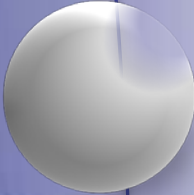
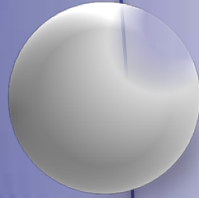


# Luxemburgo – la oportunidad global para la gestion de activos



# Capacidades de distribución transfronteriza, OICVM y OICVM alternativas

- François Drazdik, ALFI (Moderador)
- Xavier Balthazar, PwC Luxemburgo
- Mireia Camarasa, Arendt & Medernach
- Anne Baudoin, Elvinger, Hoss & Prussen

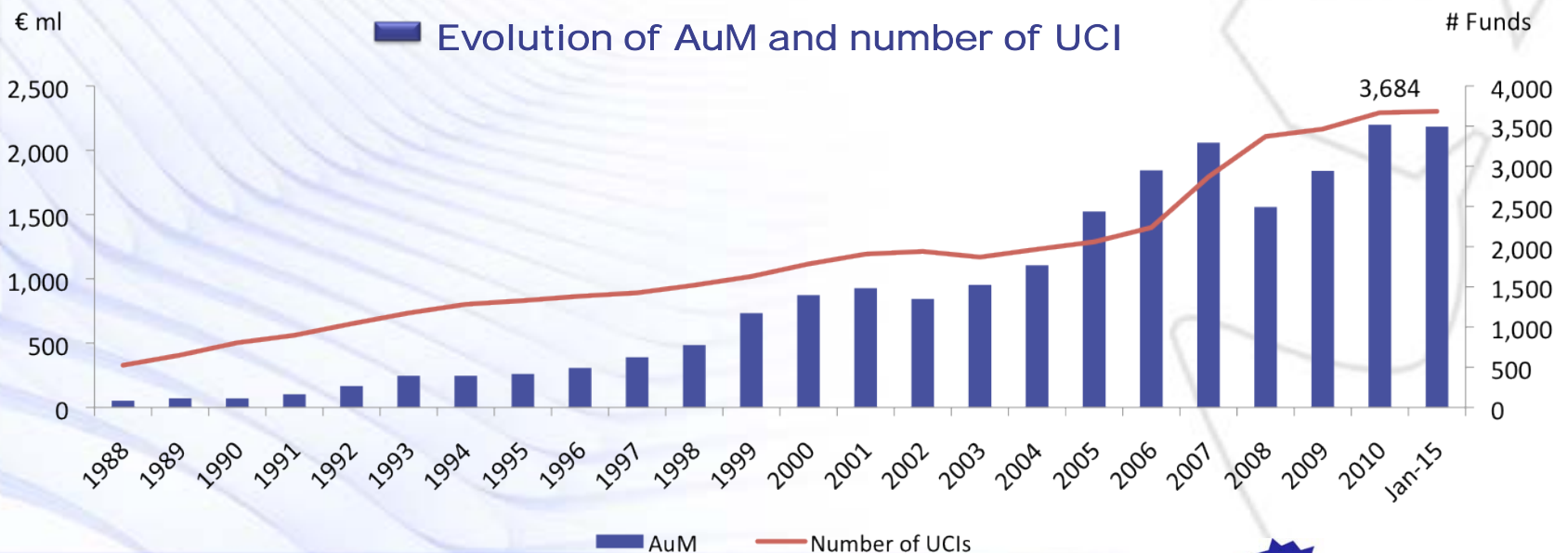


# Luxembourg Fund Domicile

A Leading Position  
in the  
AM Industry

# Luxembourg is the second largest fund domicile after the US

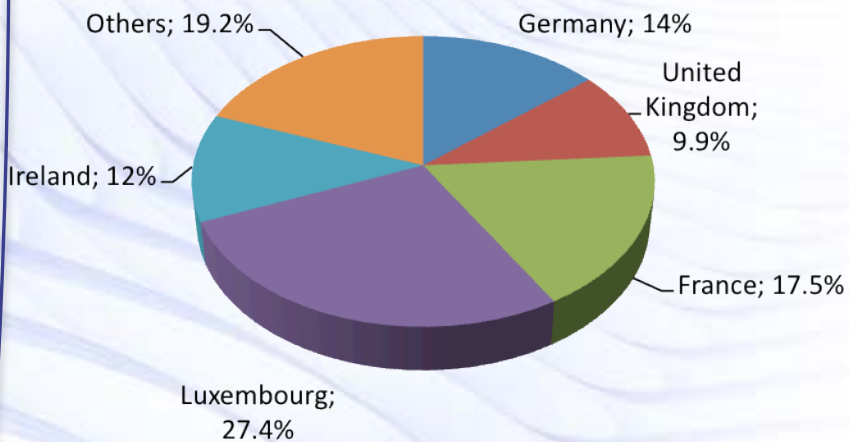
- Luxembourg was the first EU member state to transpose the European UCITS Directive into its national law in December 1988, 2002 and 2010
- Readiness of the regulatory body to work closely with the market players positively contributed to the success of the implementation of the UCITS Directive
- Today, Luxembourg is the 1<sup>st</sup> investment fund centre in Europe and the world's leading hub for global fund distribution
- The Grand Duchy is also the 2<sup>nd</sup> biggest global fund domicile after the United States



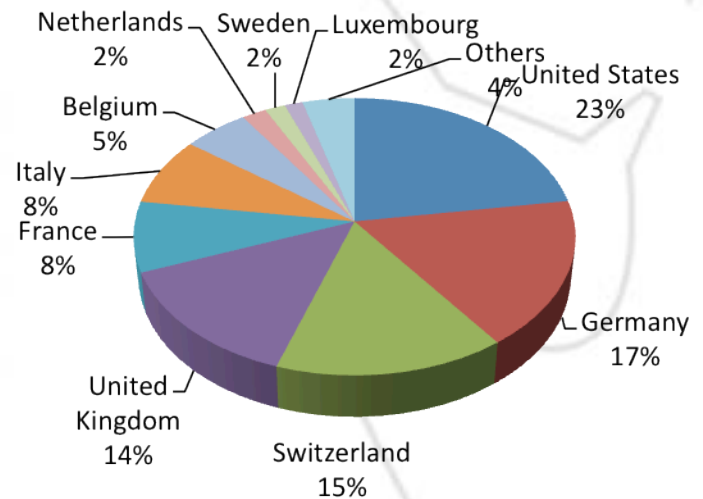
# European and US promoters use Luxembourg as platform for global fund distribution

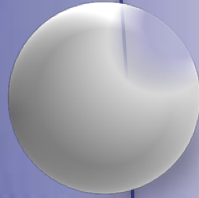
- More than EUR 2 trillion assets under management as of January 2011 with 27.4% European market share
- Promoters are originated from 41 countries
- US and German players are main promoters

European market share (by AuM)



Promoters' origin of Luxembourg funds (by AuM)





# A Prime Location to Do Business

# Competitive position of Luxembourg at international level

➔ **1<sup>st</sup> GNP per capita in PPP<sup>1)</sup>**  
*(World Development Indicator Database, World Bank, 2008)*

➔ **1<sup>st</sup> GDP per capita in PPP**  
*(World Development Indicator Database, World Bank, 2008)*

➔ **2<sup>nd</sup> for economic globalization**  
*(KOF Index of Economic Globalization, 2008)*

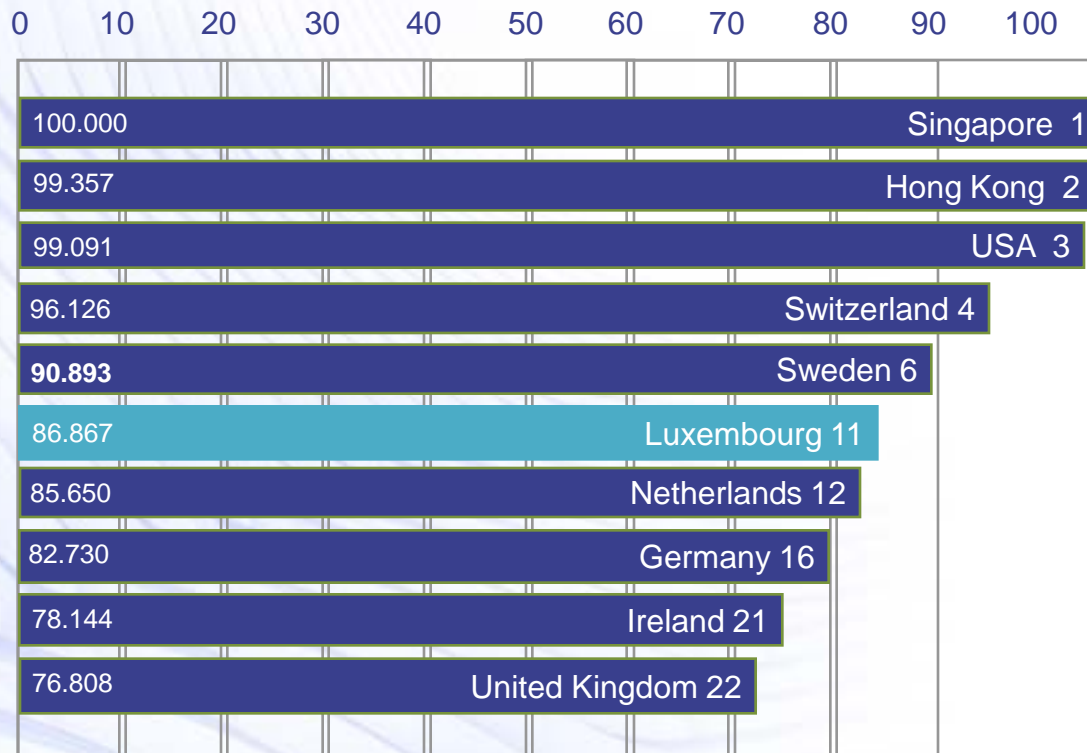
➔ **Least risky place to do business**  
*(Euromoney's semi-annual survey, 2008)*

➔ **1<sup>st</sup> for personal safety**  
*(Mercer Consulting, 2008)*

➔ **1<sup>st</sup> safer place in terms of risk (political, economic, debts...)**  
*(Euromoney's semi-annual survey of country risk, 2008)*

➔ **3<sup>rd</sup> for growth environment**  
*(Goldman Sachs, Economic Research, 2006)*

# Luxembourg's competitiveness



One of the key differentiating factors of Luxembourg is undoubtedly its **international competitiveness**.

