



# Luxembourg, a global Financial Services Centre

## Our Partners:

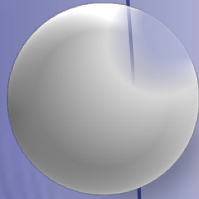
**arendt**  
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**LOYENS  LOEFF**  
AVOCATS À LA COUR

**J.P.Morgan**  
Asset Management

**Deloitte.**

**KPMG**



# The Luxembourg Financial Centre



— Jean-Jacques Picard  
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+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, trans  
fer 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

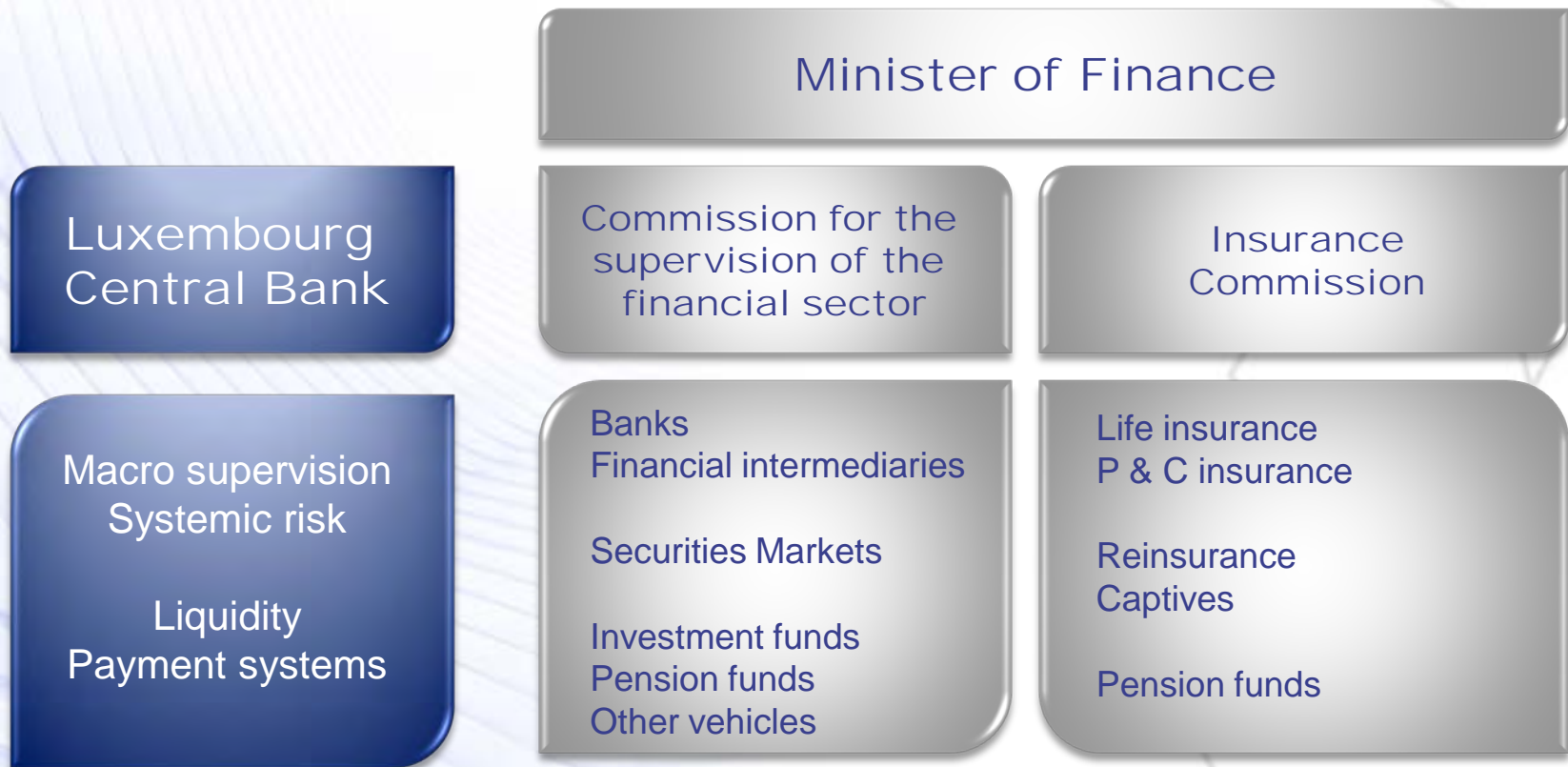
## “Local” laws and regulations

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

→ Flexibility

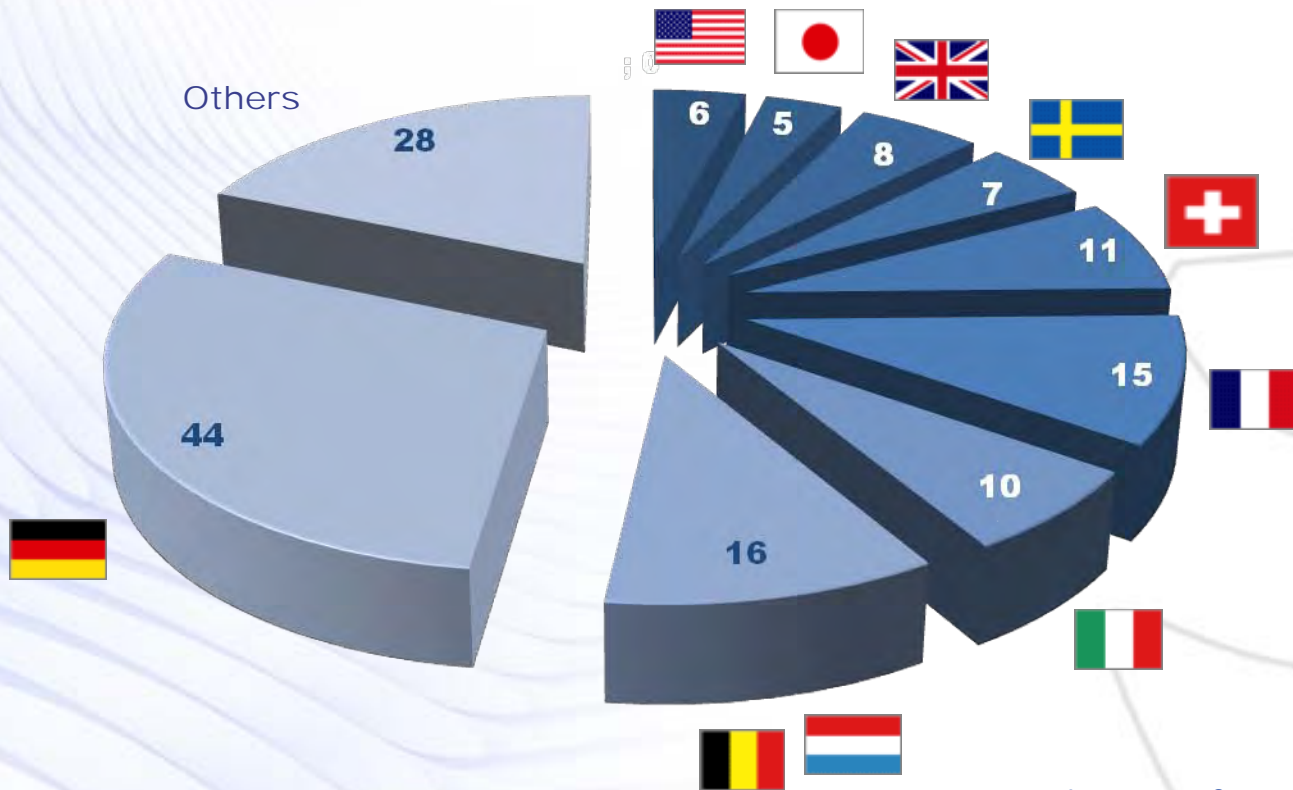
→ Tailor made financial products and services

