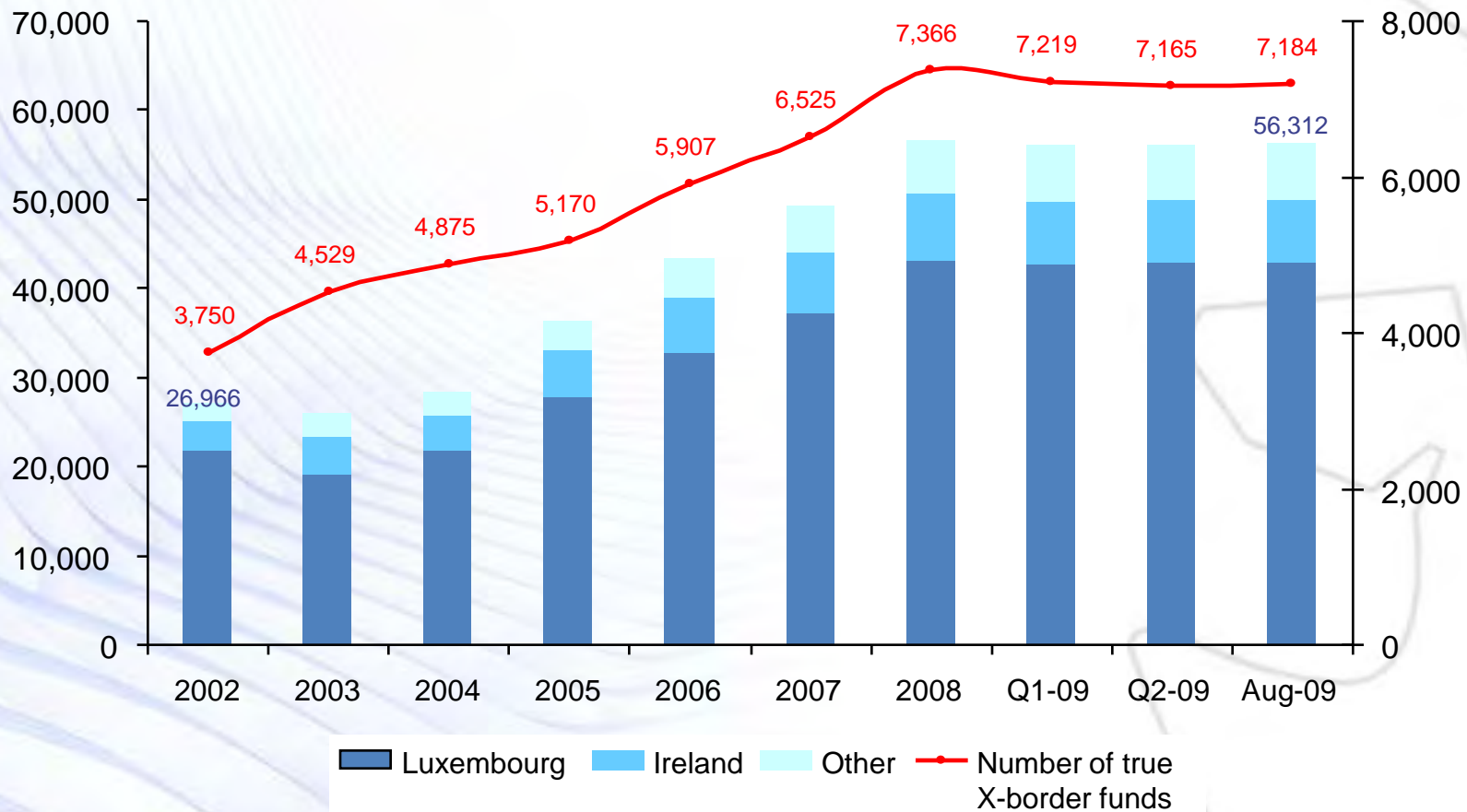
Source: CSSF

Reasons why Luxembourg is the leading cross border fund domicile in the World....

- ✓ **Political & economic stability**
- ✓ **Outward looking, innovative & collaborative approach between government, regulator & fund industry**
- ✓ **World class fund infrastructure & support: administration, custody and transfer agency**
- ✓ **20+ years experience in global fund distribution**
- ✓ **World-wide acceptance of the Luxembourg Fund label**

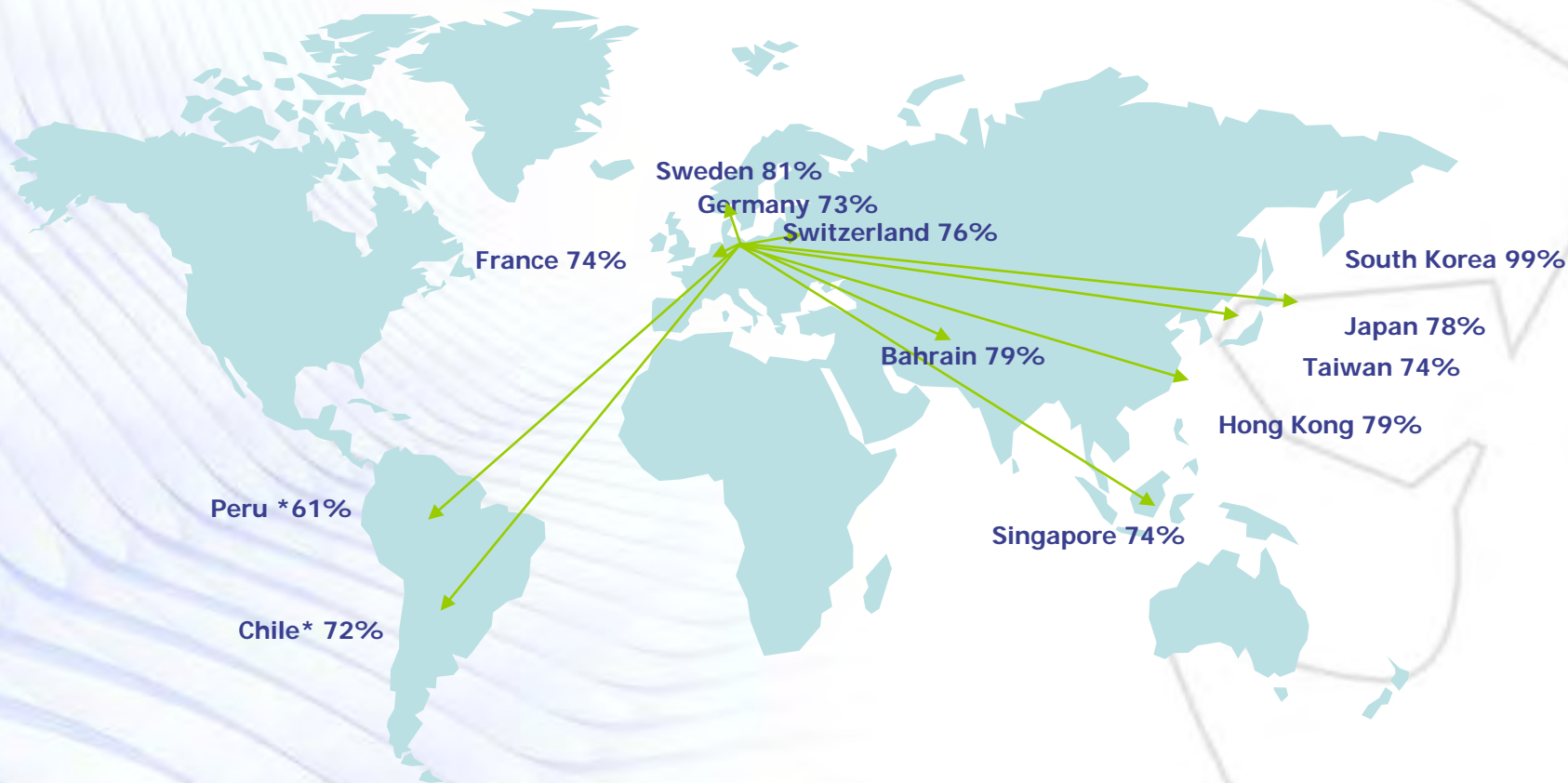
Integrity – Stability – Experience – Innovation – Service Quality

Cross border penetration of Luxembourg UCITS funds, a decade of growth...