This IMD annual ranking surveys 58 countries based on 4 main factors:

- Economic performance
- Business efficiency
- Government efficiency
- Infrastructure

# Proximity to service providers and regulators

## Regulatory Framework

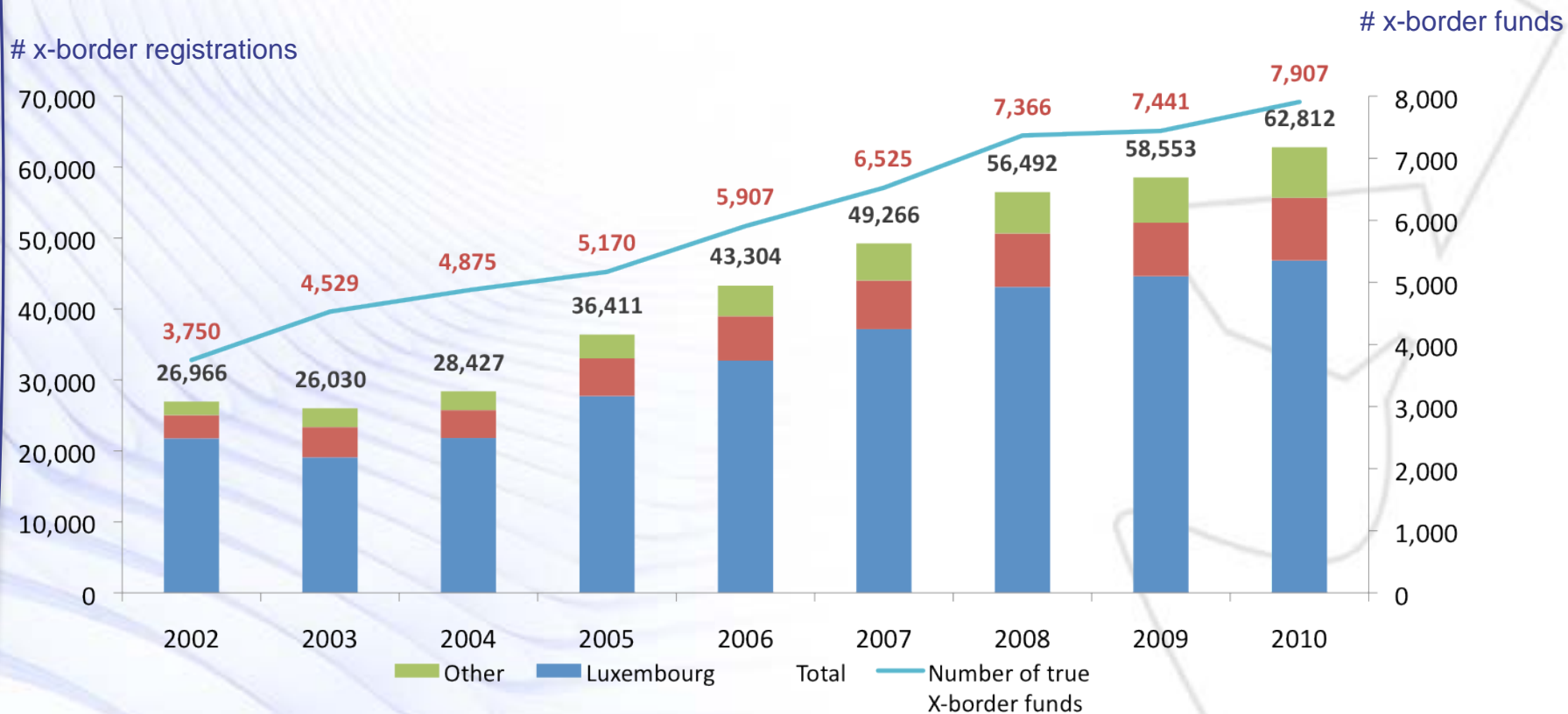
- One-stop financial centre with experienced service providers (custodians, law firms, auditors, administrative agents, transfer agents, etc.)
- Recognized authority: CSSF (Commission of Supervision of the Financial Sector)
- Easy access to the authorities (tax, regulatory, listing)
- Flexible, consistent approach to regulation with high reputation
- Government attentive to the needs of the financial sector

## Tax

- Extensive tax treaty network
- Flexible tax regime recognizing needs of AM sector

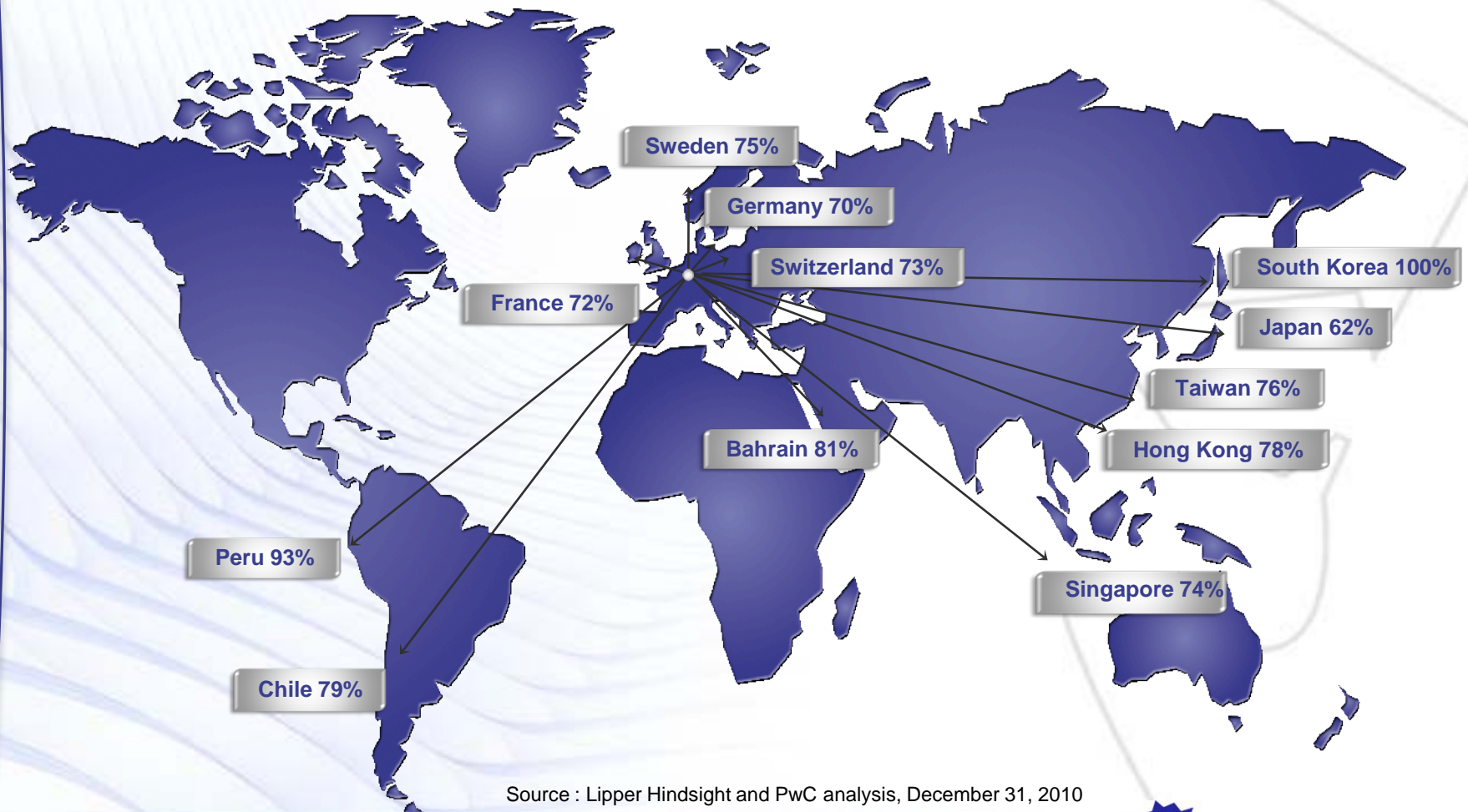
# Evolution of cross-border distribution

- More than 74.6% of global fund registrations are allocated to Luxembourg fund
- More than 65% of total true cross-border funds (i.e. funds distributed in at least 3 countries, including their domicile) are Luxembourg funds