# Luxembourg : well regulated



# Luxembourg : highly international

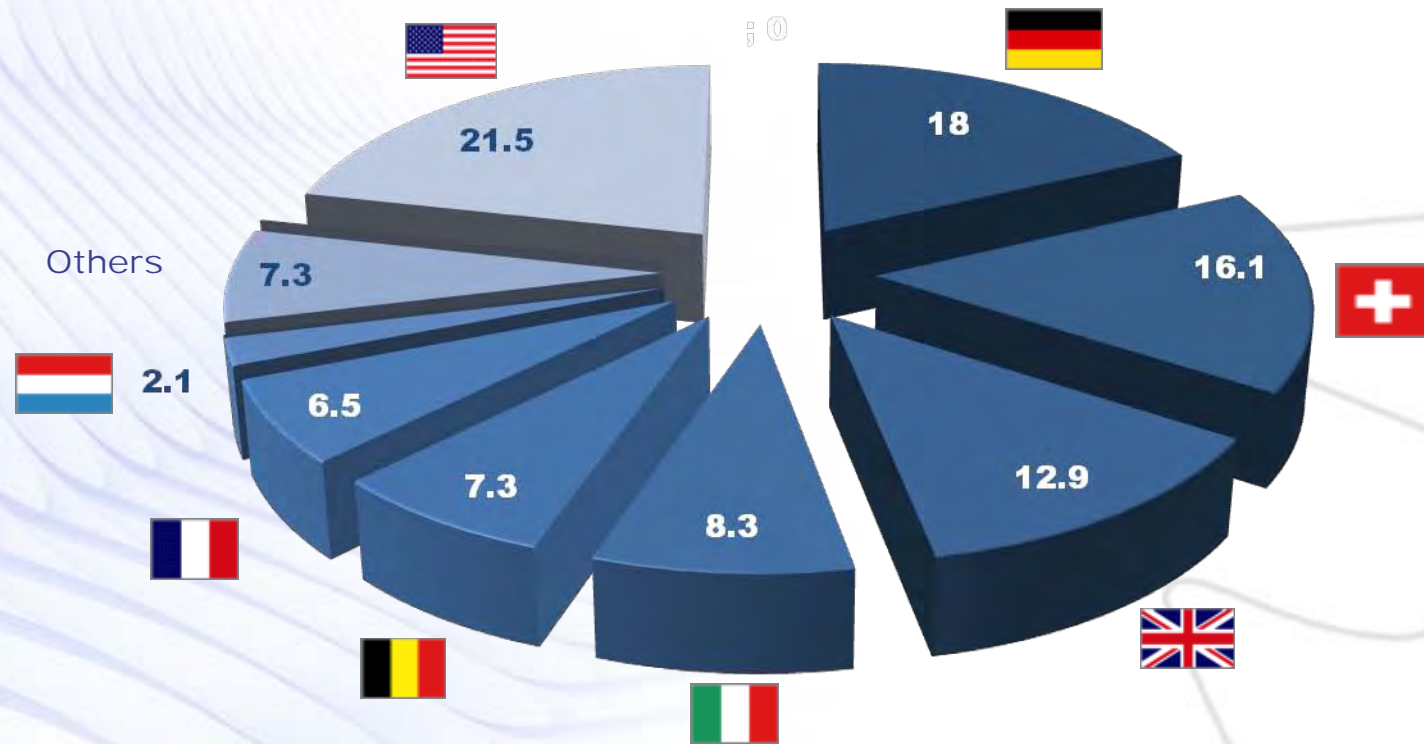
... in terms of origin of banks



August 2010, Source: CSSF

# Luxembourg : highly international

... in terms of origin of fund promoters

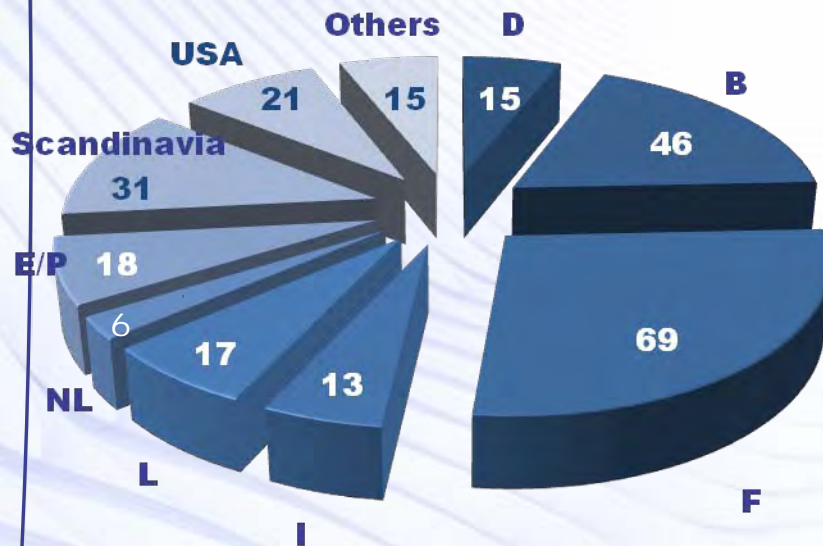


Market shares in terms of assets under management  
Figures as at June 30, 2010, Source: CSSF