Luxembourg: No.1 for Global Fund Distribution

Luxembourg market share of cross-border funds for public distribution



* Approved for specific institutional private placement

Source: Lipper Hindsight and PWC analysis, December 31, 2009

Cross-Border Fund Groups in Luxembourg

- 80% of top 50 cross-border groups use a Luxembourg platform

J.P.Morgan
Asset Management

HSBC 

 **Schroders**



Allianz 
Global Investors

 **PIONEER**
Investments®

BLACKROCK

 **SOCIETE**
GENERALE

 **UBS**

CREDIT SUISSE 

 **Fidelity**
INTERNATIONAL

 **Henderson**
Global Investors

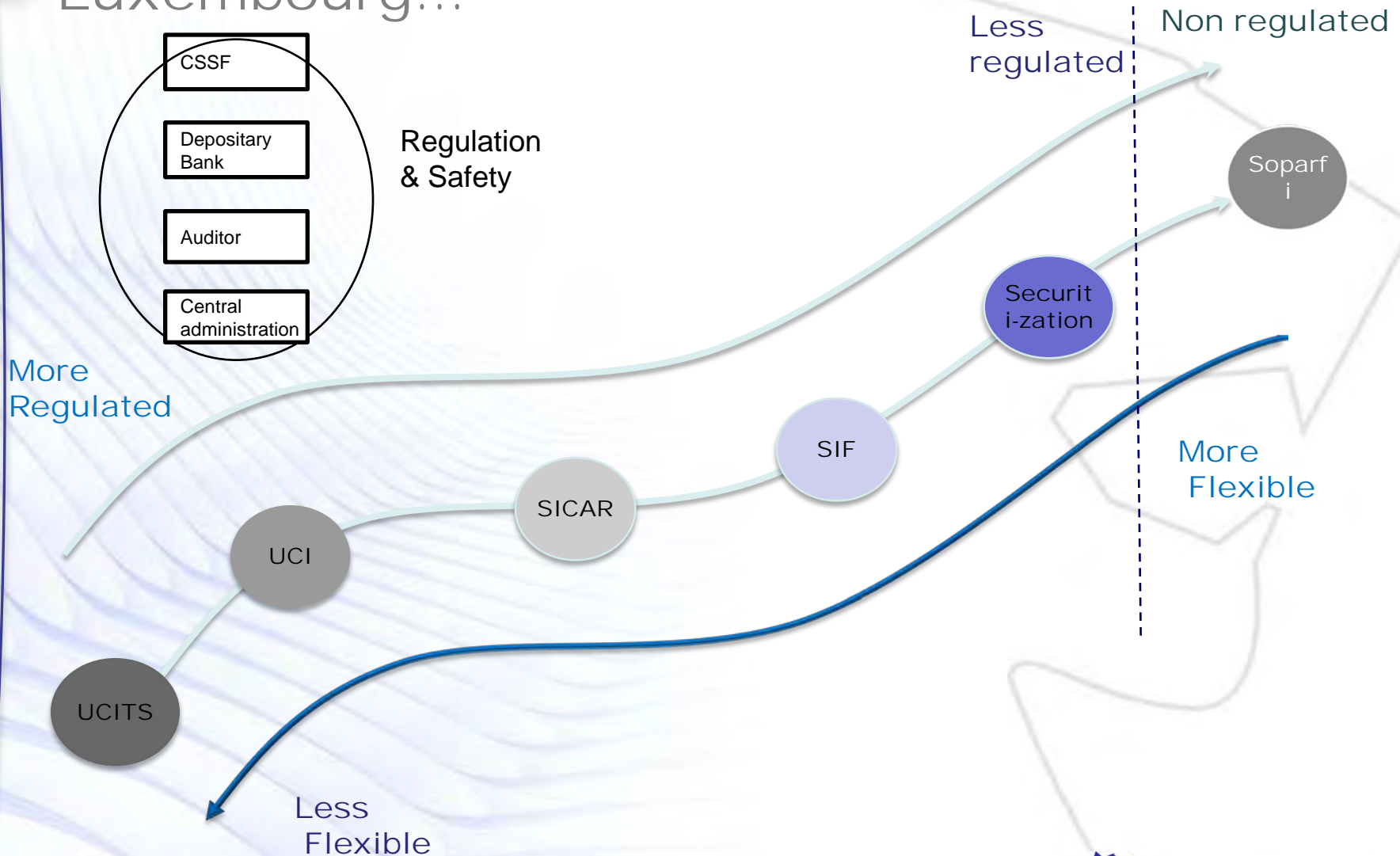
 **BNP PARIBAS**

 **DWS**
INVESTMENTS
Deutsche Bank Group

Morgan Stanley

ING 

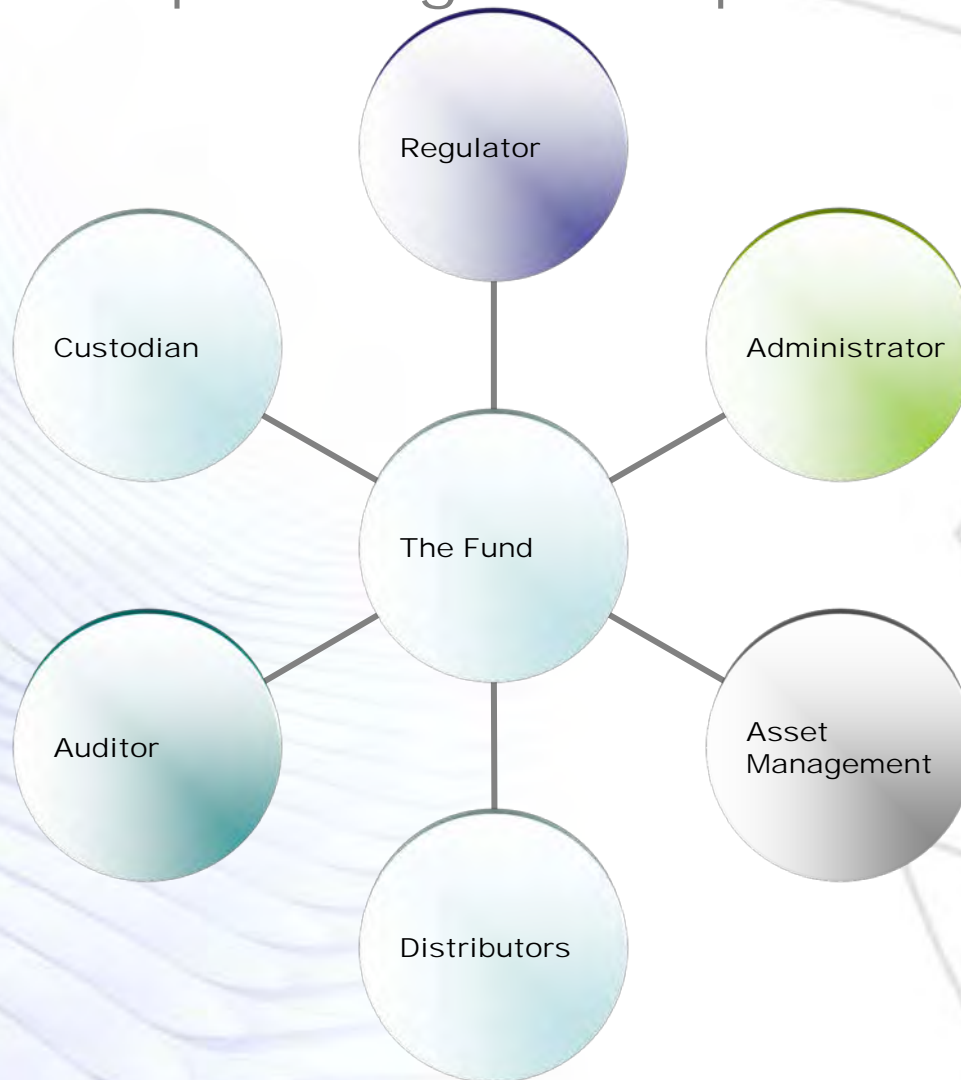
Broad choice of investment vehicles in Luxembourg...