# Luxembourg investment funds have a unique brand globally

## Luxembourg market share of foreign funds registered for sale

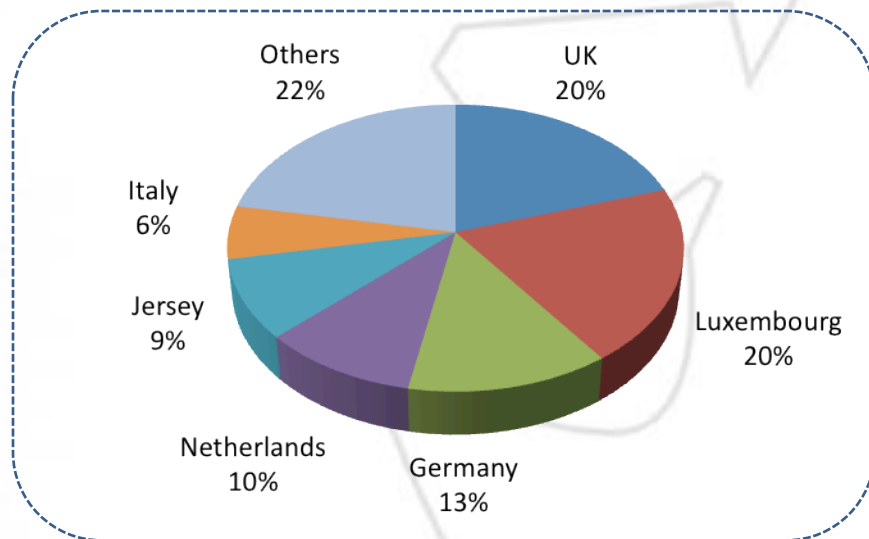
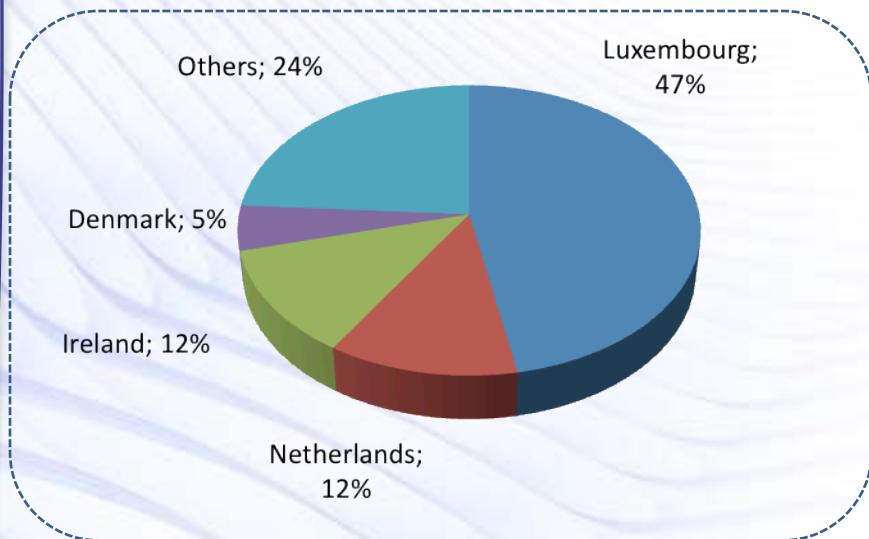


Source : Lipper Hindsight and PwC analysis, December 31, 2010

# Luxembourg is also the market leader in Real Estate Funds...

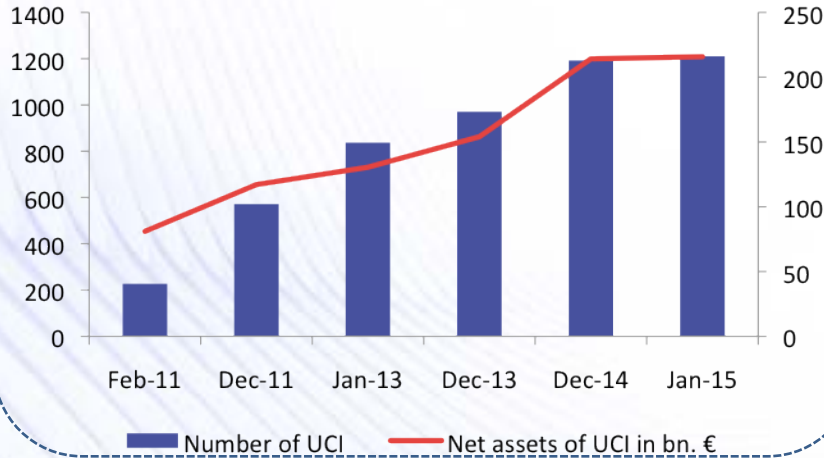
■ Market share of Luxembourgish structures for Fund of Real Estate Funds, by number of vehicles

■ Market share for real estate funds domiciliation, by number of funds

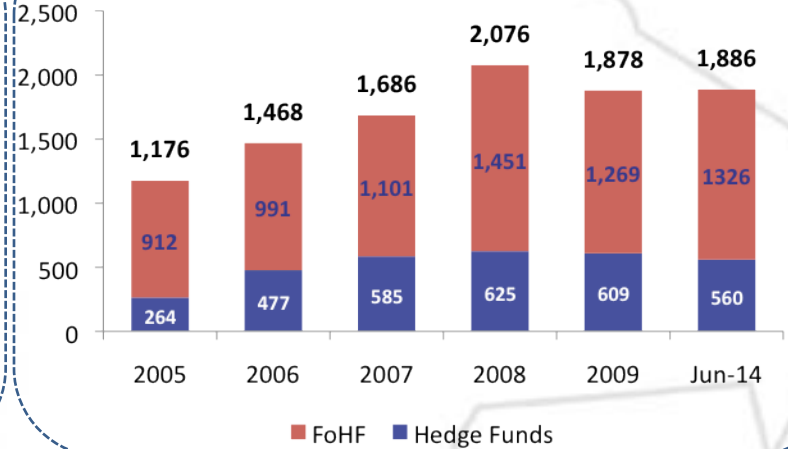


# Other products

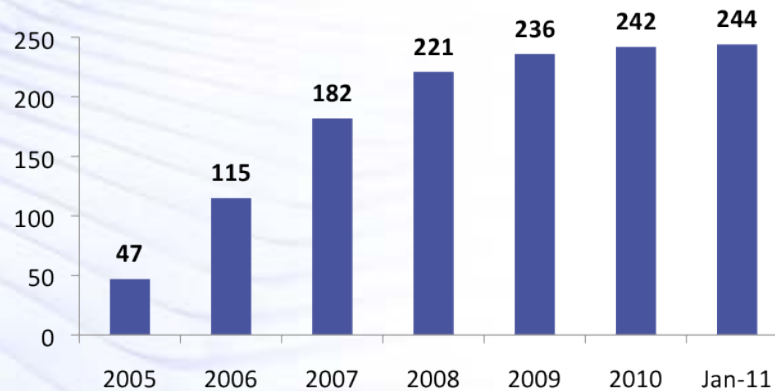
SIF development



# of units of Hedge Funds and FoHF



Evolution of the number of SICAR



# Top 15 cross-border promoters use Luxembourg as distribution platform

Rank	Management Group	# countries of sales	Domicile
1	FRANKLIN TEMPLETON	49	LU
2	HSBC HOLDINGS	42	LU
3	BLACKROCK	39	LU
4	BNP PARIBAS	36	LU
5	FIL LIMITED	32	LU
6	SCHRODERS	31	LU
7	AMUNDI GROUP	30	LU
8	UBS	30	LU
9	DEUTSCHE BANK	30	LU
10	JP MORGAN	29	LU
11	ALLIANZ GROUP	27	LU
12	PIMCO	27	IE
13	INVESCO	26	LU
14	PIONEER INVESTMENTS	26	LU
15	ABERDEEN ASSET MANAGEMENT	25	LU

# Spanish promoters in Luxembourg

17 Spanish promoters have set up operations in Luxembourg, holding approximately USD 18 billion in 159 sub-funds

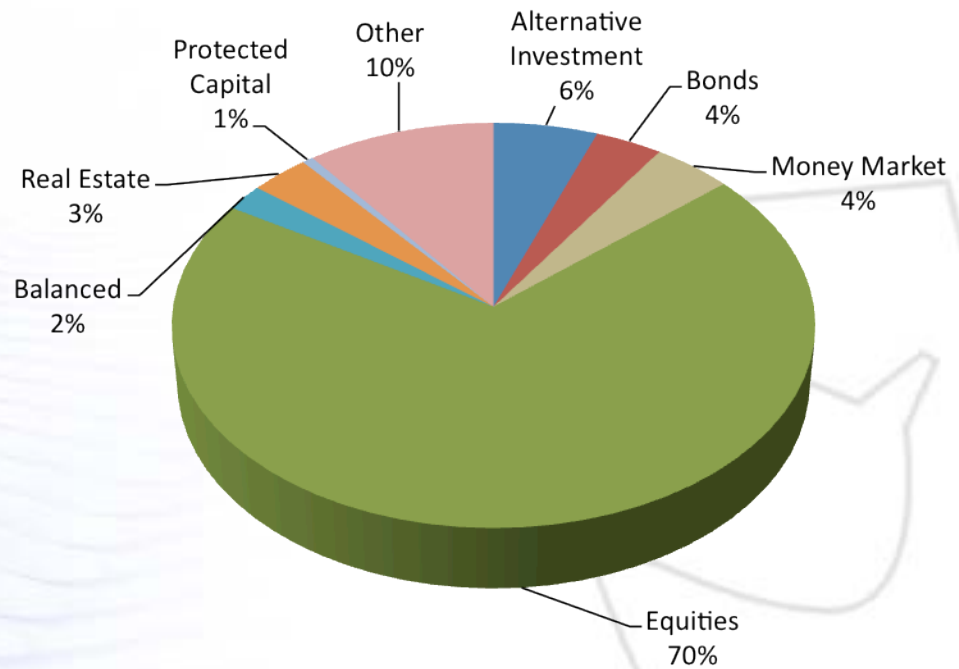
Promoter	# sub-funds	AuM in USD
Adepa	10	47
Altex Partners	5	58
Asesores y Gestores Financieros Fondos	12	303
Auriga Securities	1	12
Banc Sabadell	8	48
Banco Bilbao Vizcaya Argentaria	22	1,327
Banco de Madrid	4	84
Bankinter	1	5
Caja Duero	9	44
Confederación Española de Cajas de Ahorros	26	1,277
EDM Servicios Financieros	6	268
Gesprofit	6	86
Grupo Santander	38	13,803
Merchbanc (Merchbolsa Agencia de Valores)	4	17
Neinver	1	541
NMAS1	1	43
SeBroker Bolsa Agencia de Valores	5	20
<b>TOTAL</b>	<b>159</b>	<b>17,983</b>