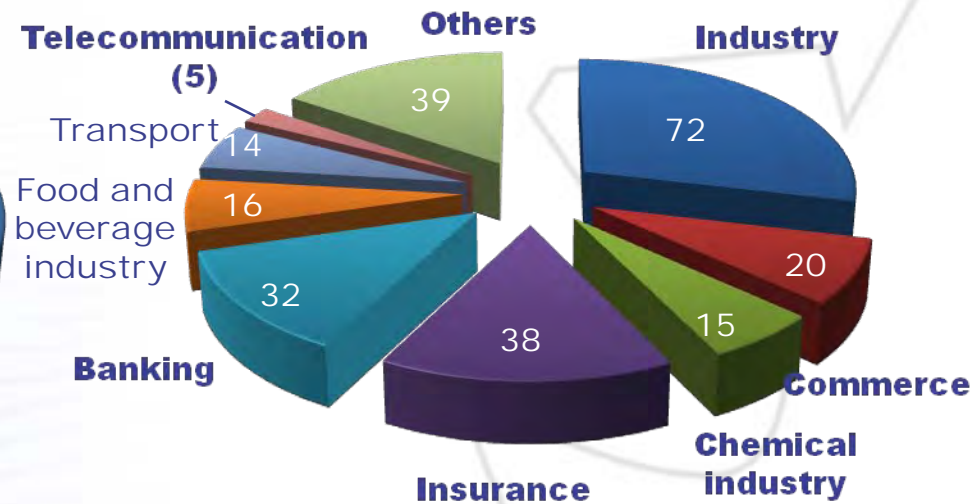
# Luxembourg : highly international

... in terms of origin of reinsurance companies

Country of origin



Sector of activities

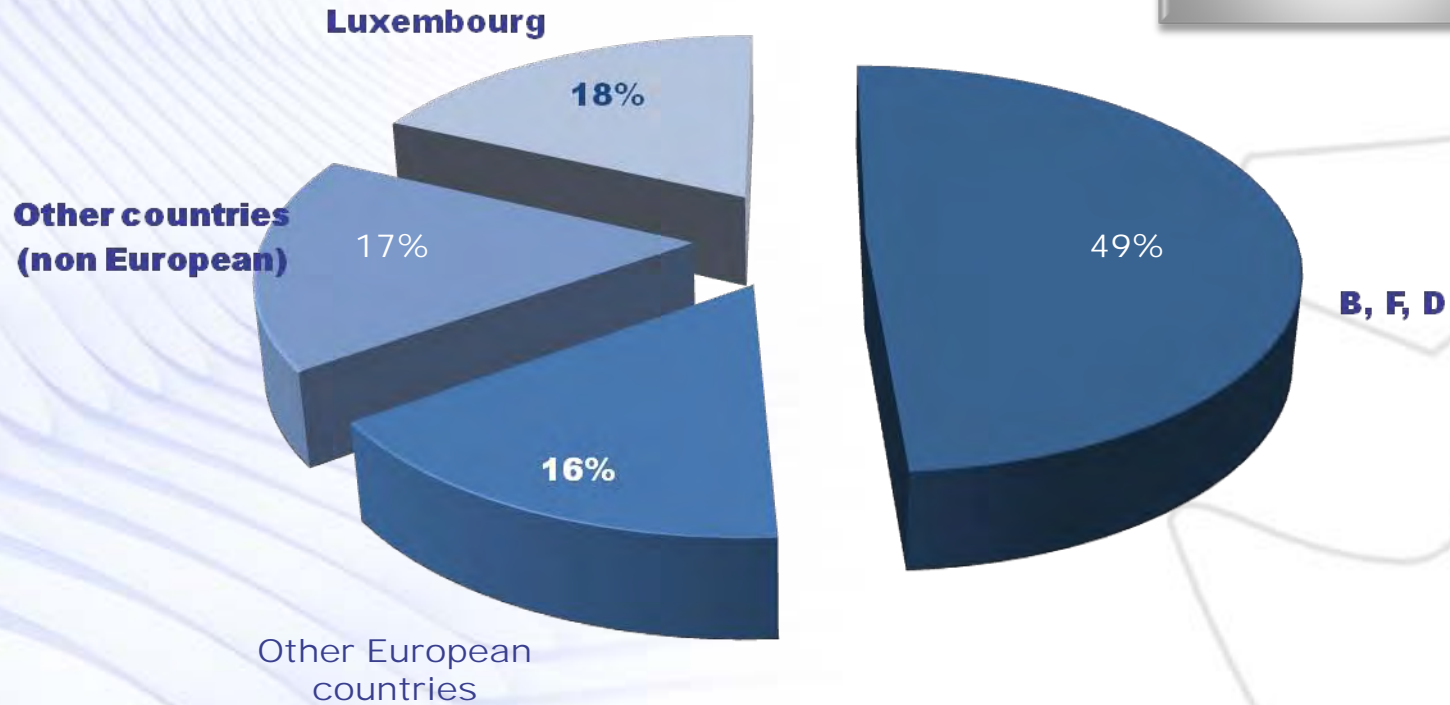


Source: Commissariat aux Assurances, annual report 2009

# Luxembourg : highly international

... in terms of clients

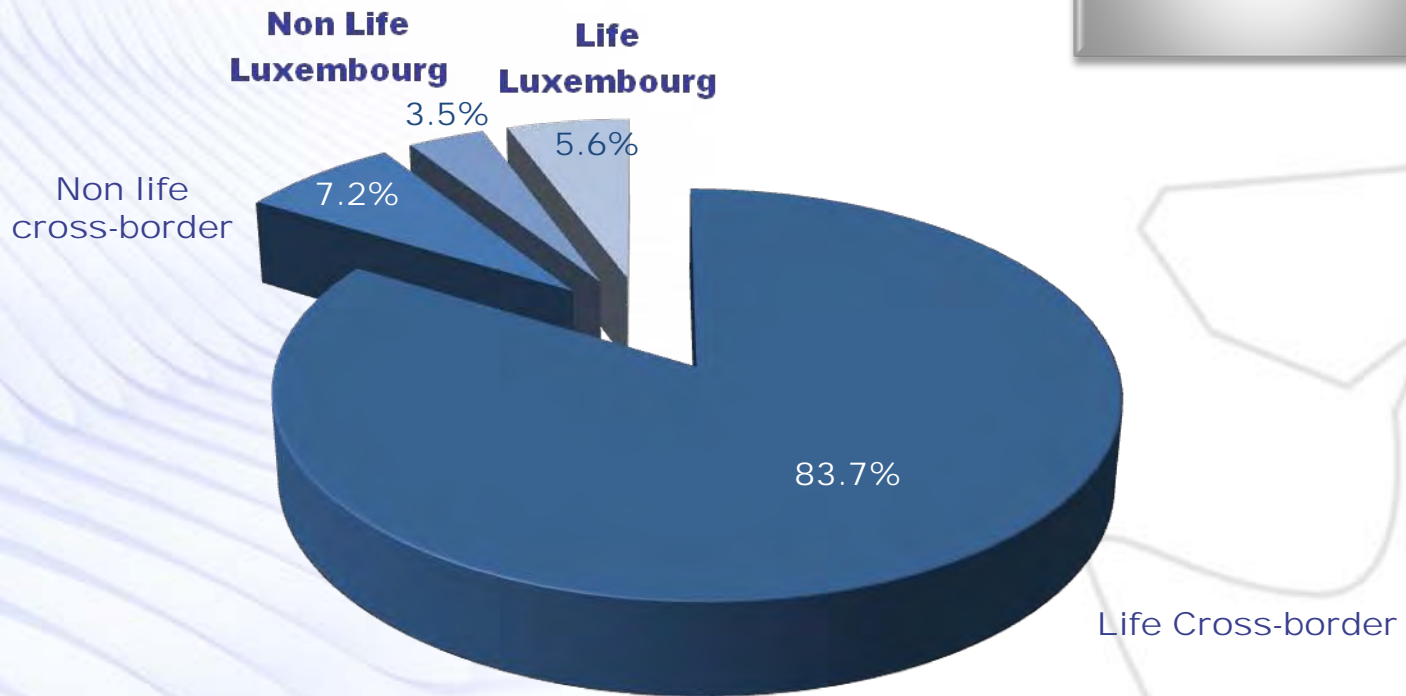
## The example of private banking



# Luxembourg : highly international

... in terms of clients

## The example of insurance



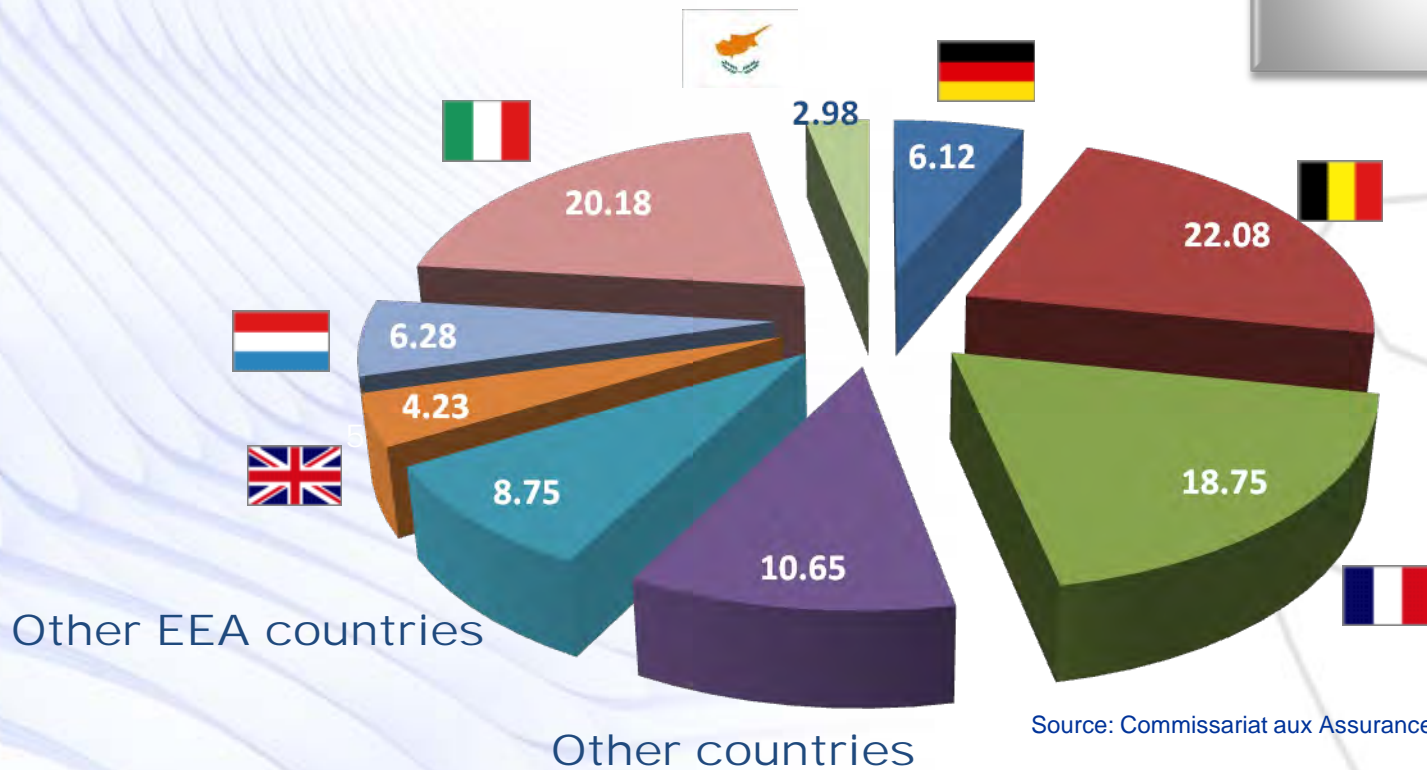
Source: Commissariat aux Assurances, annual report 2009

# Luxembourg : highly international

... in terms of clients

## The example of life insurance

Origin of premiums



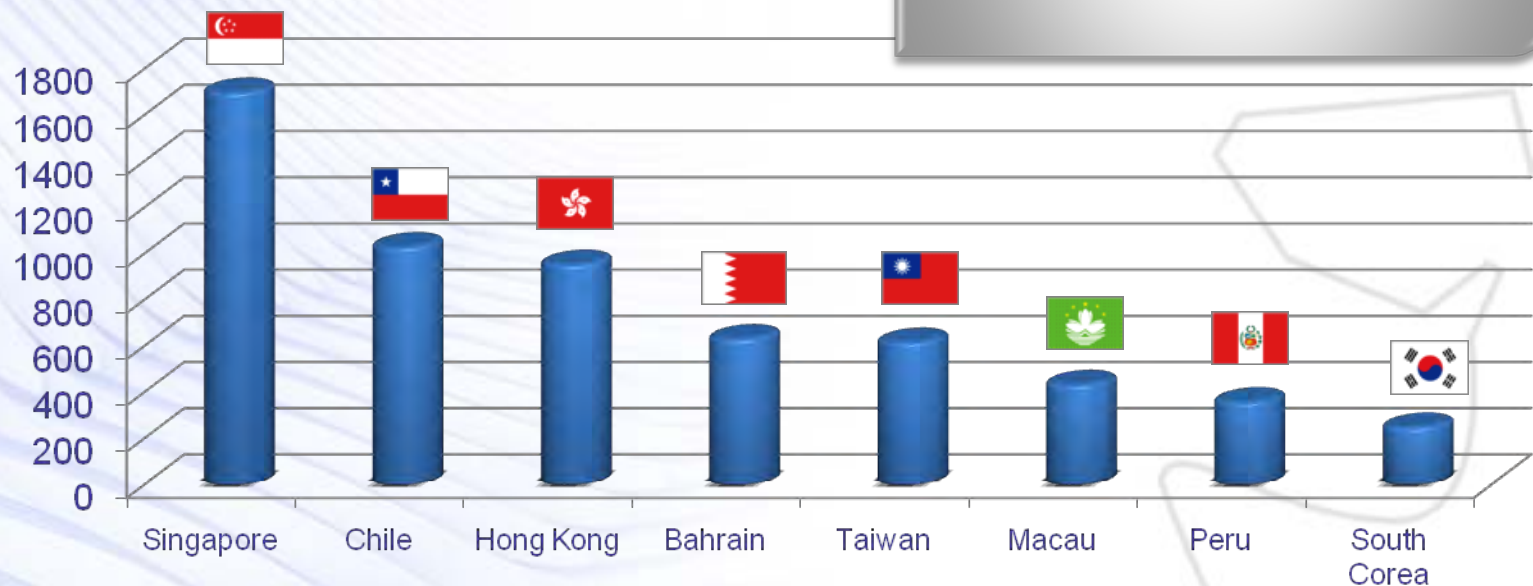
Source: Commissariat aux Assurances, annual report 2009