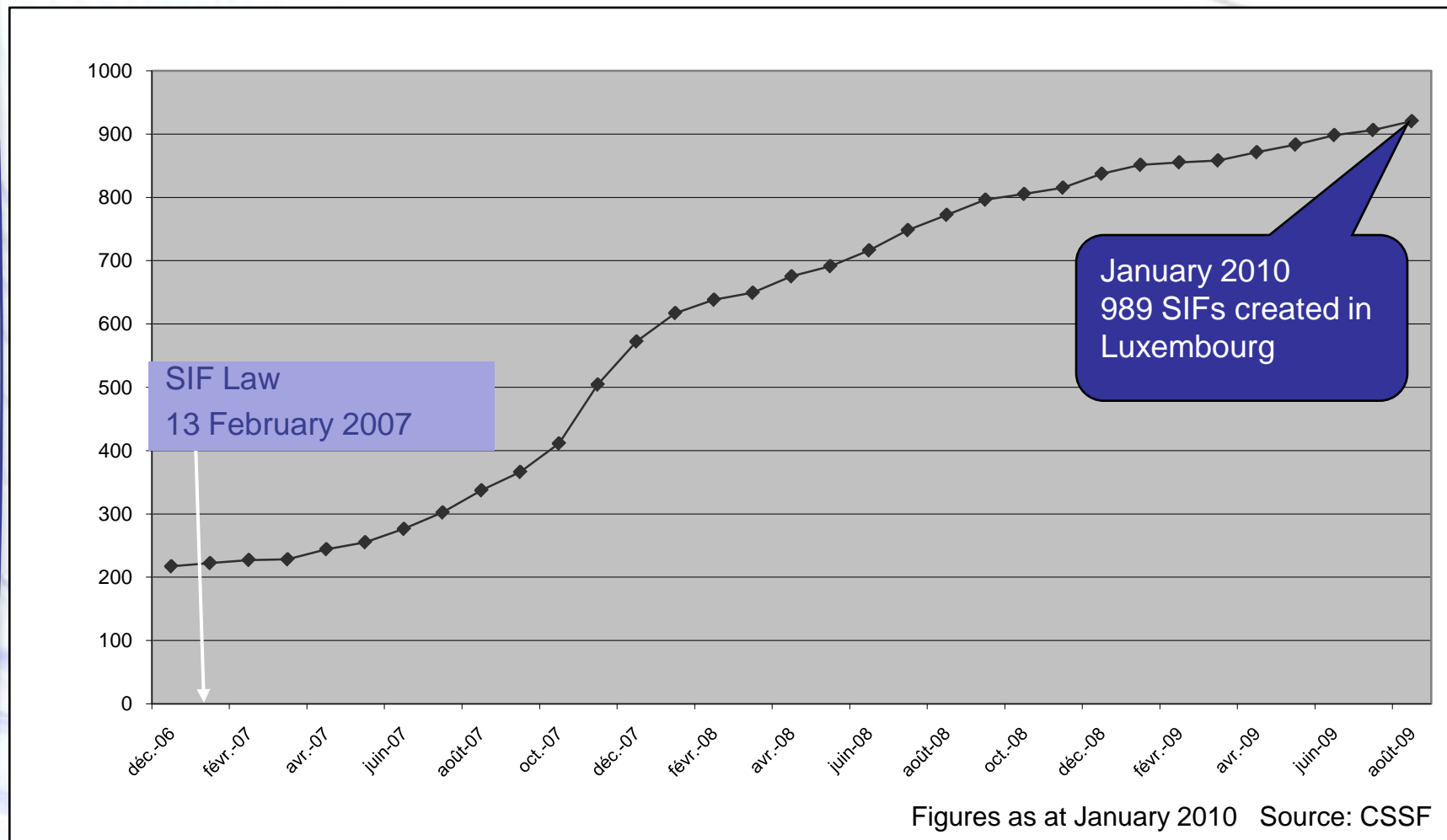
The Luxembourg Investment fund sector

Key criteria	UCITS	UCI	SIF	SICAR
Investment restriction (eligible assets)	Restricted	Flexible	Flexible	Moderate
Risk diversification	High	Medium	Low	None
Ease of public distribution	High	Medium	Low	Low
Supervisory framework	Targeted to retail investor protection	Targeted to retail investor protection	More flexible	More flexible
Time to establish	Low – Medium	Medium	Very low	Low
Target investors	All	All	Institutional / HNWI	Institutional / HNWI

Luxembourg requires a rigorous fund governance operating and supervisory model...



Growth in Alternative Funds





Broad range of possible investment strategies in a SIF

- **Large variety of investment strategies**
 - Hedge Fund
 - Fund of Hedge Funds
 - Real Estate
 - Venture capital/Private Equity
 - Exotic funds (e.g. art, wine, luxury goods)
 - Socially responsible fund
 - Microfinance
 - Natural resources, Energy

Flexible structuring possibilities in a SIF

Large choice of legal forms

- Examples of corporate forms:
 - Partnership limited by shares (SCA) – control over management
 - Public limited company (SA) – flexible corporate governance rules
 - Private limited company (Sàrl) – for partners with a significant personal link
- Contractual form:
 - FCP – no legal personality; managed by a ManCo; control over management

Light reporting requirements

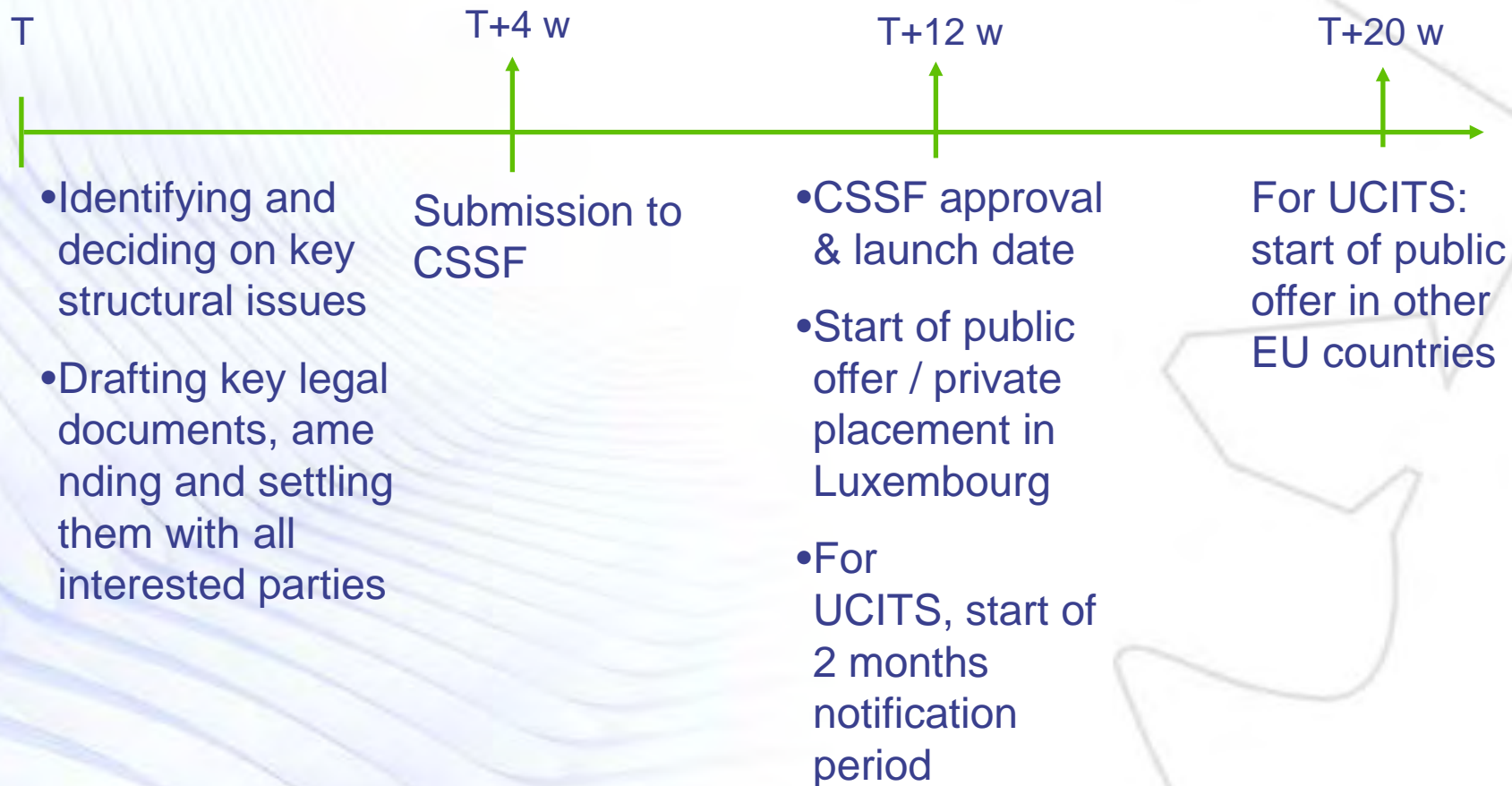
- No legally defined content of issue document;
- Annual report within 6 months after financial year end
- No semi-annual report
- No publication of NAV

Rules of operation

- Issues and redemptions according to constitutive documents
- Valuation on the basis of “fair value”
- Minimum capital to be reached within 12 months