# Spanish promoters in Luxembourg

## As at December 2009

- AUM : USD 17.9 billion
- # Funds: 30
- # Sub-funds : 159

**Asset class breakdown by % of AuM**

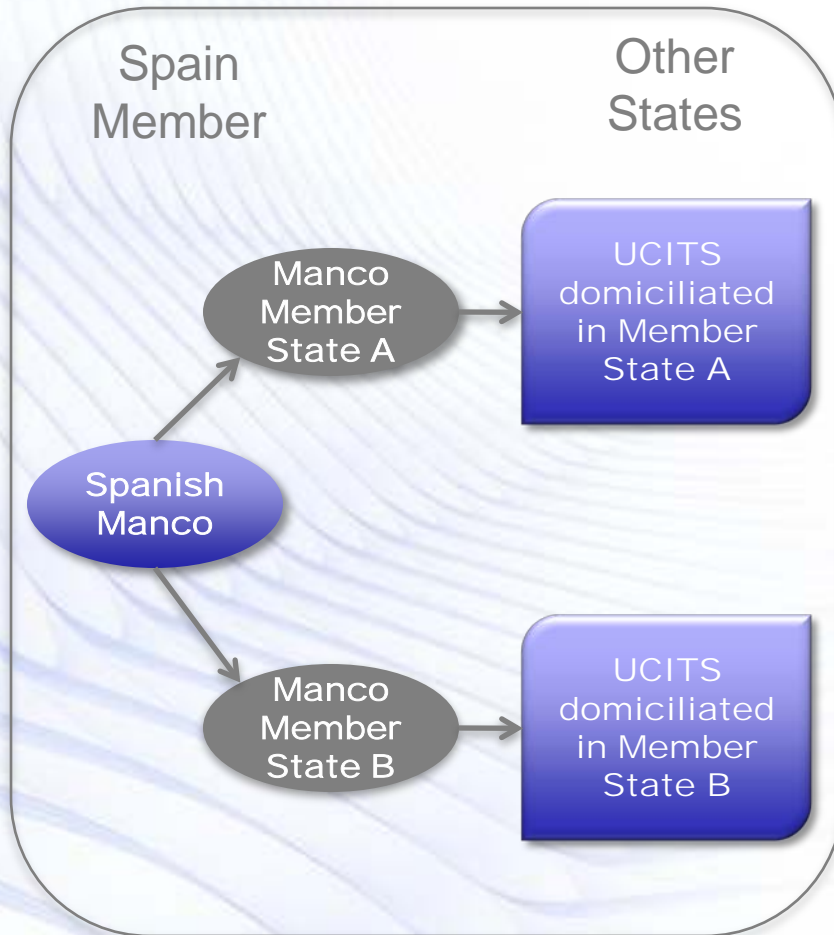


# UCITS IV : A Complete Legal Package

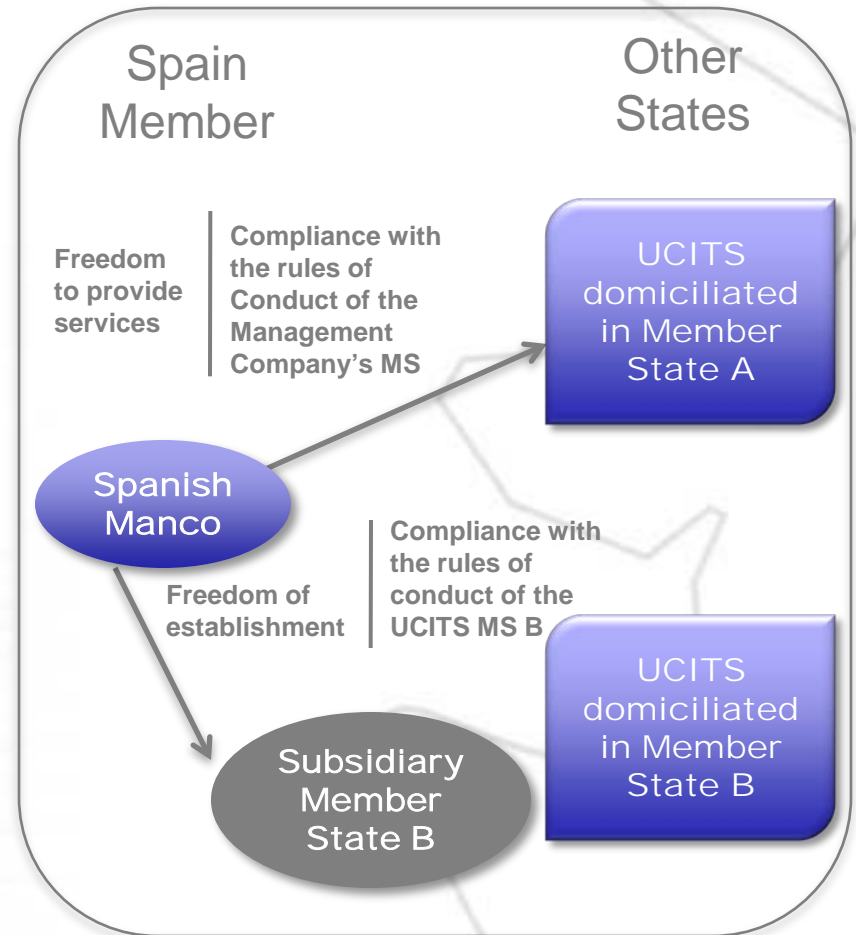
UCITS I	UCITS III	UCITS IV	UCITS V
<ul style="list-style-type: none"> <li>• Facilitated cross-border offering of (open-ended) investment funds to EU retail investors</li> <li>• Development of an integrated EU market for investment funds by allowing greater investment opportunities to investors and greater business opportunities to asset management industry</li> <li>• Harmonisation of investor protection rules through regulation of the product</li> <li>• Marketing of UCITS in EU Member States through simple notification process</li> <li>• Birth of the UCITS passport and UCITS brand (in and outside Europe)</li> </ul>	<ul style="list-style-type: none"> <li>• Industry call for enlargement of eligible instruments (bank deposits, units of other UCIs, MM Instruments and use of derivatives)</li> <li>• Directive on eligibility of certain assets (structured products, MM instruments, financial indices)</li> <li>• Recommendation on use of derivatives (2004)</li> <li>• Increased scope of activities of UCITS</li> <li>• Widening of investment powers, of eligible instruments and of investment techniques available to UCITS</li> <li>• Management companies authorised to perform individual portfolio management, safekeeping of fund units and investment advice on an ancillary basis</li> </ul>	<ul style="list-style-type: none"> <li>• Review of UCITS III as stipulated in Directive - enhancing European framework for investment funds</li> <li>• Call for measures to tackle industry consolidation and efficiency constraints</li> <li>• Six principal amendments to UCITS regime and expected efficiency gains:               <ul style="list-style-type: none"> <li>➢ Management Company, Passport fully effective</li> <li>➢ Enhanced supervisory cooperation</li> <li>➢ Simplified notification procedures / cross-border marketing</li> <li>➢ Cross-border mergers</li> <li>➢ Master-feeder structures</li> <li>➢ Key Investor Information Document (KIID)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Expected to align liability of depositaries with provisions of the AIF Directive (rules of conduct, remuneration policies)</li> </ul>

# Management Company Passport

## Before UCITS IV



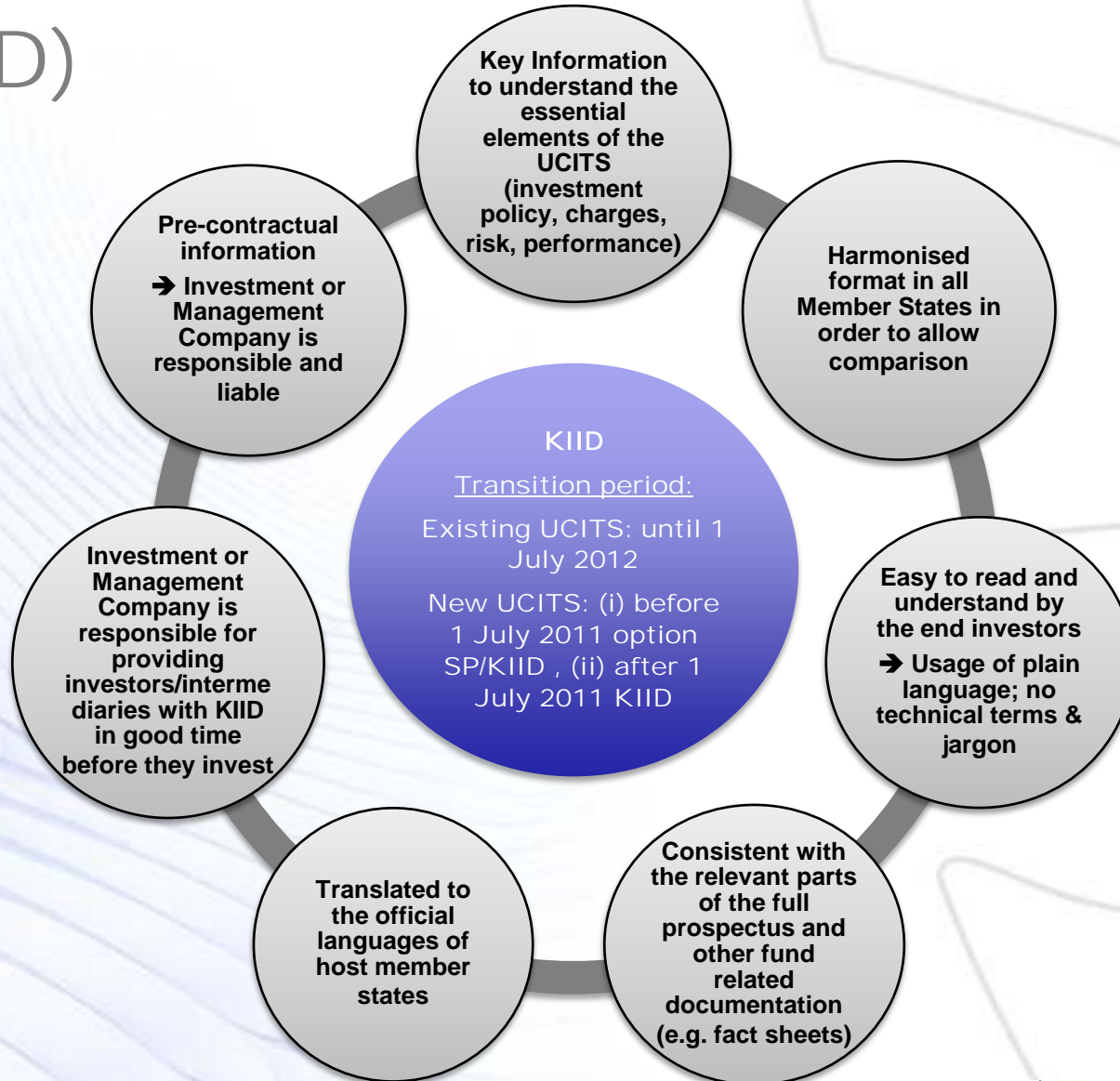
## With UCITS IV



# Challenges

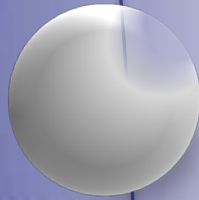
- Specific Process to be implemented for compliance of Management Companies with UCITS IV requirements:
  - compliance with 2 sets of rules, need to be identified and correctly understood
  - relationship with the depositary bank to be organised carefully
- Rules of conduct & organisation rules for Management Companies based on MIFID rules (principle of proportionality)
- Increase of responsibility over the monitoring of delegated functions (setting up internal control mechanism, information flow procedures to put in place between the Management Companies and the service providers to which functions of management, administration or marketing have been delegated)