# 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

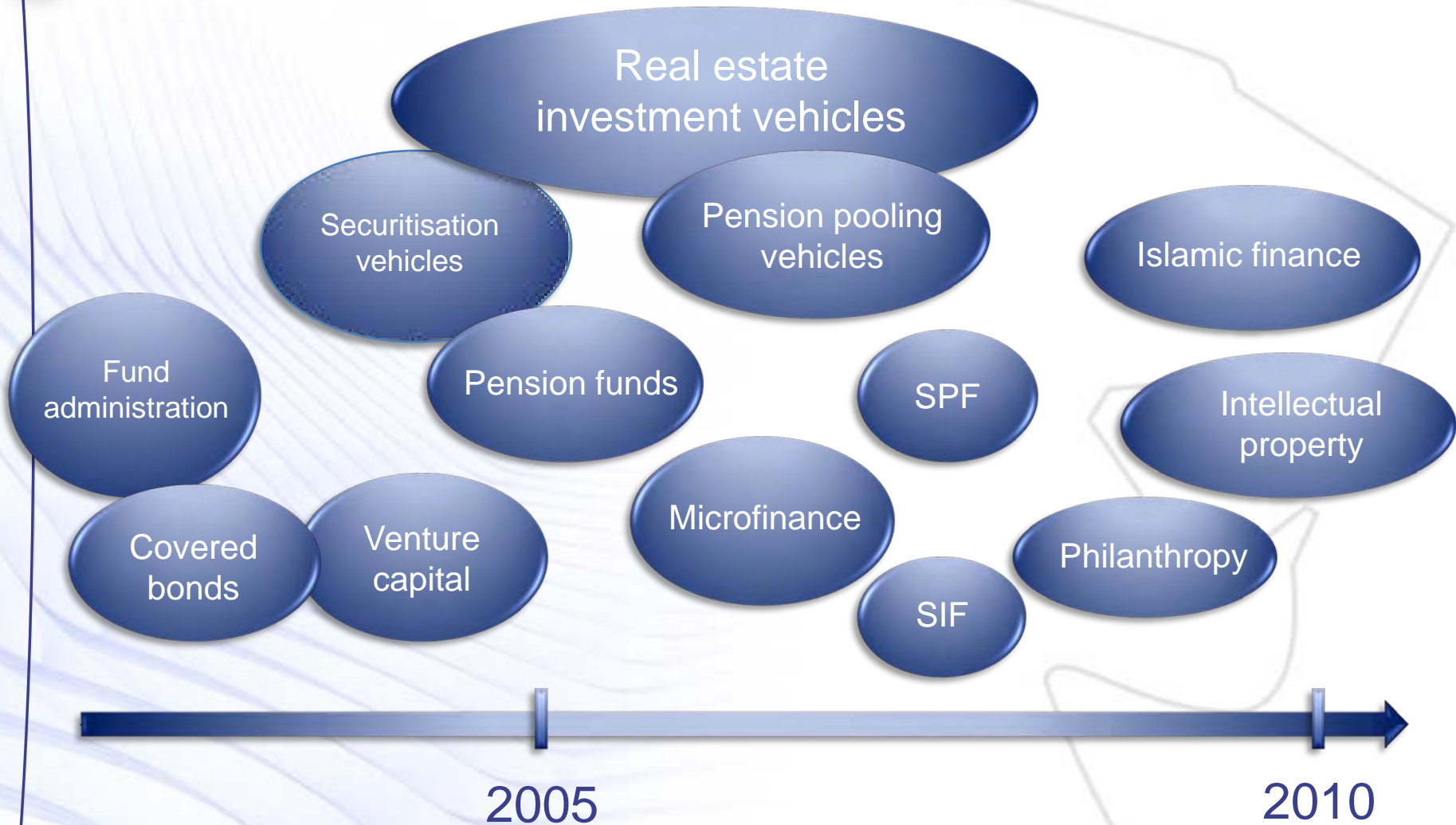
# Highly diversified service providers

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



Outsourcing

# Ongoing diversification





# Luxembourg: 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)
- Convention with Uruguay under negotiation.

Strong culture of investor protection

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

→ Advantageous environment and optimal protection for investors

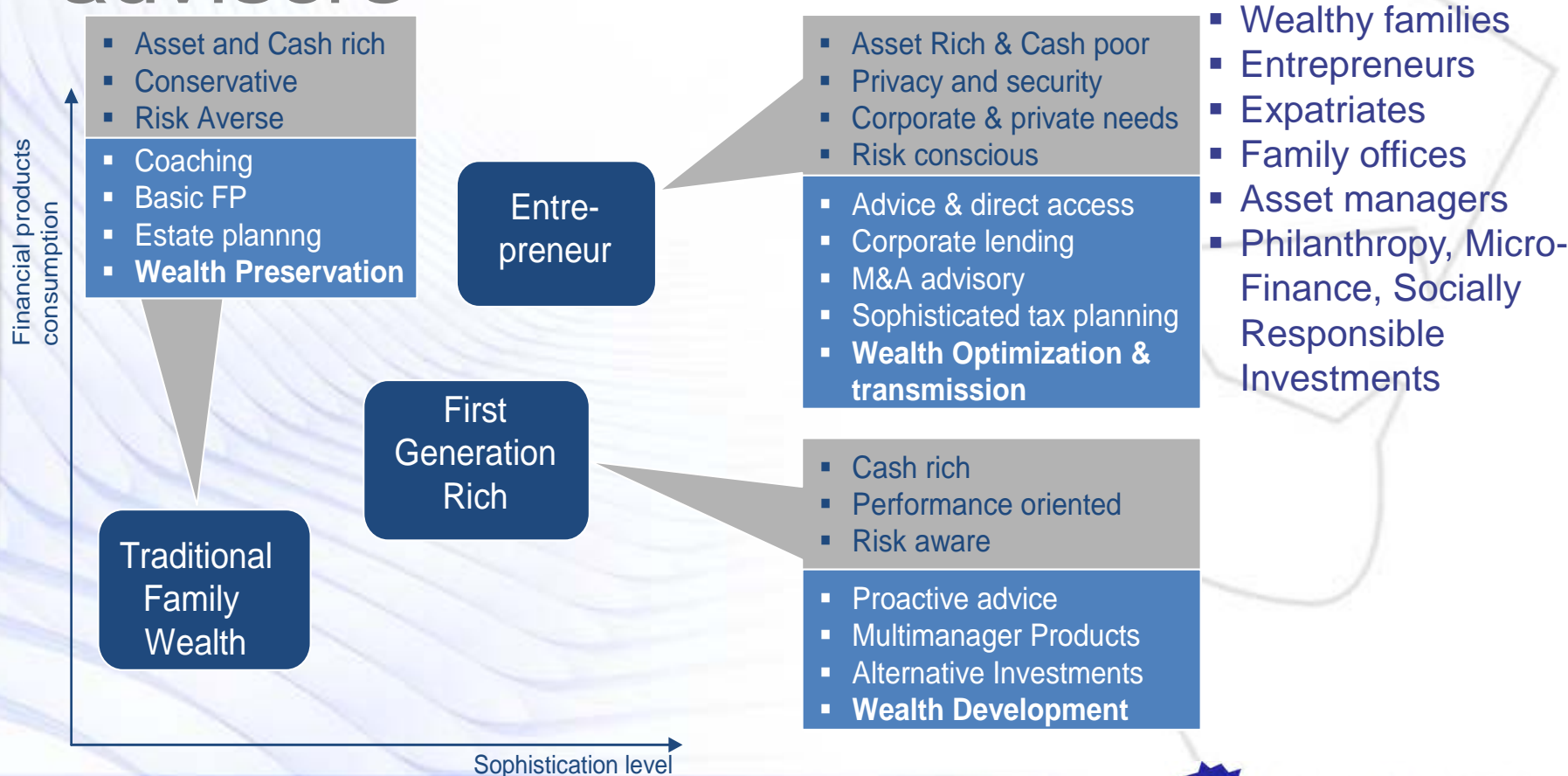
# The Luxembourg offer on wealth management solutions

## 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



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# Luxembourg asset structuring solutions for investors

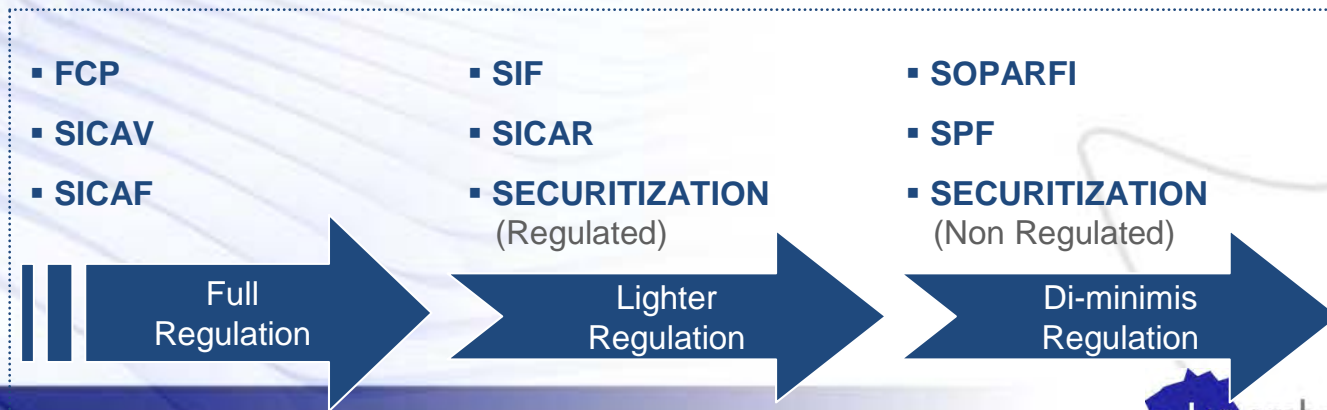
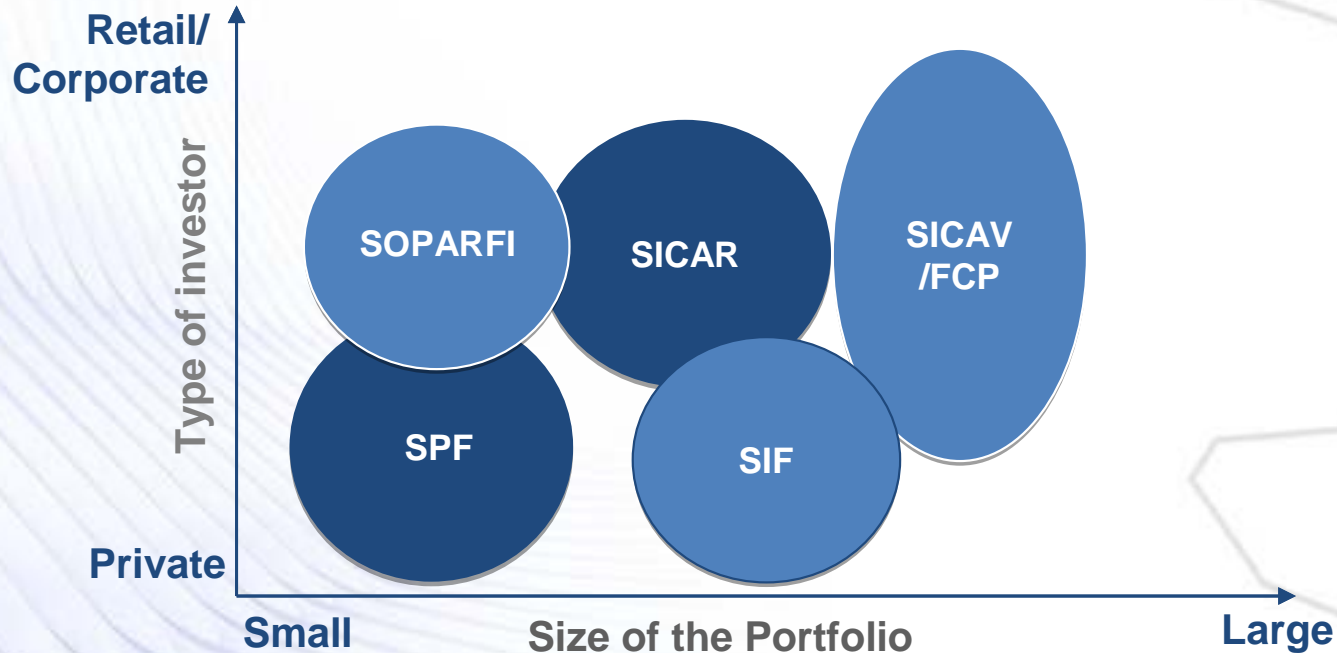
Cutting edge financial engineering capabilities for wealthy clients

- 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.