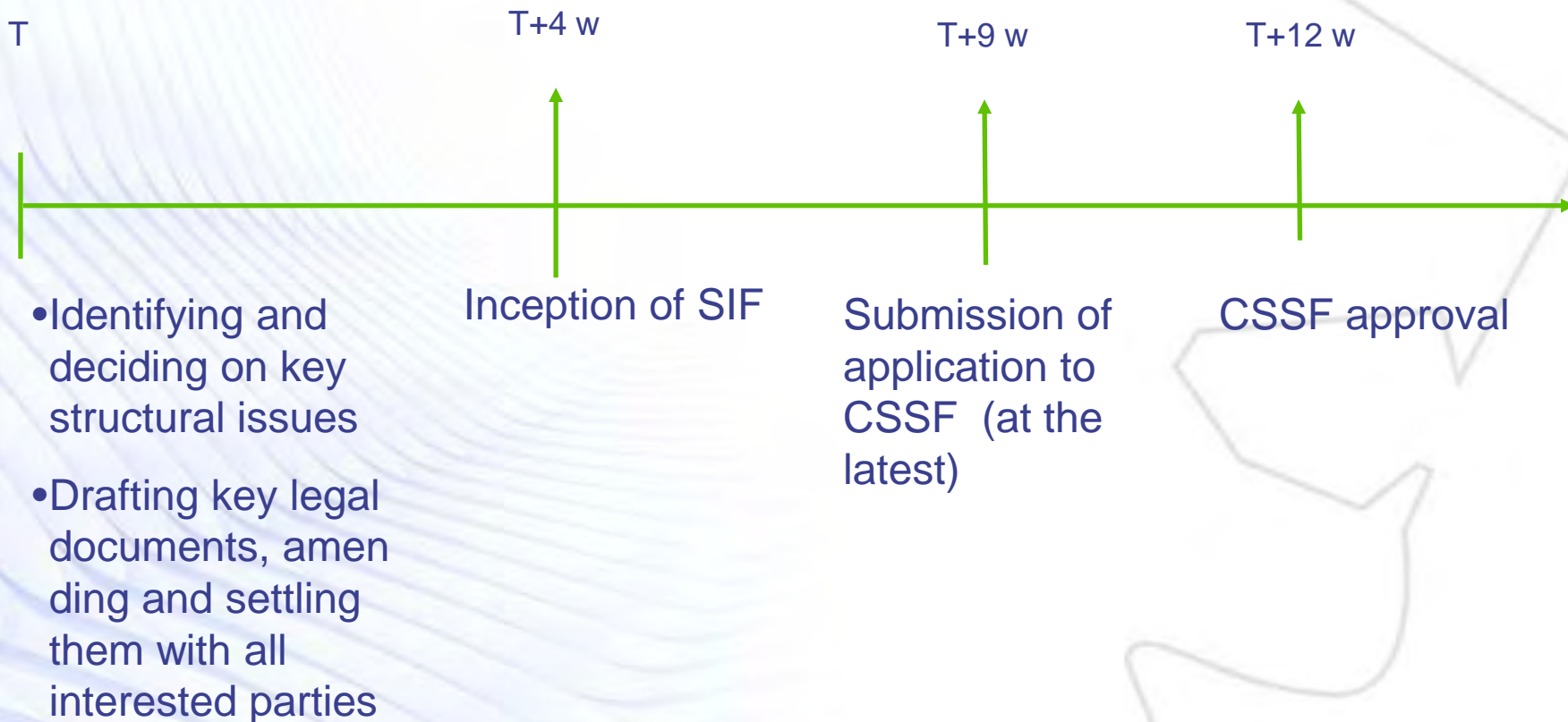
Regulatory approval process

UCITS and UCI



Regulatory approval process

SIF



Although a SIF may be launched prior to CSSF approval, it is usually recommended to submit the term sheet to the CSSF before launch to determine whether the CSSF has any substantial issues.

Key regulatory update - UCITS IV implementation

Increase Investor Protection

Reduce Administrative Burden

Increase Market Efficiency

Notification Procedure

Key Investor Information

Fund Mergers

ManCo Passport

Master-Feeder

REGULATOR COORDINATION

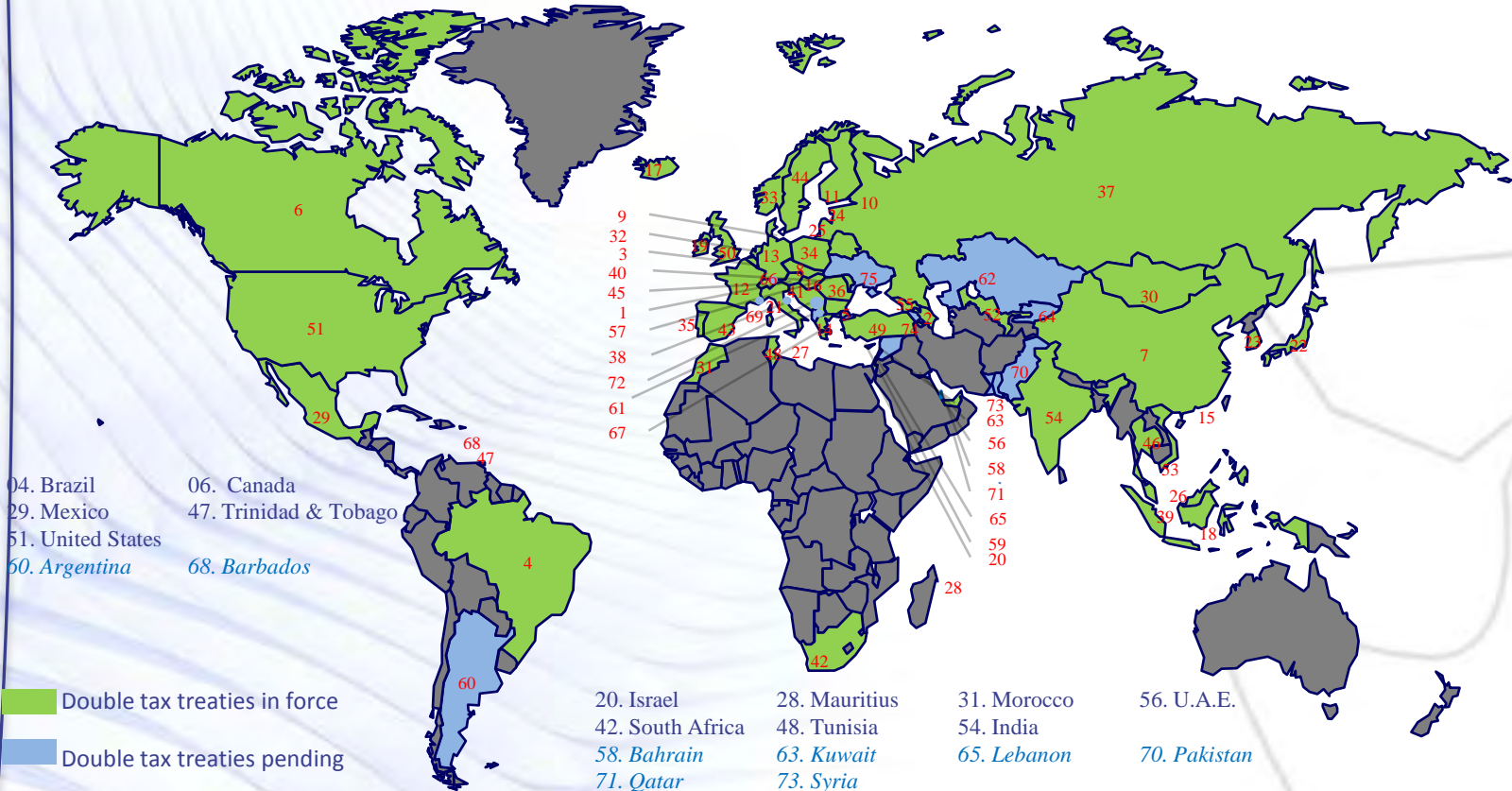
Date of Implementation : July 1st, 2011

Key Features of Luxembourg taxation...