# Key Investor Information Document (KIID)



# Challenges

- Luxembourg industry focused on the KIID implementation
- Luxembourg service provides appropriate infrastructure for drafting/updating the KIID
- Distribution channels should be educated/distribution agreements should be reviewed
- Big promoters not outsourcing the production of KIIDs expect to spend around €1M on KIIDs (costs of brochure's production system, data load, translations, delivery of finished KIIDs into sales channels annual operating expenses)



# Alternative UCITS

# Alternative Ucits

## A fast growth

Alternative UCITS funds						
	2005	2006	2007	2008	2009	2010*
<b>Luxembourg</b>						
Number of funds	152	216	318	379	430	472
Total Assets (€ Billion)	24.3	54.2	59.4	32.7	43.3	55.5
Net New Flows (€ Billion)	7.2	28.4	3.1	-22.5	7.3	12.4
<i>Memo: Flows to new funds, exc. Liq**</i>	3.6	12.6	12.2	-8.8	8.3	12.2
<b>All Domiciles</b>						
Number of funds	437	570	801	943	1.017	1.044
<i>Of which UCITS fund of funds</i>	120	148	175	183	168	172
Total Assets (€ Billion)	69.3	124.9	117.6	61.6	88.4	114.2
<i>Of which UCITS fund of funds</i>	6.4	10.8	13.1	6.0	7.4	9.6
<i>Memo: Flows to new funds, exc. Liq*</i>	12.0	31.3	48.8	39.2	66.1	90.4
<i>130/30 (not included above)</i>	2.6	2.7	4.9	3.5	5.6	5.1
Net New Flows (€ Billion)	23.8	49.8	-10.9	-47.3	19.3	25.0
<i>Memo: Flows to new funds, exc. Liq**</i>	5.9	18.2	15.7	-7.4	19.1	22.7

\* 2010 data through September

\*\* Newer funds, exc. Liq = core funds launched after 2003 and excluding older and liquidated funds  
 Excludes 130/30 funds, non-hedge absolute return, non-hedge commodities funds, and infrastructure  
 Luxembourg data includes fund of funds (around 40 funds with €1.5 billion in assets)  
 Source: Strategic Insight research, Simfund Global databases



# Alternative Ucits



## An increasing demand for alternative UCITS

- Offering new strategies to meet investors' demand
- Access to new investors



## Benefits

- Regulated products
- Risk management and liquidity
- UCITS brand recognition
- Public distribution

# Alternative Ucits

## Diversity of UCITS compatible strategies

- Long/Short strategies
- Absolute return strategies
- Alpha
- Hedge Fund index /Commodity index
- ...

## Some regulatory considerations

- Adequate investor information
- Adequate risk management



# Alternative Ucits

- Alternative UCITS vs Alternative Investment Funds under AIFMD

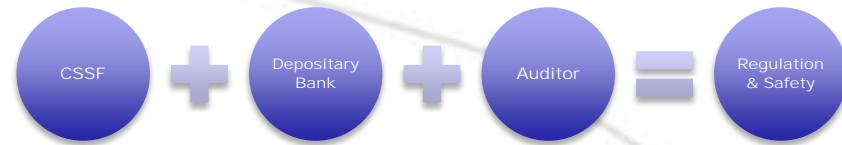
- Institutional vs retail investors



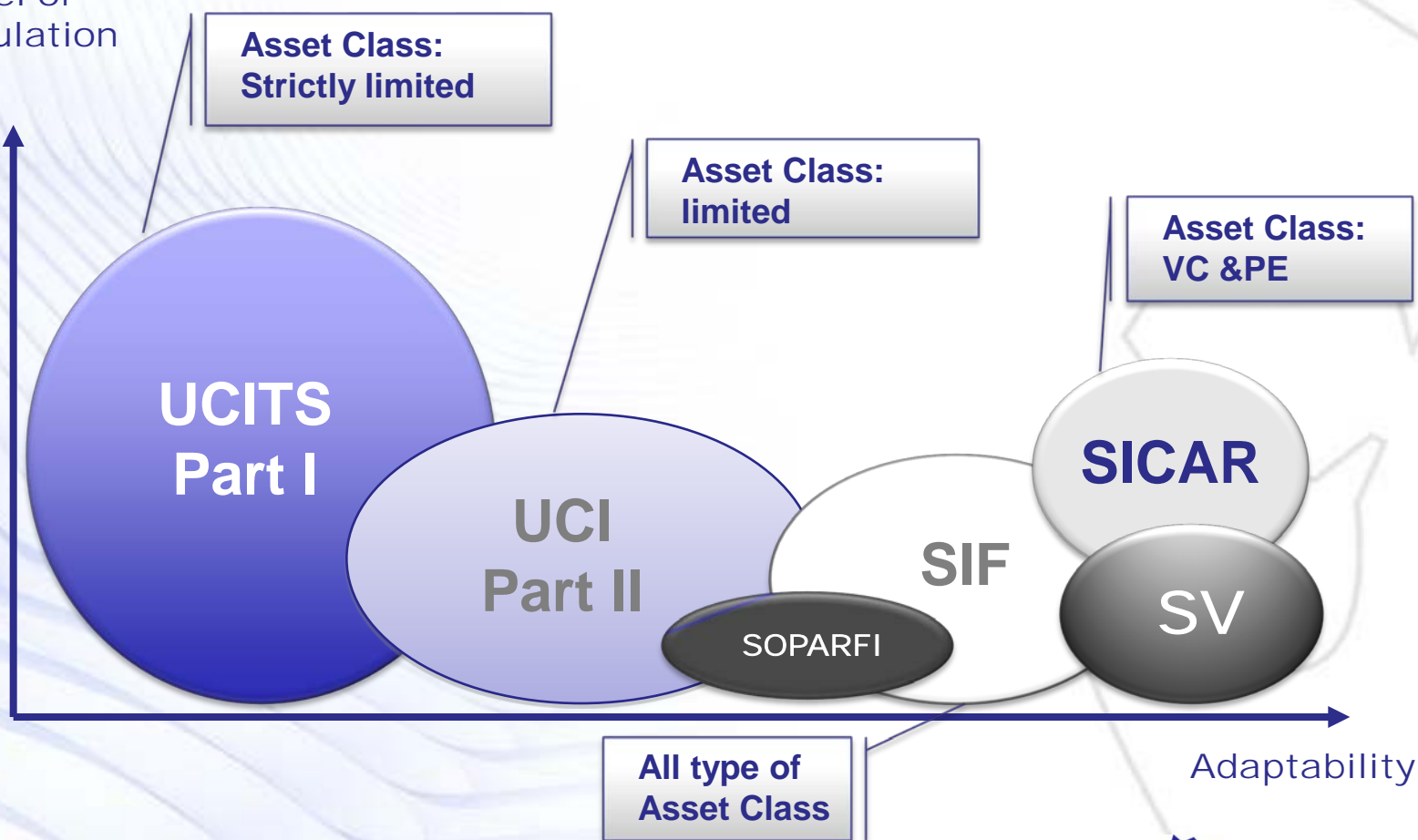
# AIFMD e inversiones alternativas

- David Louis, Vandebulke (Moderador)
- Francisco Da Cunha, Deloitte
- Stéphane Ries, KBL European Private Bankers S.A.
- Jaime Anaya, UBS (Luxembourg) S.A.