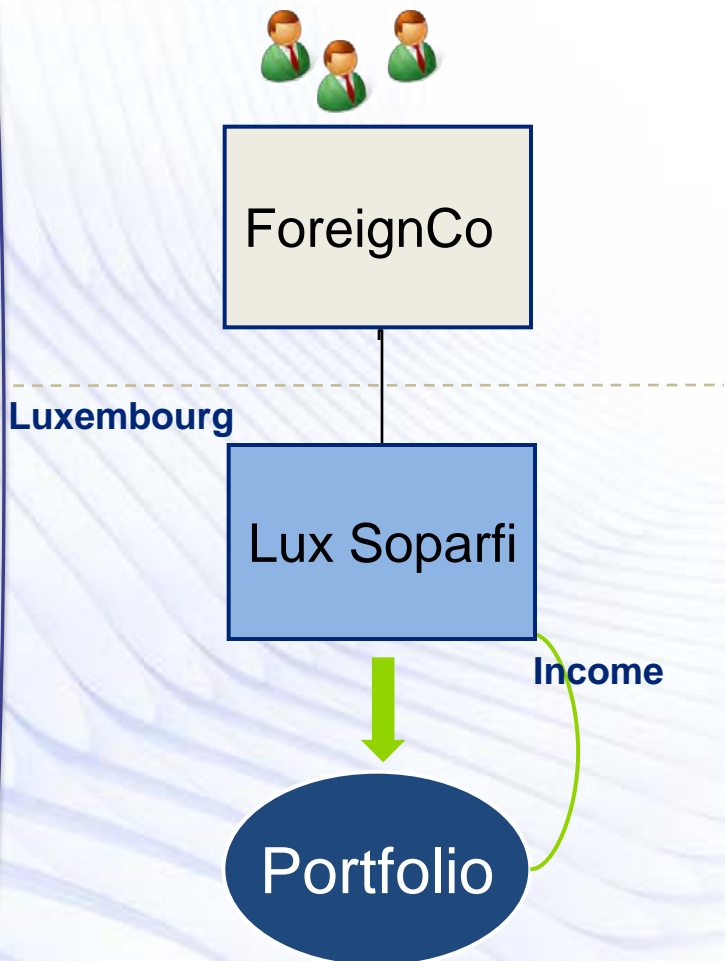
# Overview of investment vehicles in Luxembourg



# 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 Uruguay

Foreign country

Foreign Parent

Latin America

Latin America SPV

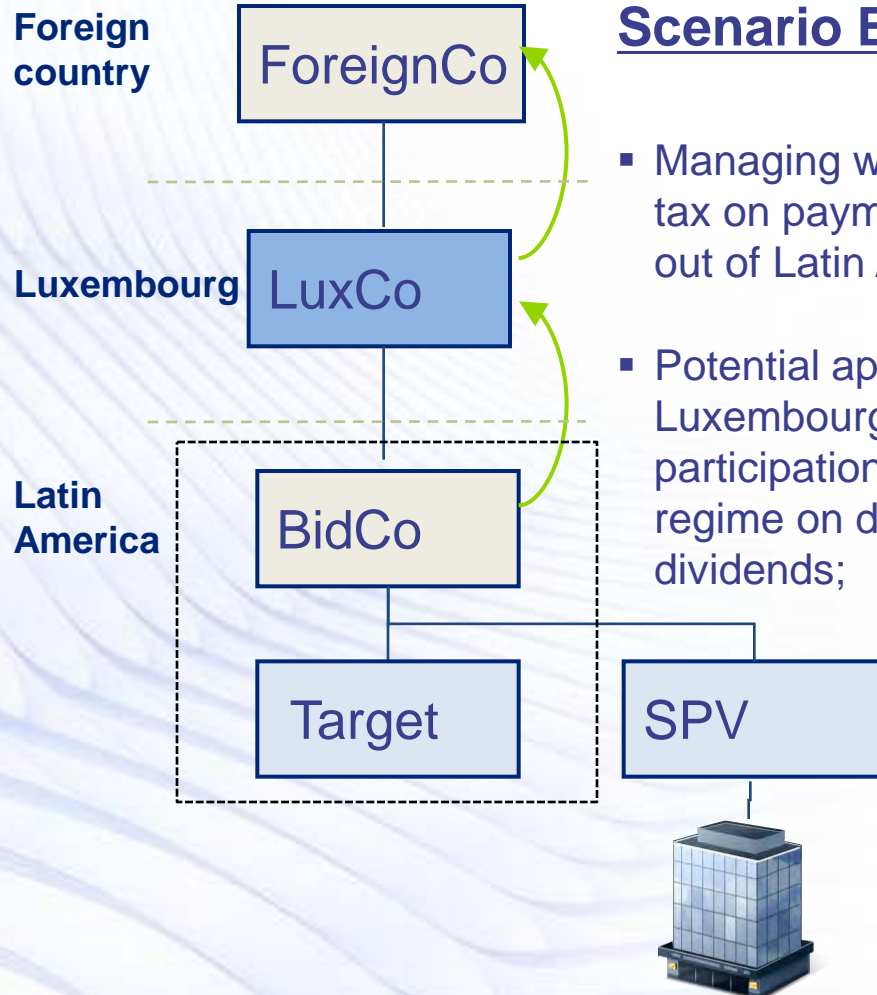


## Scenario A: Direct Investment

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 .