- **Income tax rate 2010: 28,59% (as per 1.1.2011: 28,80%)**
- **Extension of withholding tax exemptions to all DTT countries**
- **Extension of DTT network**
- **Compliant with OECD cooperation requirements**
- **Investor protection treaties**
- **Extremely stable tax system**
- **Legal certainty**
- **Tax neutrality doctrine**

Luxembourg is connected to the world: tax treaty network

- | | | | | | | |
|--------------|-----------------|----------------|--------------------|-------------------|---------------|--------------|
| 01. Austria | 02. Azerbaijan | 03. Belgium | 05. Bulgaria | 08. Czech Rep. | 09. Denmark | 10. Estonia |
| 11. Finland | 12. France | 13. Germany | 14. Greece | 16. Hungary | 17. Iceland | 19. Ireland |
| 21. Italy | 24. Latvia | 25. Lithuania | 27. Malta | 32. Netherlands | 33. Norway | 34. Poland |
| 35. Portugal | 36. Romania | 37. Russia | 38. San Marino | 40. Slovakia | 41. Slovenia | 43. Spain |
| 44. Sweden | 45. Switzerland | 49. Turkey | 50. United Kingdom | 52. Uzbekistan | 55. Georgia | 57. Moldavia |
| 59. Cyprus | 61. Albania | 62. Kazakhstan | 64. Kyrgyzstan | 66. Liechtenstein | 67. Macedonia | 74. Armenia |
| 69. Monaco | 72. Serbia | 75. Ukraine | | | | |



Luxembourg Tax neutral investment platform

- **Combination of regulatory framework and structuring flexibilities**
- **Luxembourg unique possibility for all-in solution in one country**

Key objectives

- Optimize payout to investors (home country taxation)
- capital gain / dividend exemptions (participation exemption)
- no withholding taxes on distributions
- Minimize loss of foreign tax credits

Tax Neutrality for Inbound Investments

Level 1- Chile



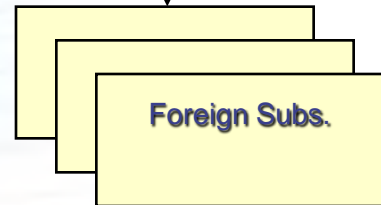
Level 2-
Luxembourg



Level 3-
Chile/Worldwide



Real Estate



Participations



Distressed market

Comparison Luxembourg- Switzerland – Spain

Criteria	Luxembourg	Switzerland	Spain
Income tax rate	28.59%*	From 13 to 31%	30%
WHT on dividends	0%-15%	35%	19%
WHT on interest	0%	35%**	19% / 0%
WHT on royalties	0%	0%	24% / 10%
Capital duty	None	1%	depends from the region and juridical act
Net Worth Tax	Yes	Yes	No
Losses carry forward	Unlimited	7 years	15 years
Standard VAT rate	15%	7.6%	18%

*For Luxembourg city

** However interest derived from commercial loans is not subject to a withholding tax, but savings retention tax may apply in Switzerland

Why Luxembourg?

- Enhanced trend of conversion from offshore centers to Luxembourg
- Access to worldwide distribution
- Attractive tax regime
- Presence of global asset managers
- Expertise and know-how
- Commitment to excellence and reliability
- Stable jurisdiction, predictable planning and long-term investment decisions

High Conversion
into Luxembourg

Access to
Worldwide
Distribution



Luxembourg: European Leader in Wealth Management Solutions

Moderator:

Mr. Claude Marx, HSBC Private Bank

Panelists:

Mr. Jose Da Silva, BNP Paribas

Mr. Simon Bodjanski, Société Européenne de Banque

Mr. David Capocci, Deloitte



Luxembourg: European Leader in Wealth Management Solutions



Introduction

Prime Private Banking centre in the Eurozone

Luxembourg asset structuring solutions for investors

Conclusion

An Efficient legal and financial framework

A favorable legislation for the development of the financial place.

- A state-of-the-art legal & regulatory framework;
- Continuous consultation between the government, the legislator and the private sector;
- Fast implementation and application of international regulations;
- 68 fiscal conventions signed to avoid double taxation (60 implemented).

Strong culture of investor protection

- **MIFID:** suitability and appropriateness
- Transparency and investor information

→ Advantageous environment and optimal protection for investors

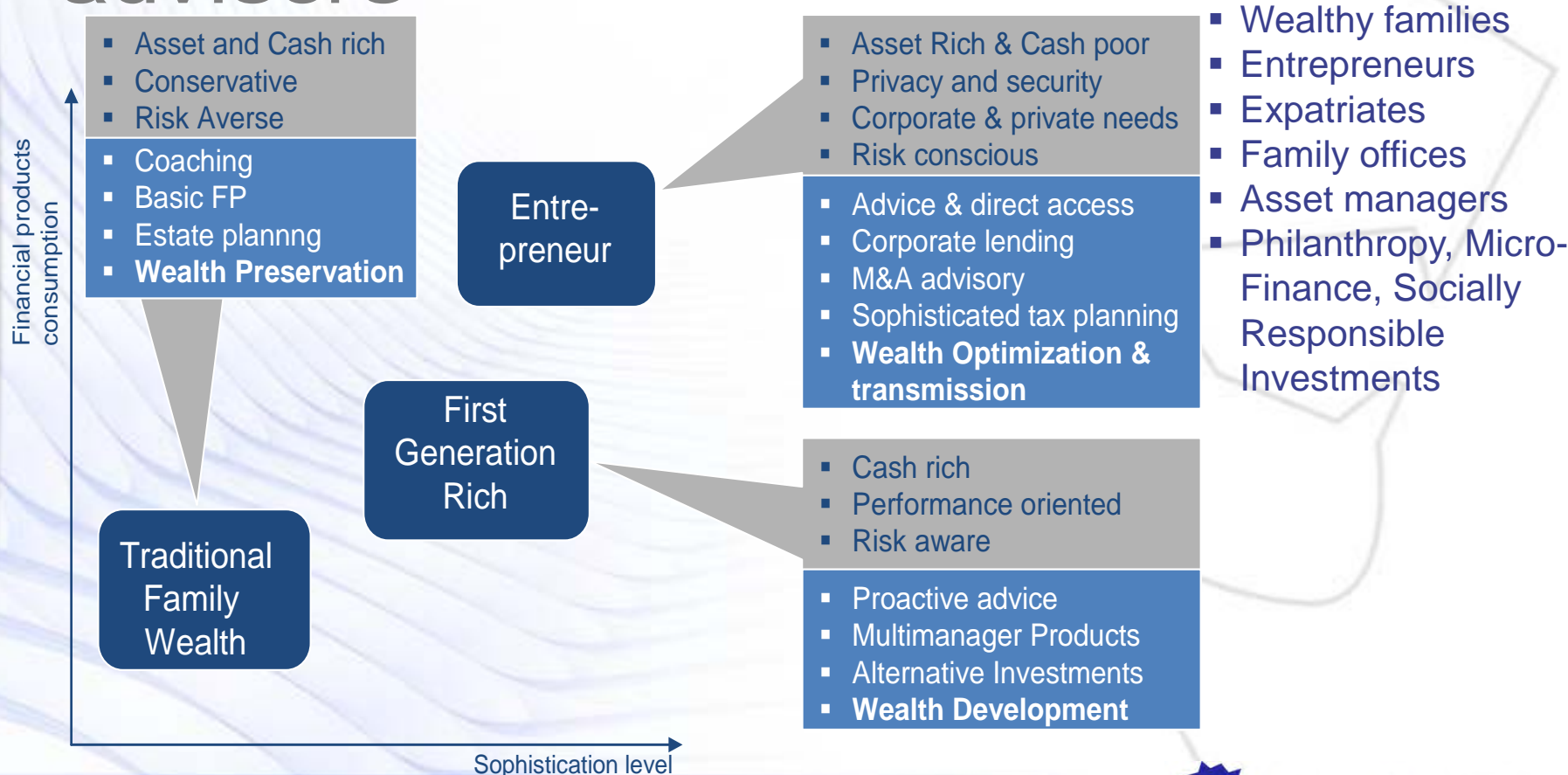
The Luxembourg offer on wealth management solutions

Services for premium and international customers

- **International workforce, highly qualified and polyglot:**
 - ✓ Only 17.3% of the employees of the financial sector are Luxembourgers
 - ✓ Cross-border expertise and great knowledge of international customers' needs
 - ✓ Each client is received in his own language
- **Innovative and top of the range financial instruments for demanding investors**
- **A global approach on wealth**
 - ✓ Financial assets
 - ✓ Business investments
 - ✓ Real estate
 - ✓ Insurance
 - ✓ Philanthropy

→ Optimal base for international customers' wealth's structuring

Solutions designed for international sophisticated wealthy individuals, families and their advisers



Luxembourg compared to other Financial Centres

- Complementary offering to domestic solutions, other Private Banking centres;
- Ideal for wealthy, international mobile clients and families;
- Full range of private banking products and services;
- Complemented by comprehensive range of estate and tax planning solutions;
- Competitive fee structure;
- Investor Protection;
- Large number of specialist service providers, working closely with banks;
- Ideal platform for investing or operating in Europe;

Luxembourg: European Leader in Wealth Management Solutions

- Introduction
- Prime Private Banking centre in the Eurozone
- Luxembourg asset structuring solutions for investors
- Conclusion

What do Luxembourg Private banks offer? A real one stop shop

Tailor-made solutions

UHNWI

VHNWI

HNWI

Affluent

- M&A support
- Art
- Philanthropy
- Family office
- PE
- Property & RE
- Microcredit

LIFE STYLE & WEALTH MANAGEMENT

- Succession planning
- Estate planning
- Cash Mgt.
- Tax / retirement
- Wealth structuring

- Direct Advisory
- Brokerage
- Discretionary Port. Mgt
- Investment Funds
- Structured products
- Advisory Port. Mgt
- Tax / retirement
- Market research
- Pension products
- Insurance products
- Wealth structuring

INVESTMENT SERVICES

- Property & personal credits
- Deposit and saving accounts
- Credit cards

BANKING SERVICES

Complexity of solutions

Prime Private Banking centre in the Eurozone

Investment Services: international orientation with full access to the financial markets, asset classes and investment vehicles

- **Simple execution and account administration**

- **Investment Funds**

- ✓ (Fund of Funds, open architecture approach)

- **Structured products**

- **Alternative Investments**

- ✓ (Hedge Funds, Private Equity, Real Estate, SRI)

- **Tailor-made services**



Prime Private Banking centre in the Eurozone

Investment Services: tailored to clients particular degree of involvement in their asset management

■ Advisory management

- ✓ to remain in control of the portfolio and investment decisions;
- ✓ to receive strategic and tactical advice linked to the investment profile;
- ✓ to access a sophisticated & innovative offer;
- ✓ to ensure asset monitoring and risk allocation.