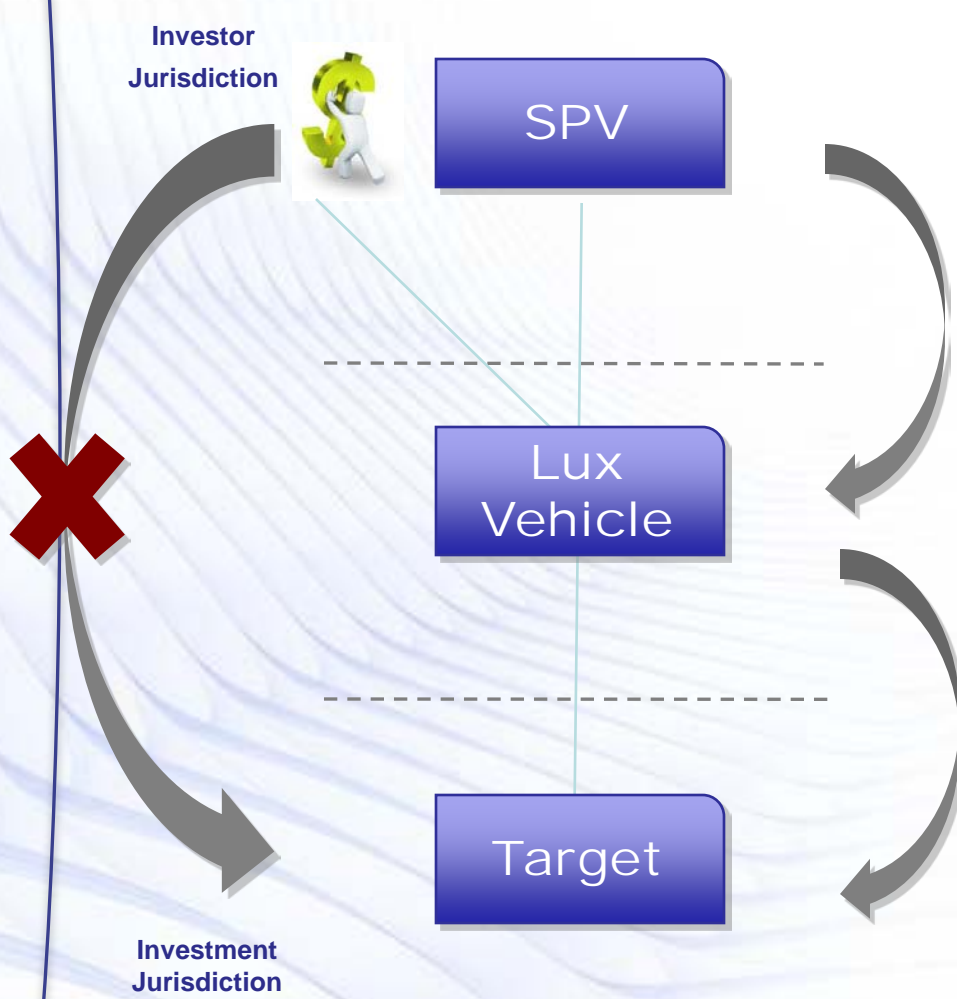
# Regulatory vs Flexibility



Level of regulation



# Areas of Concern for Investment Structuring



## Investor Jurisdiction

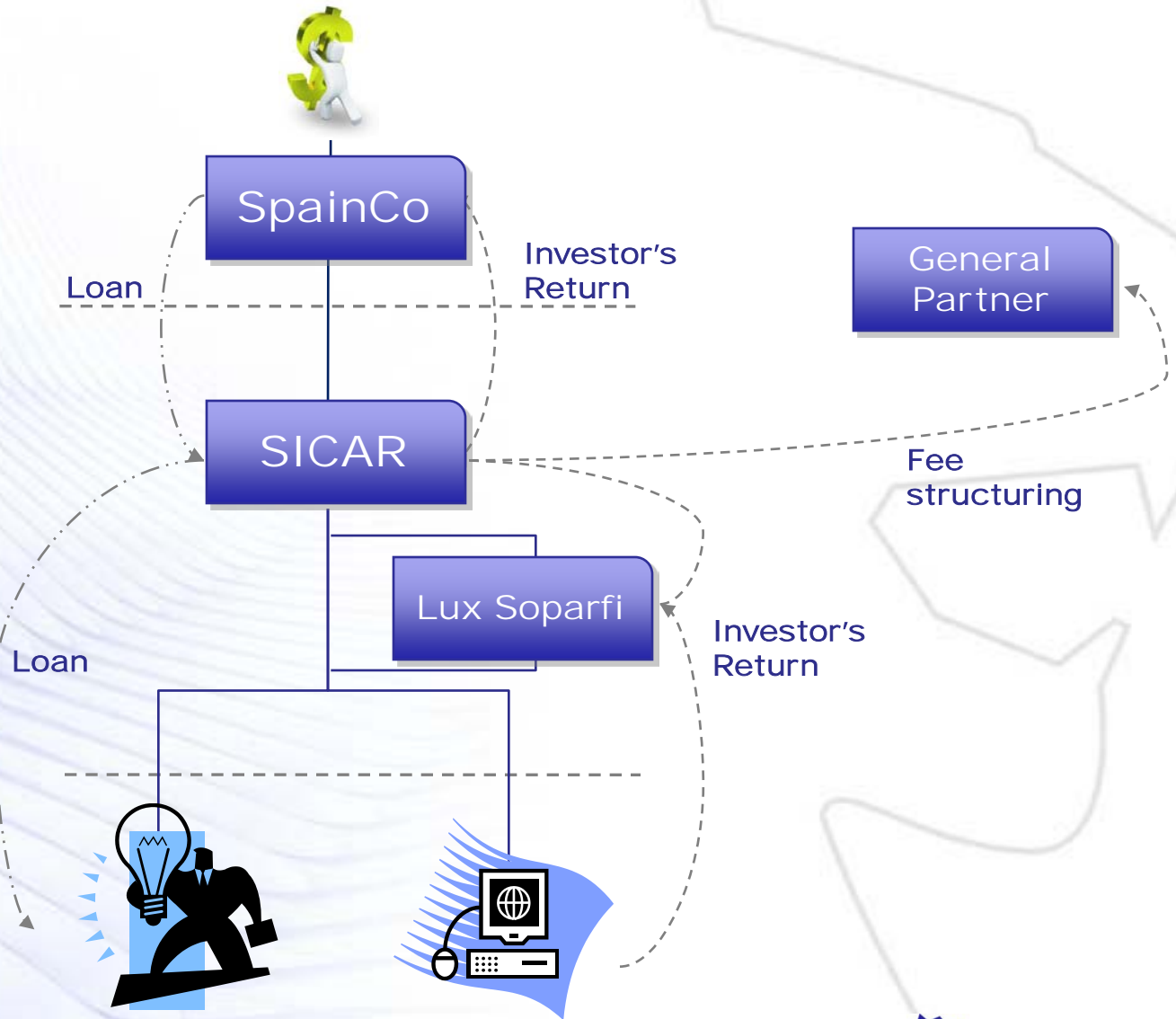
- Type
- Aims
- Tax

## Investment Jurisdiction

- Steps in structuring
- Legal
- Tax
- Other

# Luxembourg investment fund sector SICAR

Spain

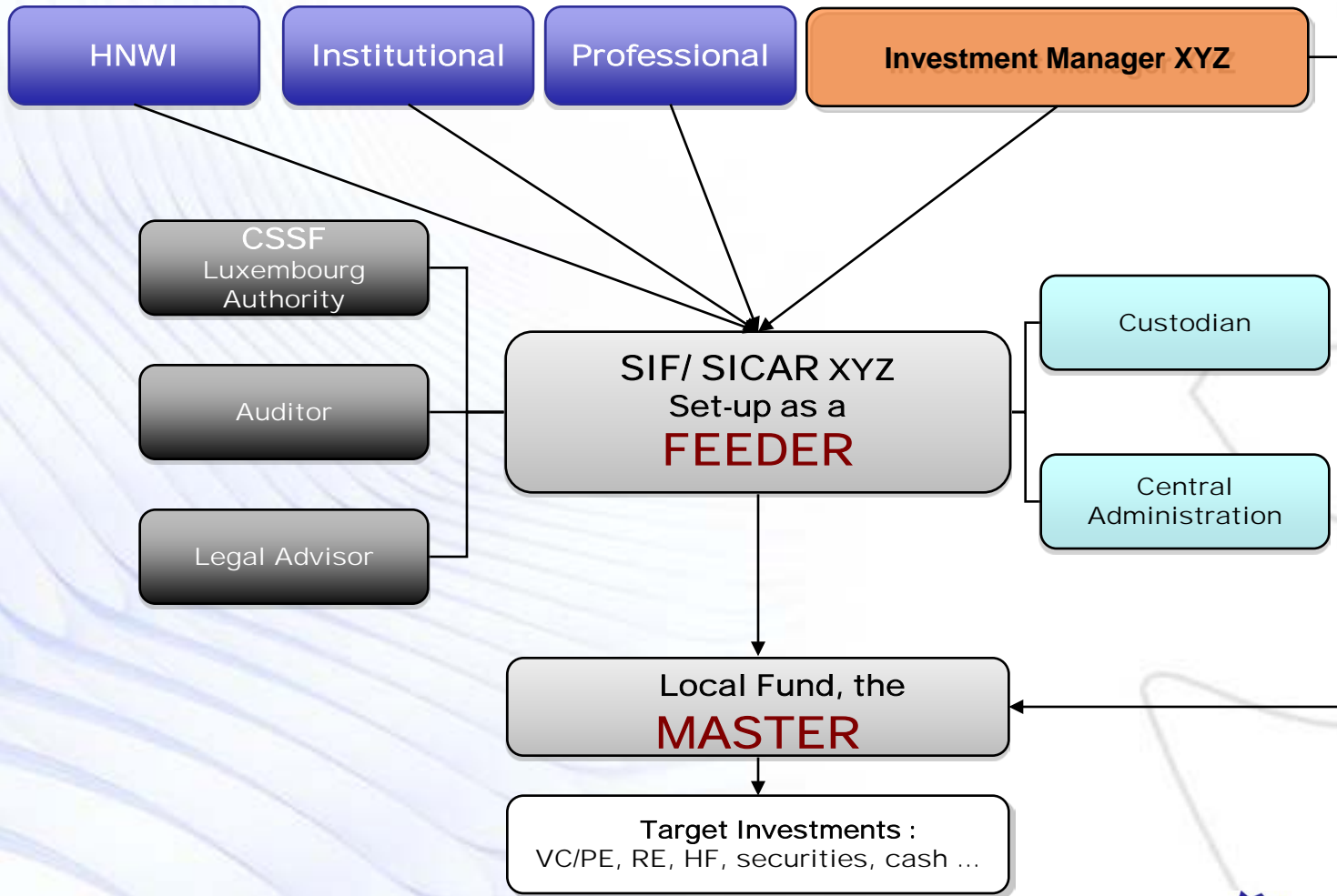


# Strong Trend: Re-Domiciliation – Master / Feeder Structures

Spain & International

Luxembourg

Spain & International

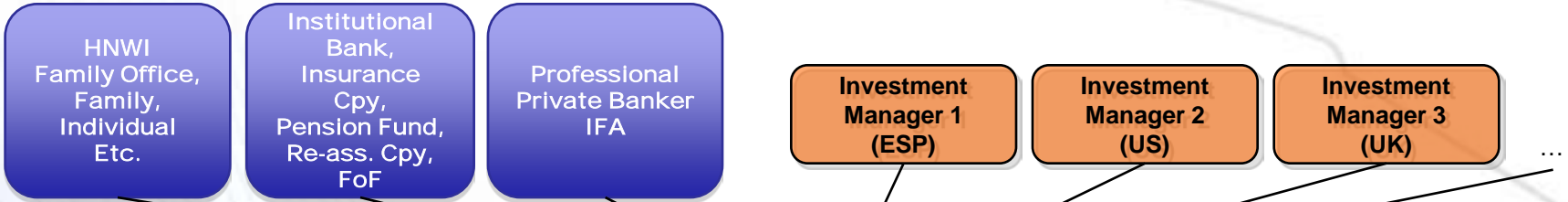


Other Possibilities for Re-Domiciliation :