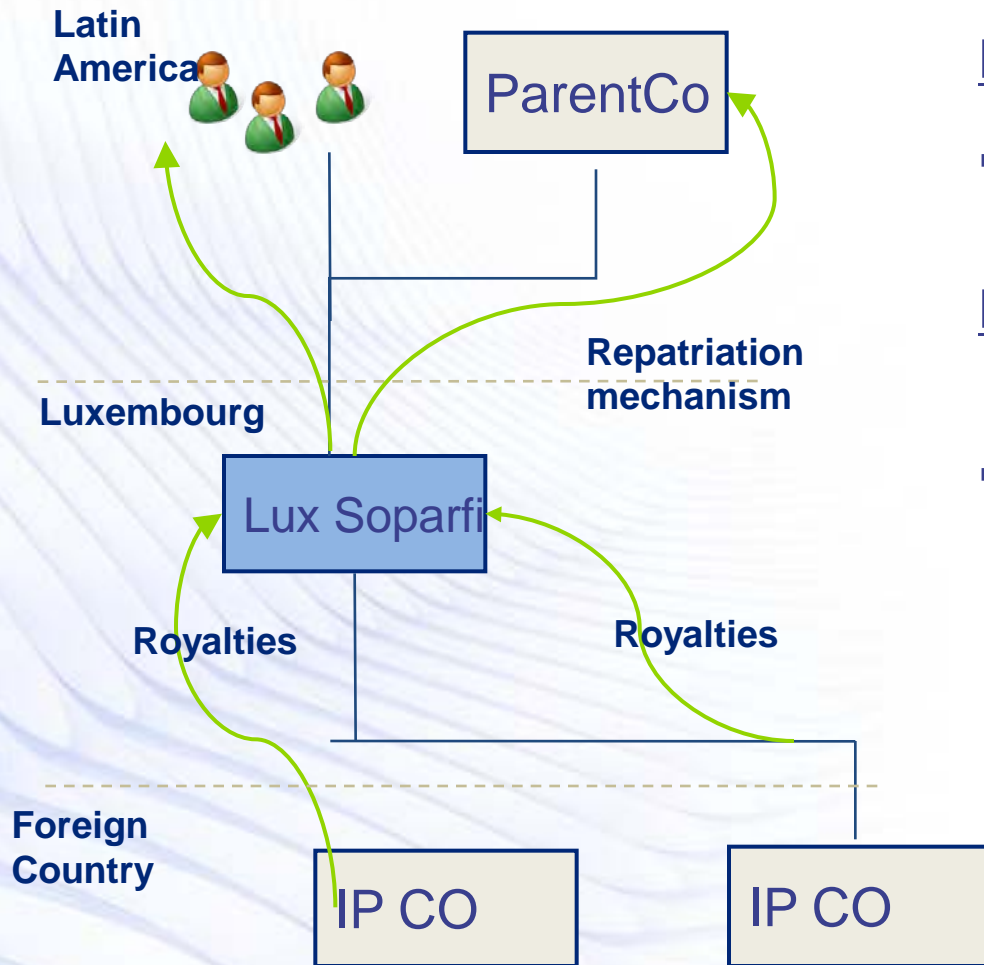
# Investment through Luxembourg



## 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



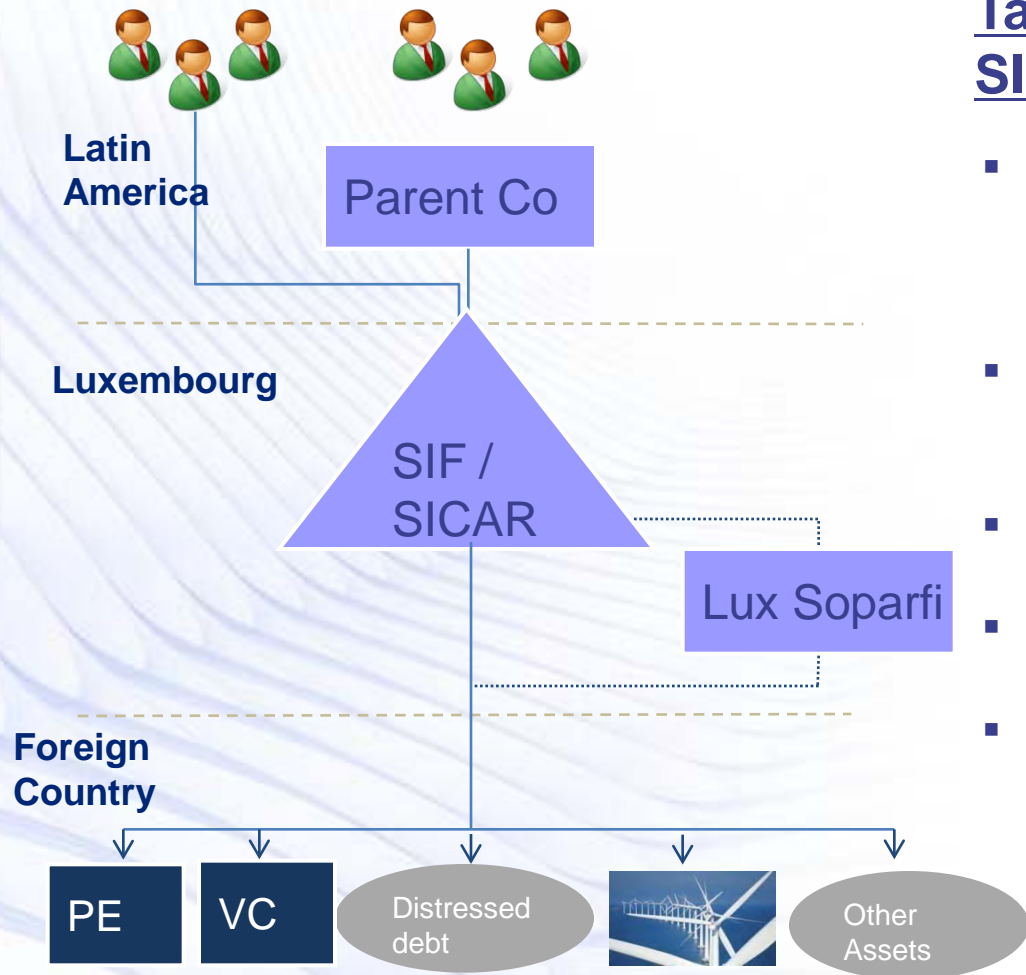
## Description

- Full royalty deduction at IPCo 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

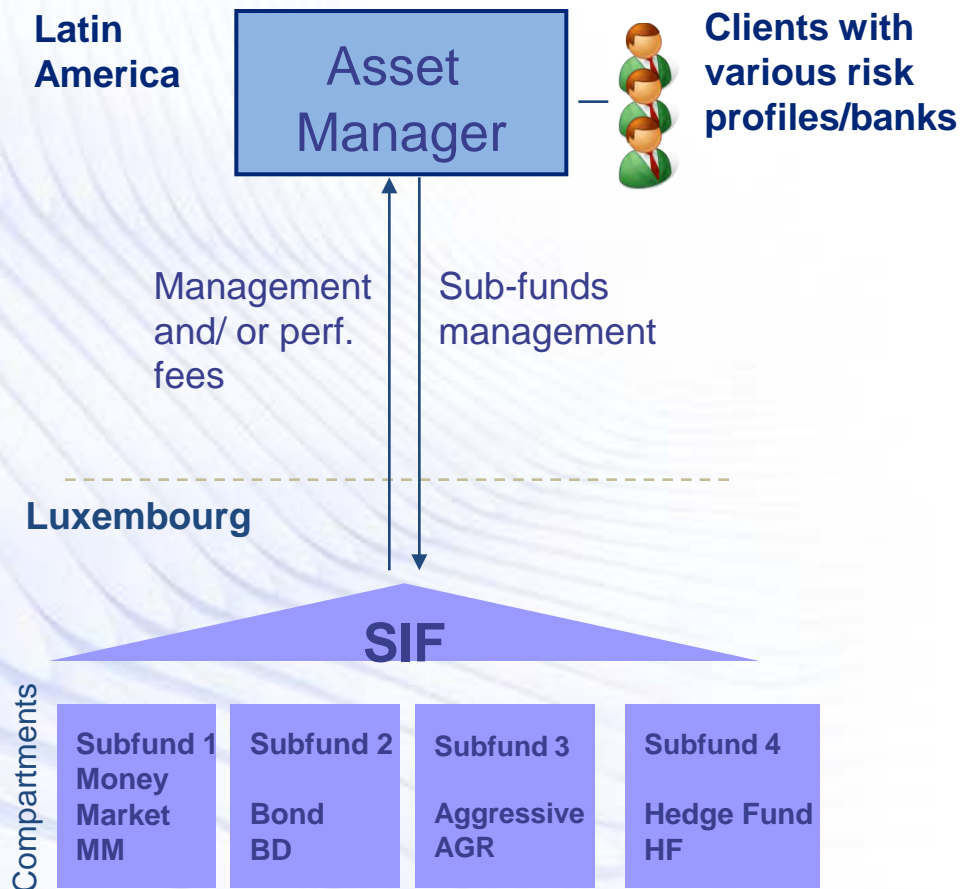
# 3. Dedicated Funds (SIF), Venture Capital (SICAR)



## 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).

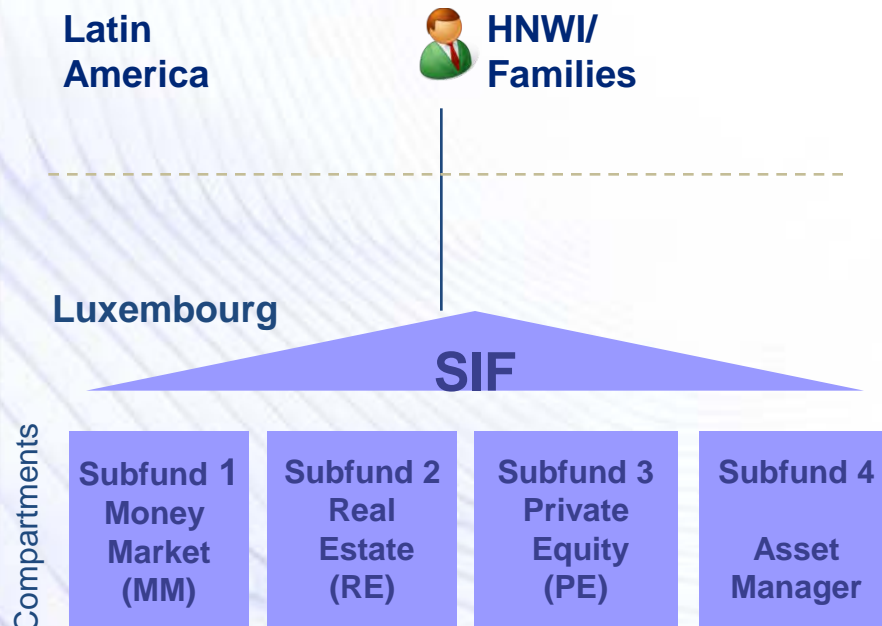
# The SIF: a «must have» for Asset Managers



## 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 Uruguay.
- Luxembourg solutions are complementary to domestic offerings and offerings of other international financial centers.

→ Luxembourg: European Leader in Wealth Management Solutions

# 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**

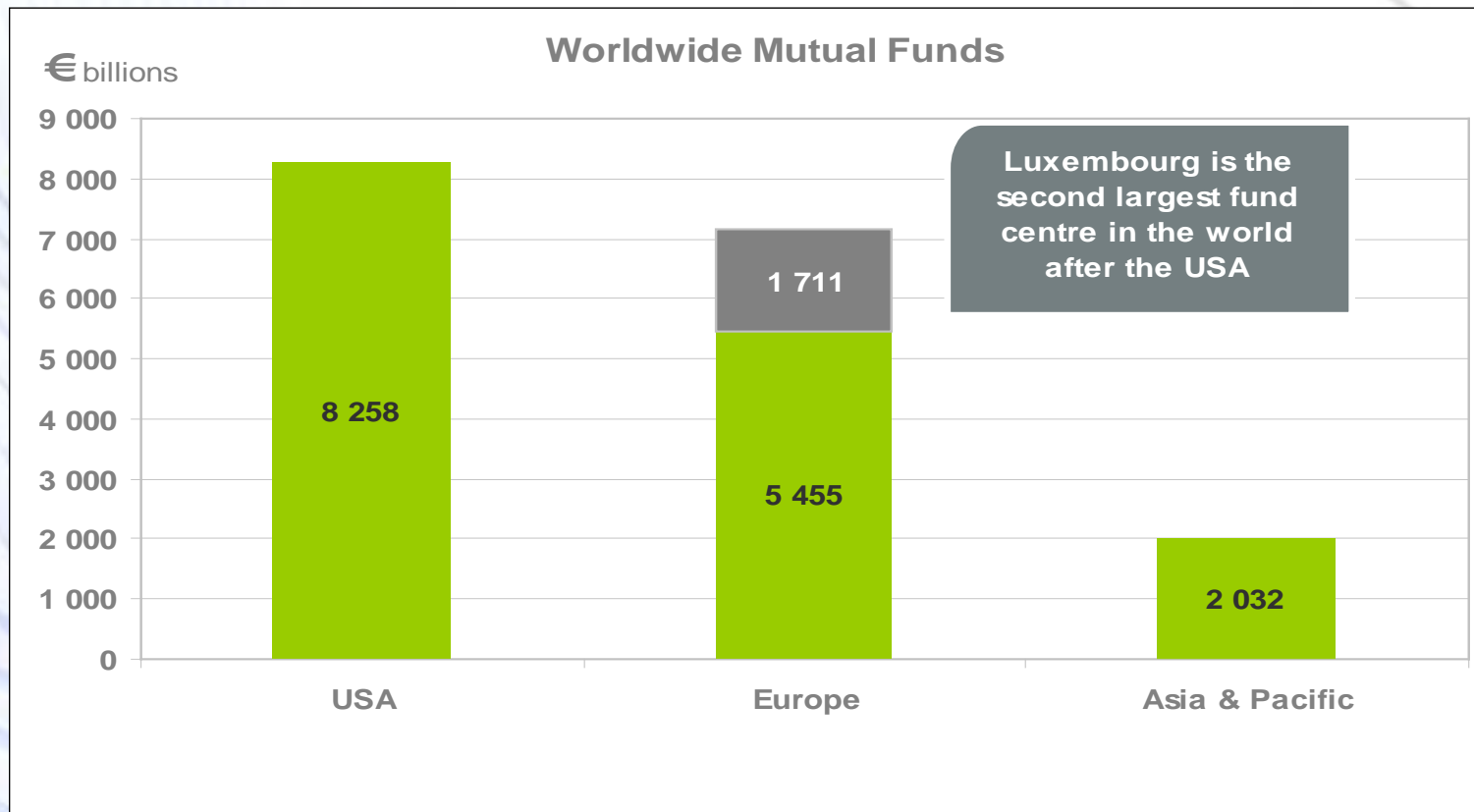
Partner, Global Chairman of KPMG's Fund Tax Network, KPMG