■ Discretionary management

- ✓ to delegate the day portfolio management to the asset manager;
- ✓ to benefit from the asset managers know how and expertise;
- ✓ to benefit from permanent oversight;
- ✓ to receive detailed reports on investment positions and decisions.





Luxembourg: European Leader in Wealth Management Solutions



Introduction

Prime Private Banking centre in the Eurozone

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Luxembourg asset structuring solutions for investors

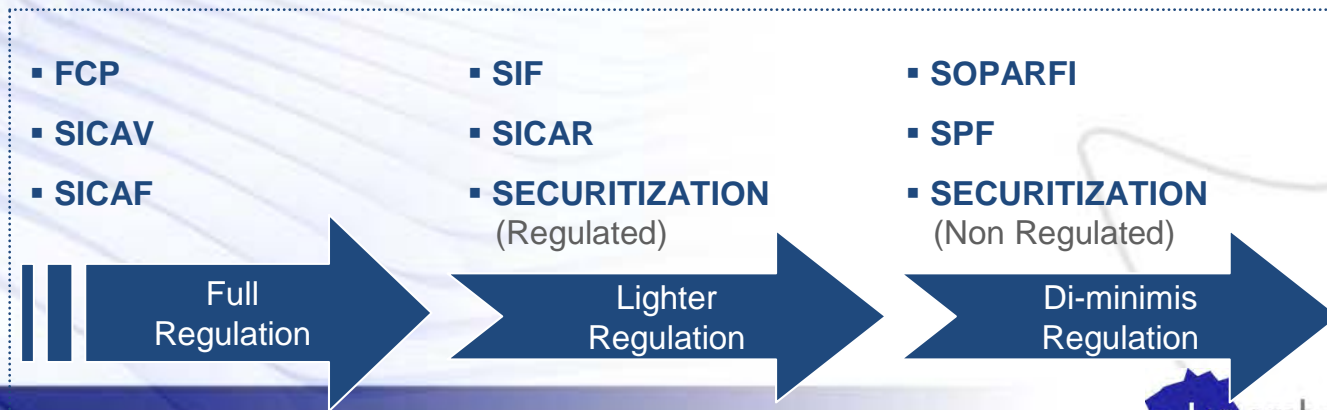
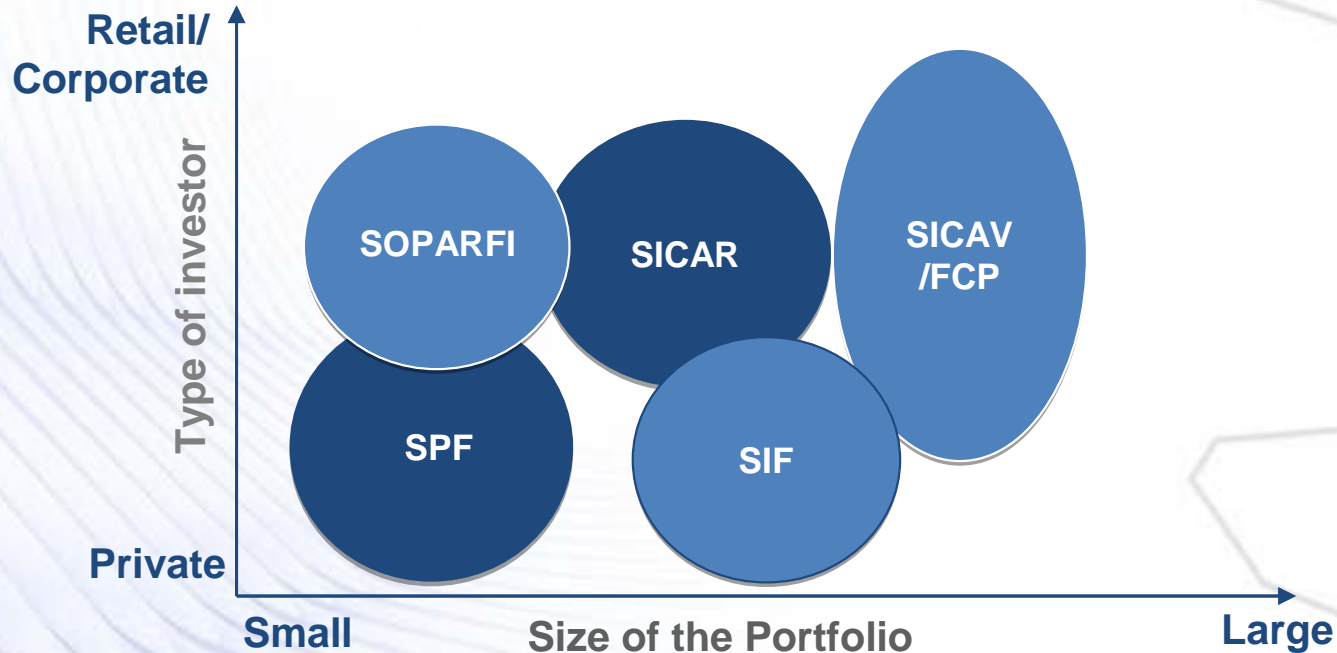
Cutting edge financial engineering capabilities for wealthy clients

- Private investment vehicles/ structures
- Dedicated funds
- Insurance solutions
- Fiduciary contracts
- Residency
- Estate Planning
- Philanthropy
- Intellectual Property



Tax and Estate Planning : sophisticated solutions that will enable protection, optimisation, development and transmission of wealth in a tax efficient way.

Overview of investment vehicles in Luxembourg

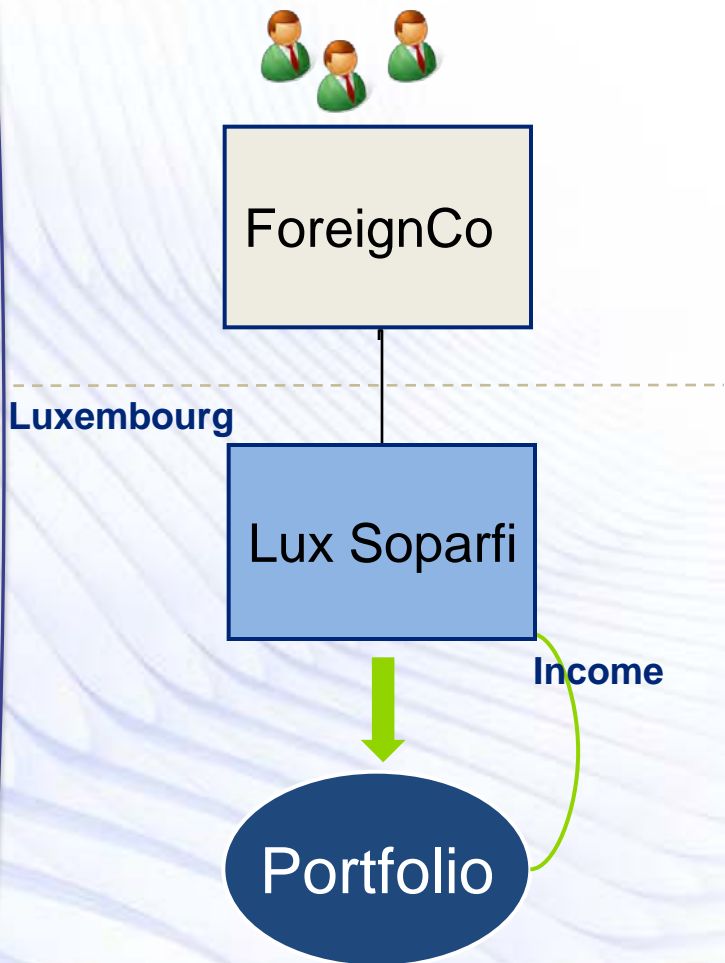




Examples of structuring solutions

- Holding Companies (SOPARFI)
- Intellectual Property
- Dedicated Funds (SIF), Venture Capital Vehicles (SICAR)