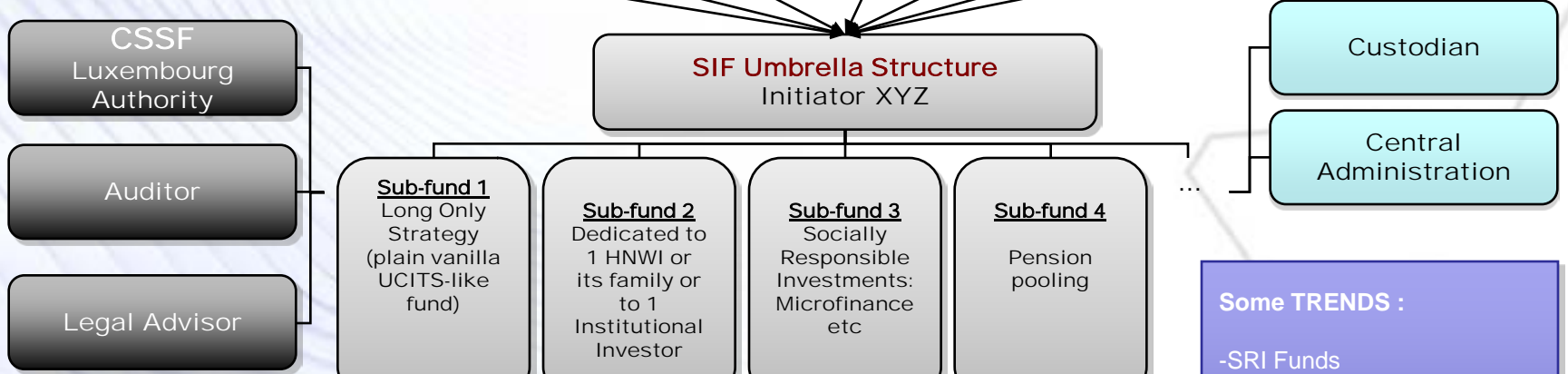
1. Transfer of Registered office
2. Cross-border merger
3. Contribution in Kind of all assets and liabilities

# SIF Umbrella Structures

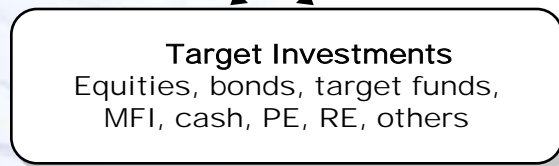
Spain & International



Luxembourg



Spain & International



- Some TRENDS :**
- SRI Funds
  - Passion Funds (art, wine, football, ...)
  - US Life Settlement Funds
  - Infrastructure
  - Real Estate
  - Timberland
  - Pension Pooling

# AIFM Directive: the calendar

Dual system allowing passport to coexist with private placement regimes

2013

- Entry into force of AIFMD
- AIFMD entirely applicable to EU AIFM managing EU AIF
- EU passport for EU AIF managed by EU AIFM
- National private placement regimes will be the main vehicle of access to EU investors by non-EU AIFM

2015

- Introduction of EU passport for AIF managed by non-EU AIFM and non-EU AIF managed by EU AIF
- Coexistence of national private placement regimes and EU passport

2018

- Phasing out of national private placement regimes

# AIFMD: Achievement for Luxembourg / Consequences

Positive Reactions in Luxembourg further to the adoption of the AIFMD

New Brand complementary to UCITS's brand

Redomiciliation trend

Infrastructure already

Passport part II (UCI)

Conclusion. Be ready the sooner the better

Q and A

# Luxembourg investment vehicles: comparative table

	UCITS	UCIs	SICAR	SIF	SECU	SPF	SOPARFI
Eligible investors	Unrestricted	Unrestricted	well informed	well informed	Unrestricted	Individual, private estate management entities or intermediary	Unrestricted
Eligible assets / strategies	Transferrable securities and / or other liquid financial assets	Unrestricted	All types of PE / VC (including RE PE) and temporary investments in other assets	Unrestricted	Securitization of risks linked to any type of assets or 1/3 party obligations	Private financial assets	Unrestricted
Restrictions	Borrowing and high diversification	Risk diversification requirements (in principle, investment < 20% NAV)	Qualifying investments	Risk diversification requirement (30% NAV)	No active management of assets	No controlling activity over investments	No
Offer of securities to investors	Subject to CSSF approval	Subject to CSSF approval	Subject to CSSF approval	Subject to CSSF approval (with a possibility to launch before approval)	Unrestricted if non regulated	Not subject to CSSF approval	Not subject to CSSF approval

# Luxembourg investment vehicles: comparative table

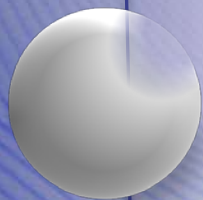
	UCITS	UCIs	SICAR	SIF	SV	SPF	SOPARFI
Promoter (financial institutions with sufficient financial means)	Yes	Yes	No	No	No	N/A	N/A
Investment manager (experience and reputation)	Yes	Yes	No	No	No	N/A	N/A
Directors / managers (experience and reputation)	Yes	Yes	Yes	Yes	N/A if non reg	N/A	N/A
Offering documents	Yes	Yes	Yes	Yes	N/A if non reg	N/A	N/A
AOA or Man Reg	Yes	Yes	Yes	Yes	N/A if non reg	N/A	N/A
Independent Auditor	Yes	Yes	Yes	Yes	N/A if non reg	N/A	N/A
Custodian	Yes	Yes	Yes	Yes	N/A if non reg	N/A	N/A
Central administration in Lux	Yes	Yes	Yes	Yes	N/A if non reg	N/A	N/A

# Luxembourg investment vehicles: comparative table

	UCITS	UCIs	SICAR	SIF	SV	SPF	SOPARFI
Entity type	SICAV (SA) FCP	SICAV (SA) SICAF (SA, SCA, SARL) FCP	Corporate (SA, SCA, SARL, SCOSA) or transparent SCS	SICAV/F (SA, SCA, SARL, SCOSA) FCP Other (fiduciary)	Corporate (SA, SCA, SARL, SCOSA) Fund (FCP or on a fiduciary basis)	Corporate (SA, SCA, SARL, SCOSA)	Corporate (SA, SCA, SARL, SCOSA, European company)
Minimum capital / net assets requirements (in EUR)	€1,250,000 (within 6 months of the approval)	€1,250,000 (within 6 months of the approval)	€1,000,000 (within 12 months of the approval)	€1,250,000 (within 12 months of the approval)	SA/SCA €31,000 SARL €12,500	SA/SCA €31,000 SARL €12,500	SA/SCA €31,000 SARL €12,500
Capital (fixed / variable)	Variable	Fixed or variable	Fixed or variable	Fixed or variable	Fixed for sec. companies	Fixed	Fixed
Segregated sub-funds	Yes	Yes	Yes	Yes	Yes	No	No
Distribution of dividends : any restriction (except compliance with the min cap / NAV requirement)	No restriction	No restriction	No restriction	No restriction (except for interim distributions and for SICAF)	No restriction for funds (except for corporate)	Yes	Yes

# Luxembourg investment vehicles: comparative table

	UCITS	UCIs	SICAR	SIF	SV	SPF	SOPARFI
<b>Tax regime on ordinary income, capital gains, etc..</b>	Fully exempt	Fully exempt	Fully taxable but exempt on qualifying securities and transit funds	Fully exempt	Fully taxable but commitments paid to investors are deductible	Fully exempt under conditions	Fully taxable but benefits from large exemption, tax credit and tax incentive
<b>Is tax transparent form available?</b>	Yes	Yes	Yes	Yes	Yes	No	No
<b>Any WHT on dividends to Asia pacific investors?</b>	No	No	No	No	No	No	No if eligible DTT corporate investors
<b>Treaty / EU Directives access?</b>	No, except for SICAV/F (50% DTT access)	No, except for SICAV/F (50% DTT access)	Yes (case by case)	No, except for SICAV/F (50% DTT access)	Yes (case by case)	No	Yes
<b>Other tax considerations?</b>	Small annual subscription tax on the NAV (0,05% max) with exemptions / reductions available	Small annual subscription tax on the NAV (0,05% max) with exemptions / reductions available	N/A	Small annual subscription tax on the NAV (0,01% max) with exemptions available	N/A	Subscription tax of 0,25% on the capital, SP, and debt > 8 times SC and SP with a max of 125.000 per year	Net worth tax of 0,5% per year with exemption available

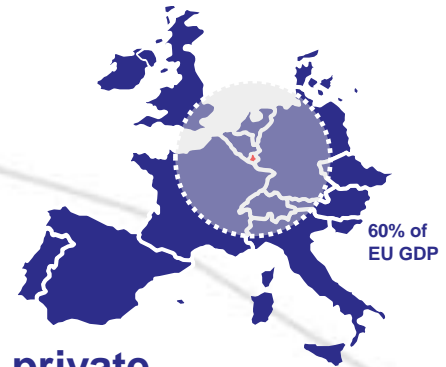


# Testimonio

■ Jaime Anaya  
UBS (Luxembourg) S.A.