# 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

# 20 years of sustained growth.....

## Number of Luxembourg domiciled funds



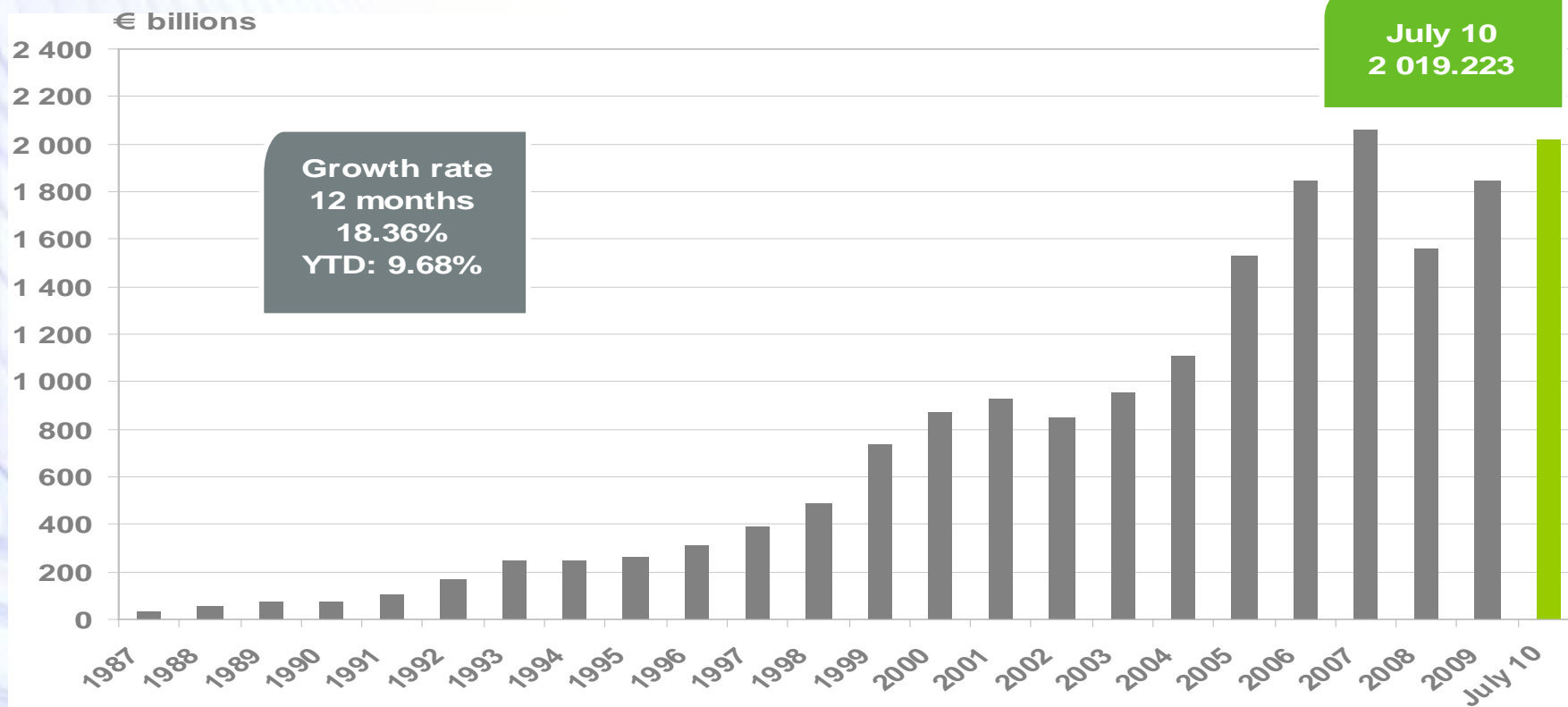
Figures as at

July 30, 2010

Source: CSSF

# 20 years of sustained growth.....

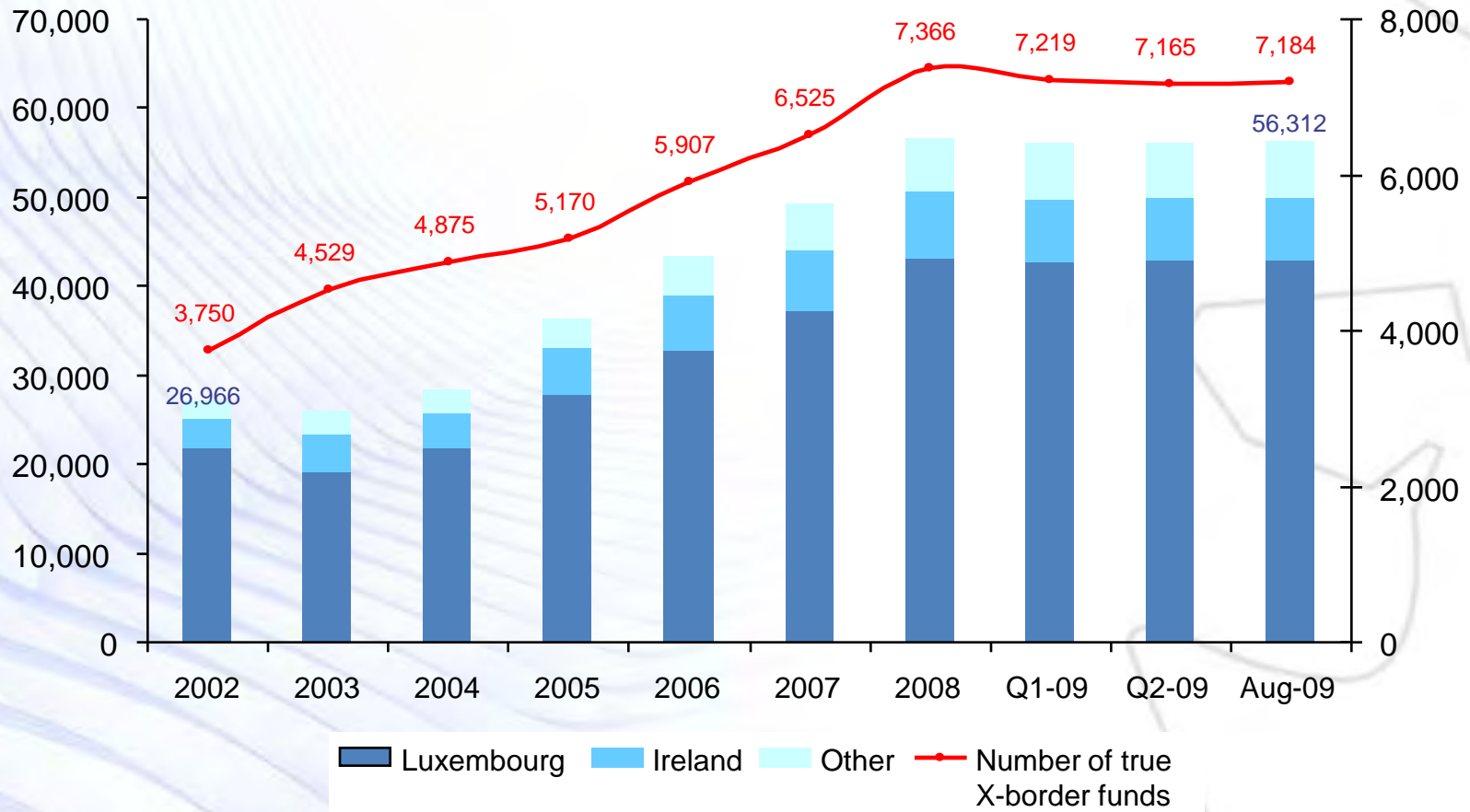
Net Assets of Luxembourg domiciled UCI's