1. Holding Companies (SOPARFI)



TAX	2010 RATE
Joint Corporate Tax Rate	28.59%
Withholding Tax on Dividends	0% (countries with DTT)
Withholding Tax on Interest and Royalties	0%
Capital duty	0%
Net Wealth Tax	0.5%



Holdings 1929

Direct Foreign Investment into Chile/Latin America

Foreign
country

Foreign
Parent

Latin
America

Latin America
SPV

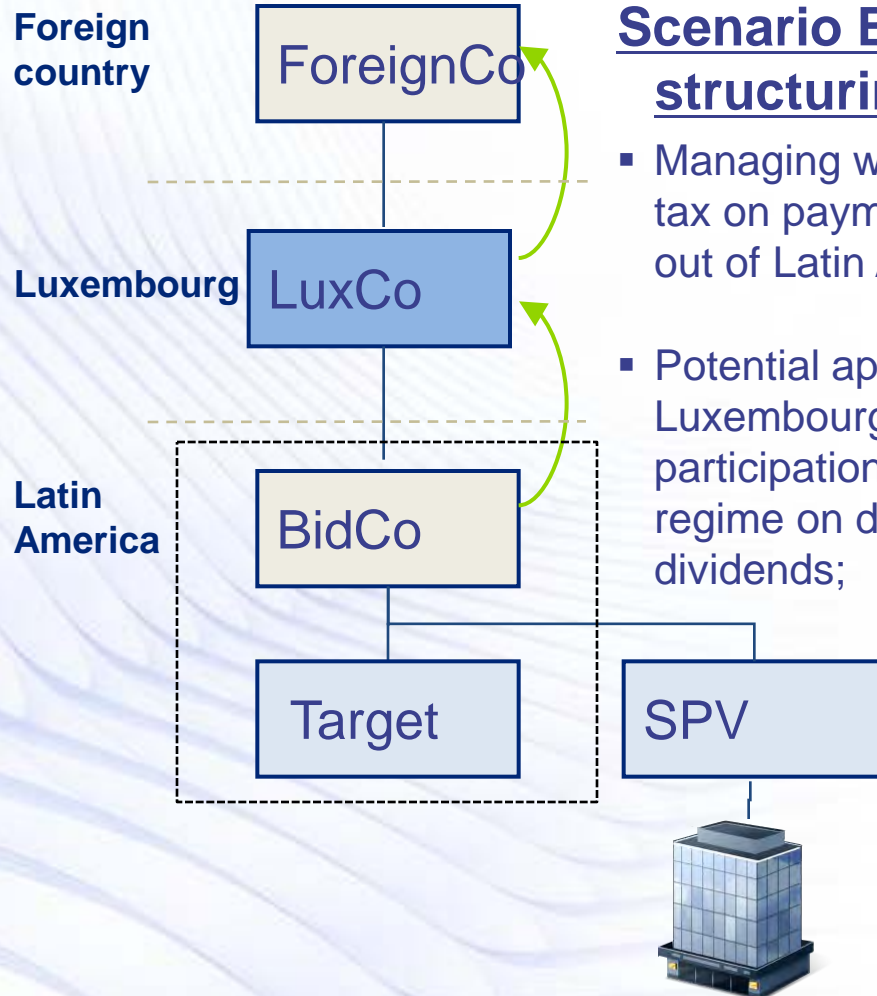


Scenario A: Direct Investment

Areas of concern:

- Withholding tax on payments arising from target country (dividends, rental income, etc);
- Taxation of income received (namely absence of exemption or base erosion at Foreign Parent level);
- Taxation of capital gains in target jurisdictions;
- Transfer tax on direct acquisition / sale of the asset .

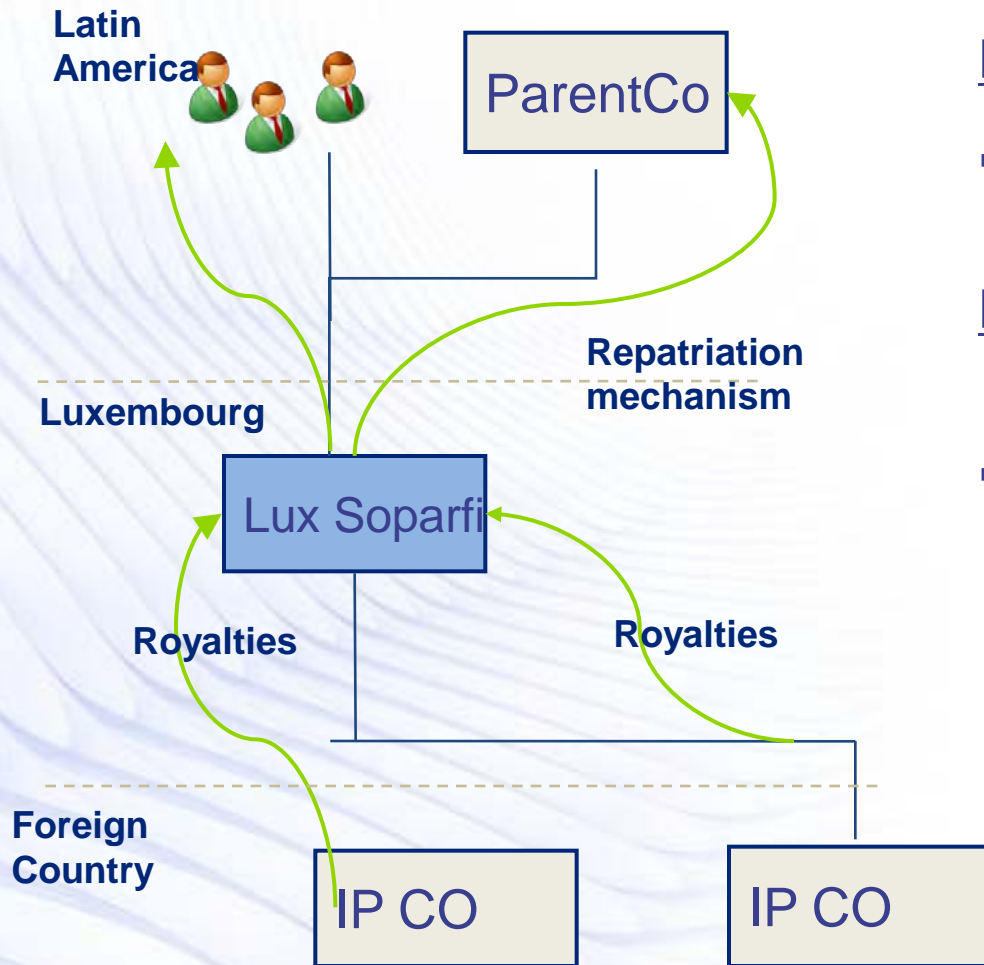
Investment through Luxembourg



Scenario B: Adequate tax structuring

- Managing withholding tax on payments arising out of Latin America;
- Potential application of Luxembourg participation exemption regime on distributed dividends;
- Possibility to foresee an adequate instrument between Luxco and the Foreign Parent so as to assure:
 - ✓ exempt flow of income
 - ✓ WHT exemption on distribution
- Sale of Luxco avoids:
 - ✓ Taxation of capital gains in Luxembourg (to be checked at a local level);
 - ✓ Local transfer tax on direct acquisition / sale of the asset .