# Why Luxembourg?

Luxembourg is ideally situated in the heart of the European Union and in the wealthiest part of Europe, close to the bulk of its current client base



Luxembourg is a leading market for financial activities. It is the **#1 private banking centre in the euro area** and the **world's #2 largest domicile for fund management** behind the US.

**Over 145 banks** are established in Luxembourg from **24 different countries** most of which are subsidiaries and branches of large foreign groups.

Luxembourg has a modern and reactive legal and regulatory framework. The **EU passport** provides better accessibility to EU markets for cross border activities.

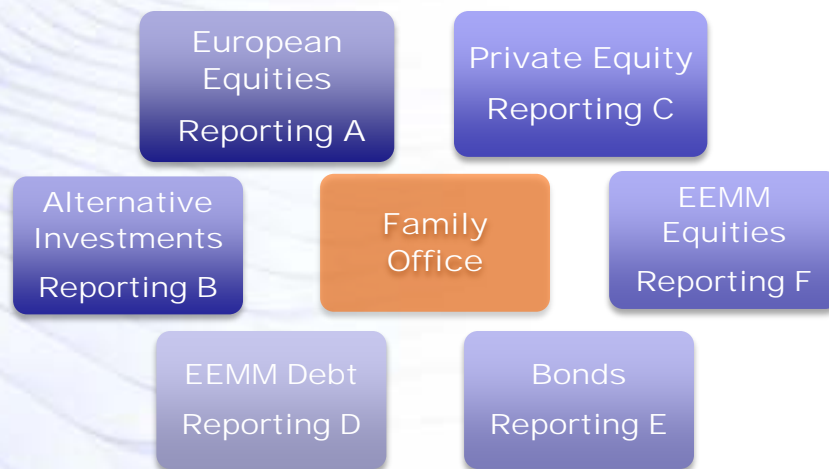
With its expertise and **multilingual and multicultural** workforce Luxembourg is a **competence centre** for offering quality, innovative and complex wealth management and funds solutions to an international clientele.

**Favourable taxation** for residents (e.g. no wealth or inheritance tax, lowest VAT within EU, no stamp duty).

# Client Case - Family Office

Spanish Single Family office with assets under management of EUR 250 mio, of which EUR 50 mio are invested in Private Equity, managed by themselves and the rest in equities, bonds and alternative investments.

Amount	Asset Class	Asset Manager
EUR 75mn	Government & I.G. Bonds	Fixed Income Manager
EUR 25mn	Emerging Markets Bonds	Specialized Manager
EUR 50mn	European Equities	London based Bank
EUR 25mn	Emerging Markets Equities	NY based Bank
EUR 25mn	Hedge Funds	Swiss based manager
EUR 50mn	Private Equity	Family office



# Findings - Questions

They are receiving several different reportings, in different periods of time, which are non consistent or consolidated

They have different custodians for their assets

They may have duplicated risks, derived from non consolidation between asset managers

Will there be a more efficient structure for their assets?

Is it possible to have a custodian for all assets?

Should we explore the possibility to take profit from lending of their securities?

How can we provide a clearer view of their overall positions and risks in any given moment?

# Our Proposed Solution - Benefits

## 1. SIF Fund Structure

- Fund set-up of the regulated structure under Luxembourg Law ✓

## 2. Custody & Sec Lending

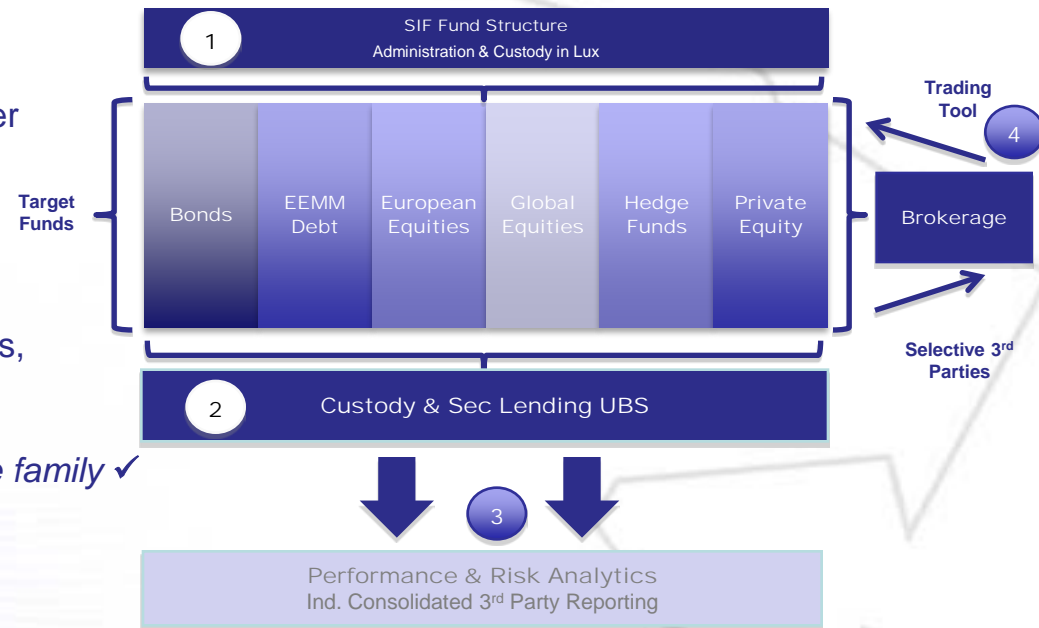
- Custody & clearing services, 3<sup>rd</sup> party trades, deliveries
- Tax reclaim
- Custody control for funds
- Securities Lending = *Extra revenues for the family* ✓

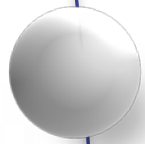
## 3. Reporting: Performance & Risk Analytics

- Comprehensive overview on client's overall portfolio, risk and return profile ✓

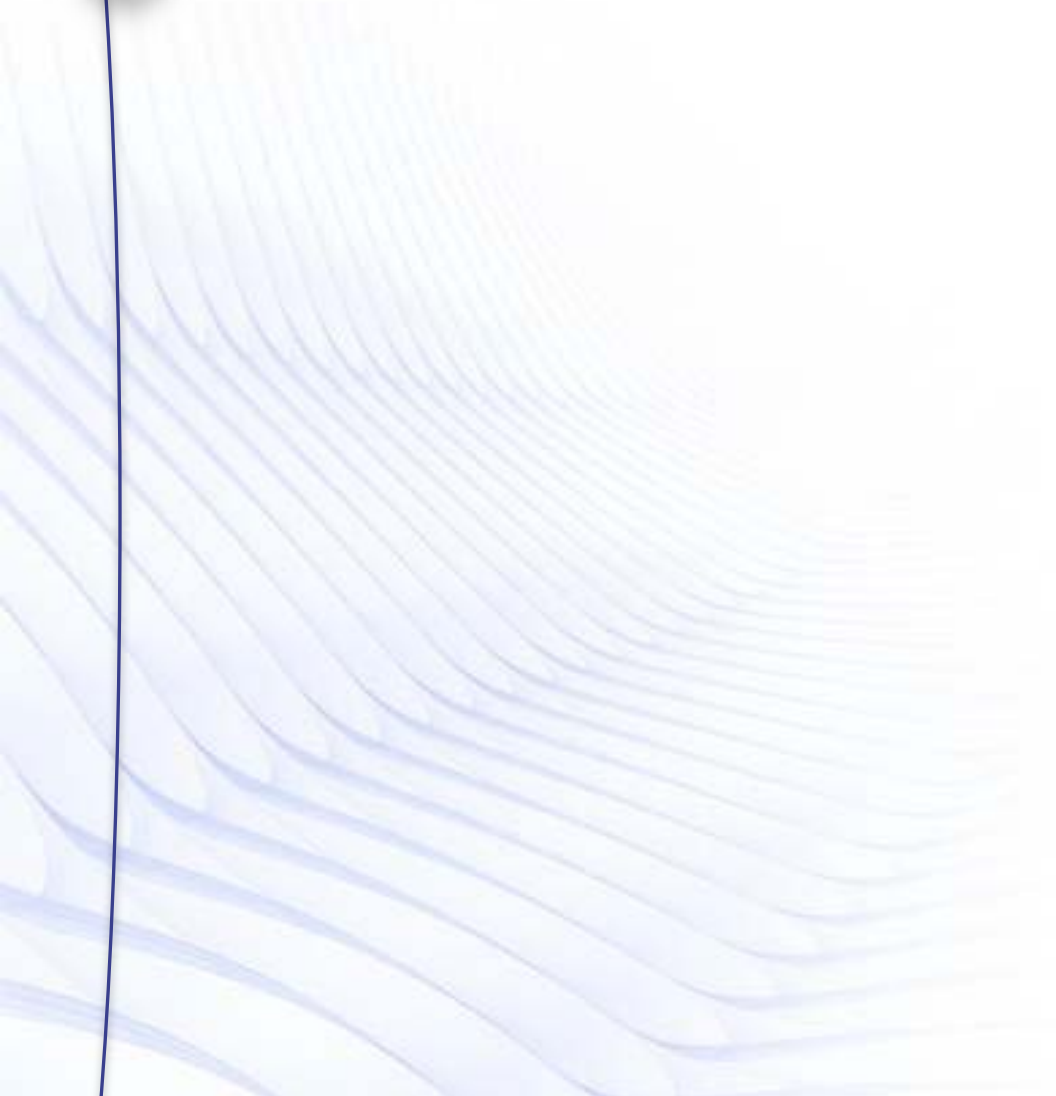
## 4. Brokerage

- By providing them a SIF, they can also gain efficiency on the execution via UBS or 3<sup>rd</sup> parties ✓





# Questions





Thank you for your attention

The slides can be downloaded at  
[www.lff.lu](http://www.lff.lu)