2. Intellectual Property



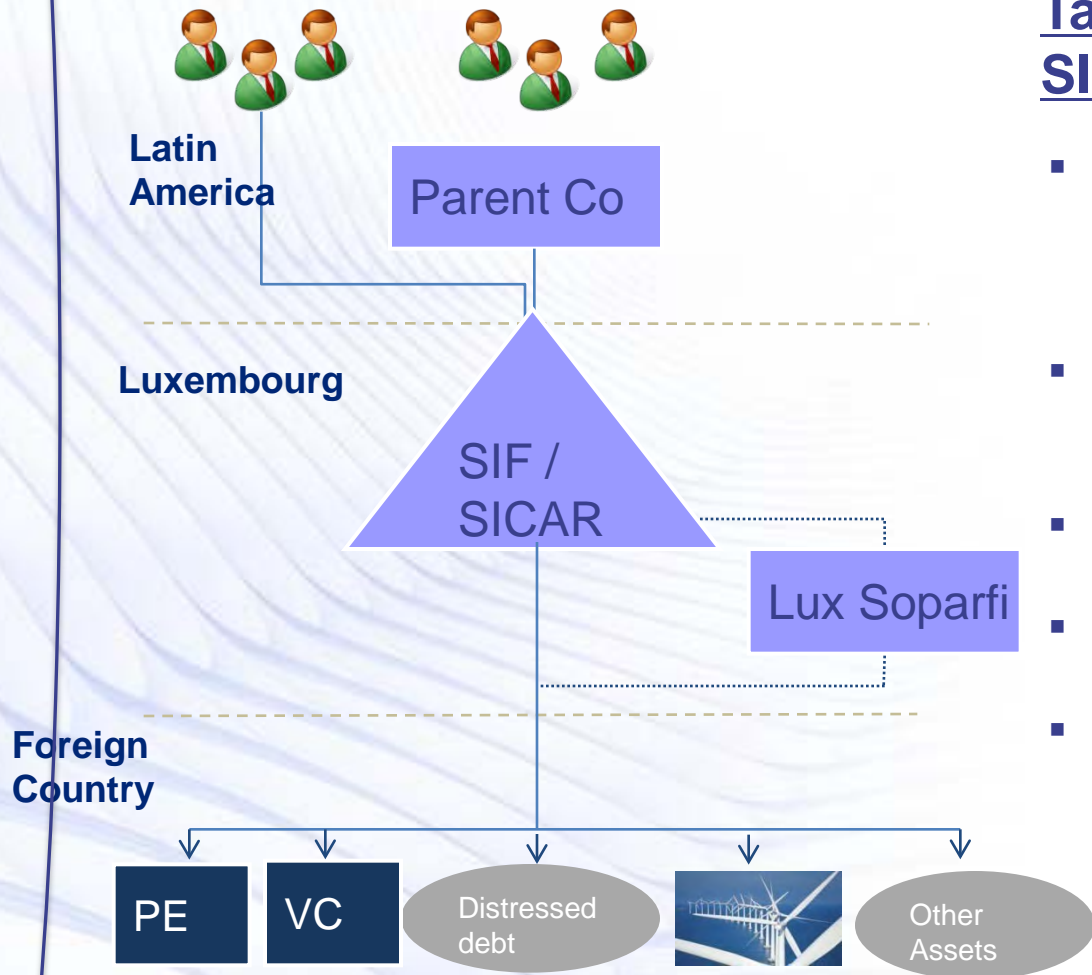
Description

- Full royalty deduction at IP Co level

Luxembourg tax considerations

- Minor tax pick up in Luxembourg:
 - ✓ 80% of net royalty income and capital gain (maximum of ETR 5.93%);
 - ✓ Eligible IP;
 - ✓ Adequate Luxembourg tax repatriation mechanism

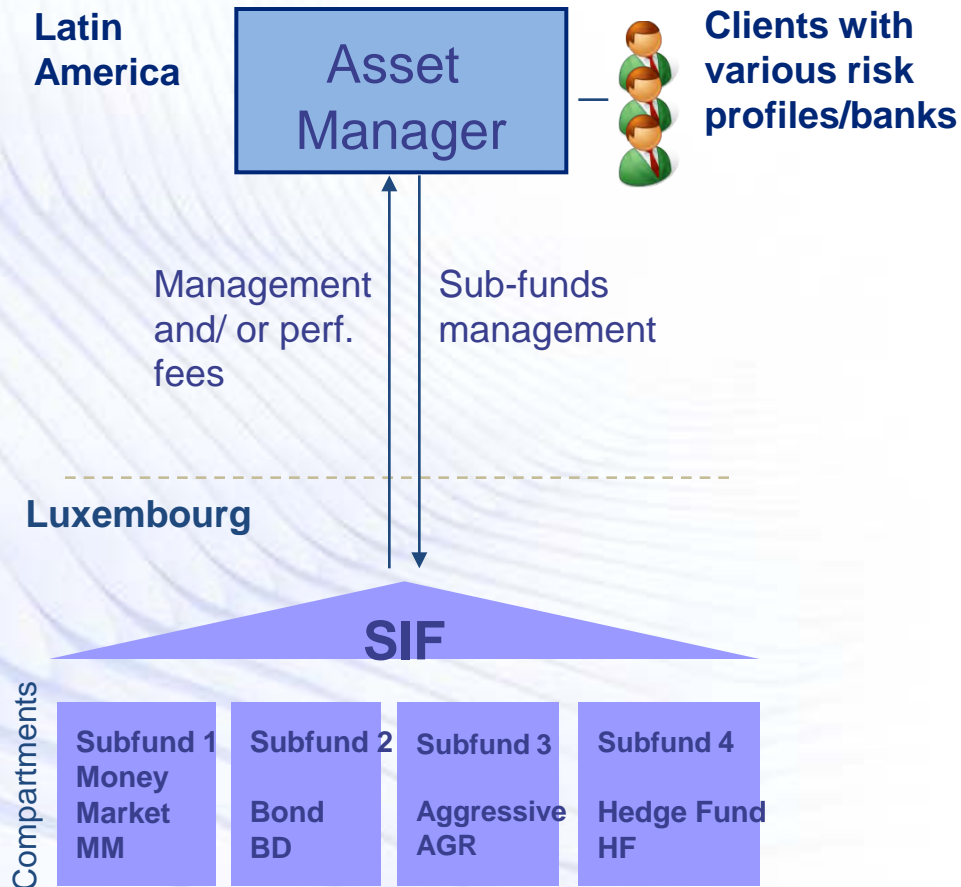
3. Dedicated Funds (SIF), Venture Capital (SICAR)



Tax structuring with a SICAR / SIF

- SICAR is Tax exempt on income and gains from transferable securities (+transit funds).
- SIF is also CIT exempt (Annual subscription tax (0.01% of the NAV)).
- No NWT.
- No capital duty.
- Investment into different types of assets may require interposition of a mid tier Luxembourg Soparfi (case by case basis).

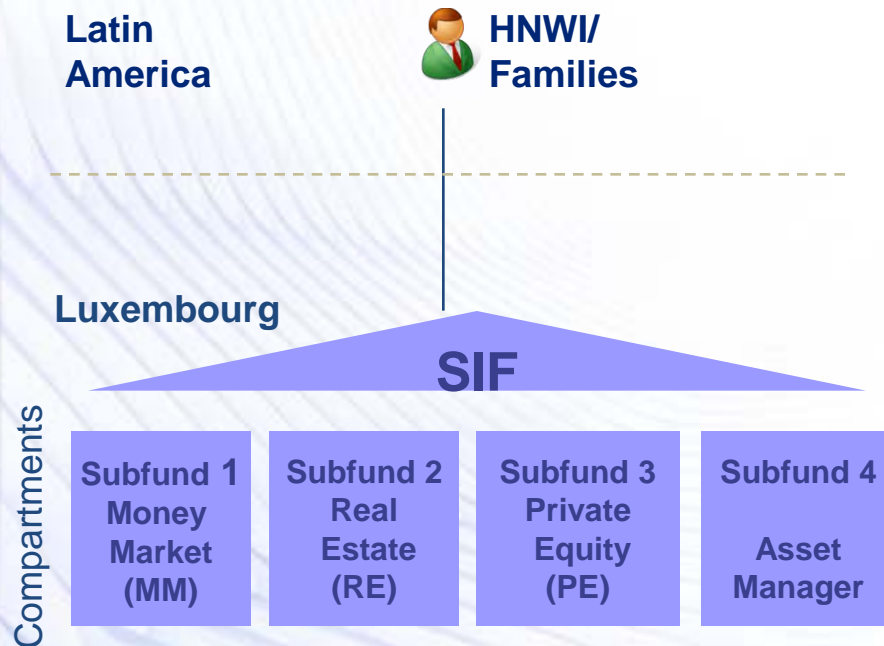
The SIF: a «must have» for Asset Managers



Strengths

- For the client :
no bank change, fund regulation, steady independent net asset value (NAV), various banks/custodians.
- For the Asset Manager:
collective investments, easy and powerful fee handling, independent reporting and NAV, administrative time gain, AM can focus on asset management and client relationship.

The SIF: a «must have» for HNWIs and Families



Strengths

- Control: approval and supervision by regulator, audit
- Asset pooling (financial and non financial), unitization
- Regular NAV calculation
- One or several managers/banks
- Estate planning, ease in transmitting shares
- Shares or units as collateral for loan/sales to other family members
- Risk diversification

Conclusion

- Luxembourg is an ideal hub for investing/structuring via Europe both in-bound and out-bond.
- Luxembourg offers a unique range of attractive vehicles for high net worth individuals families and their advisors from Chile.
- Luxembourg solutions are complementary to domestic offerings and offerings of other international financial centers.

→ Luxembourg: European Leader in Wealth Management Solutions

Many thanks for your attention.

**The presentation can be downloaded
at www.lff.lu**