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

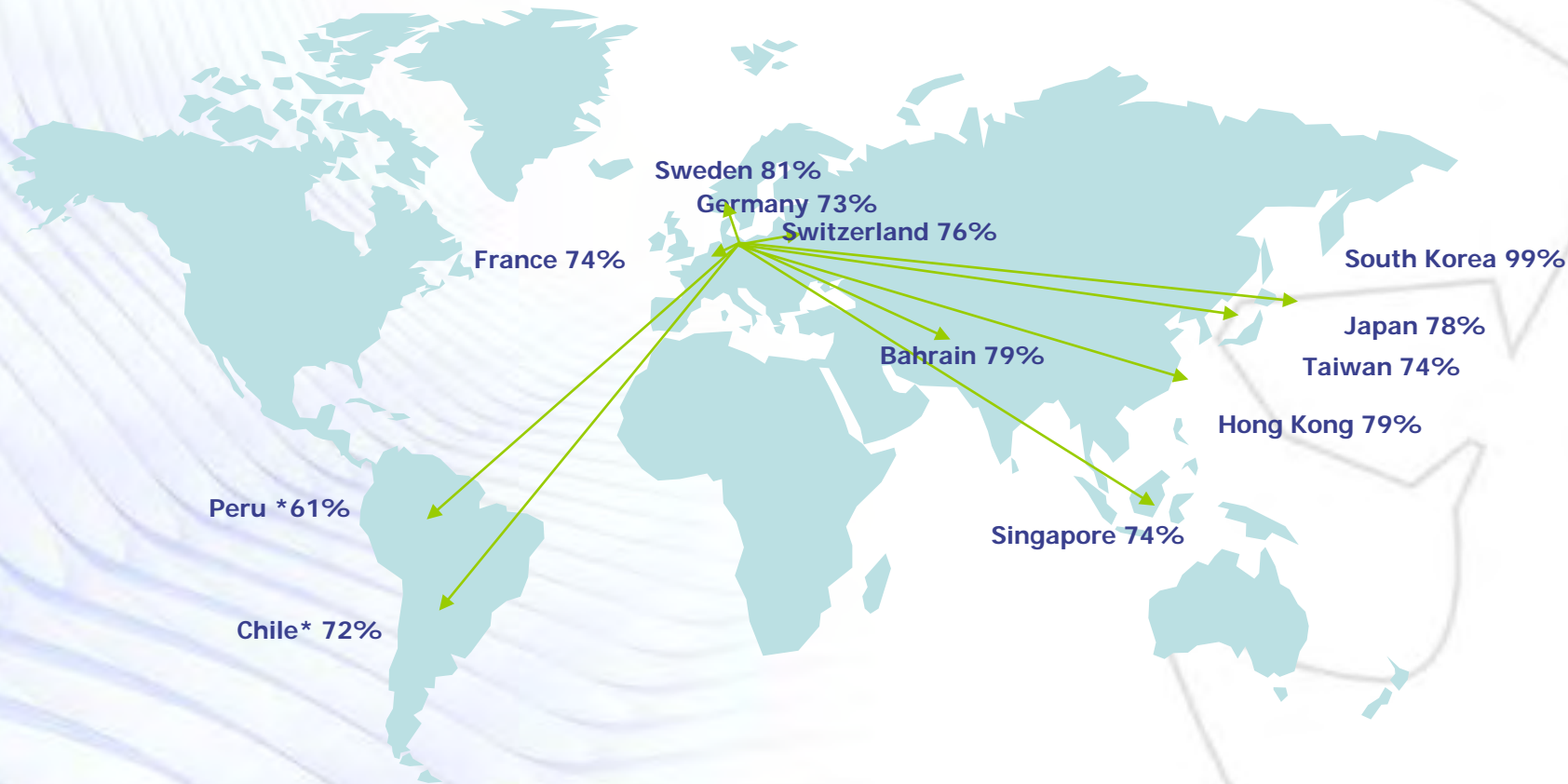
- Political & economic stability
- Outward looking, innovative & collaborative approach between government, regulator & fund industry
- World class fund infrastructure & support: administration, custody and transfer agency
- 20+ years experience in global fund distribution
- World-wide acceptance of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

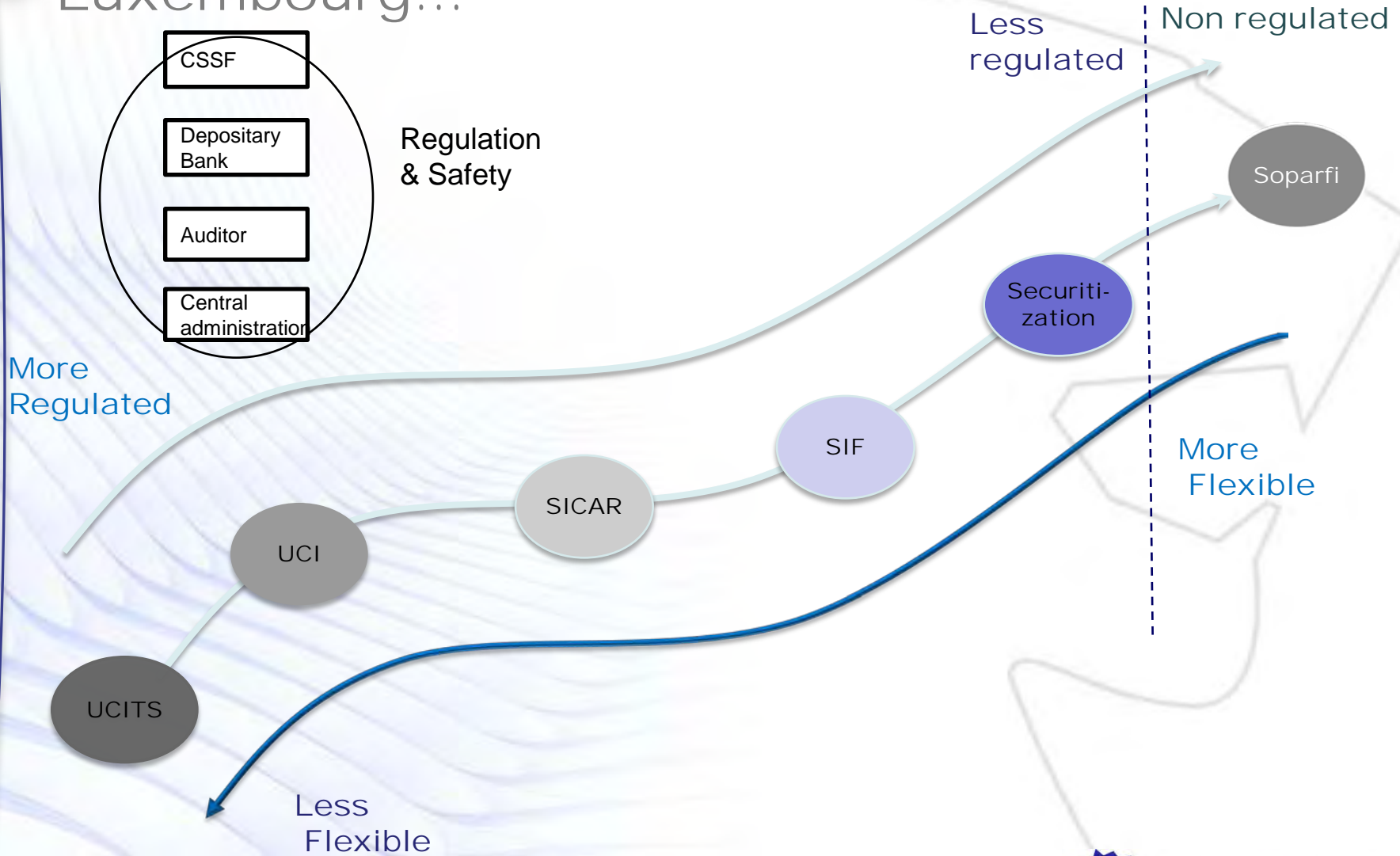
 **BNP PARIBAS**

 **DWS**  
INVESTMENTS  
Deutsche Bank Group

**Morgan Stanley**

**ING** 

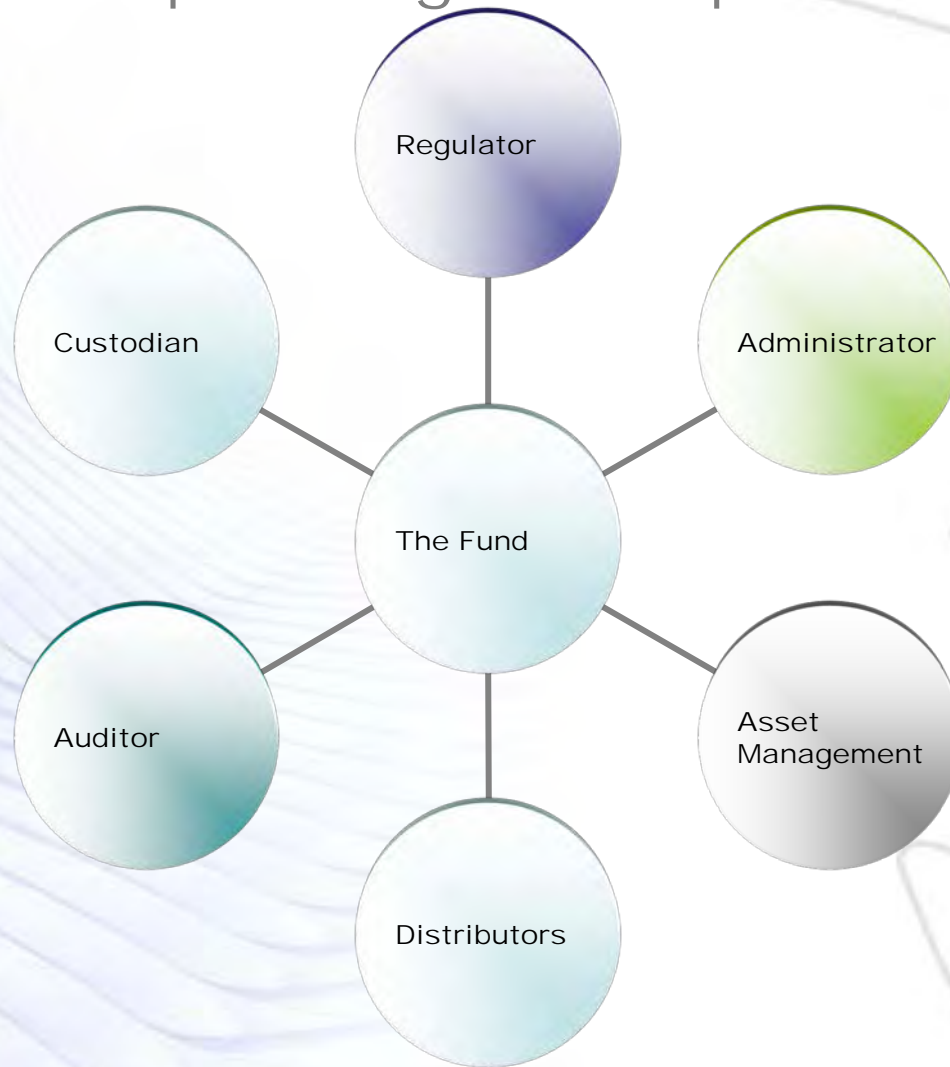
# Broad choice of investment vehicles in Luxembourg...



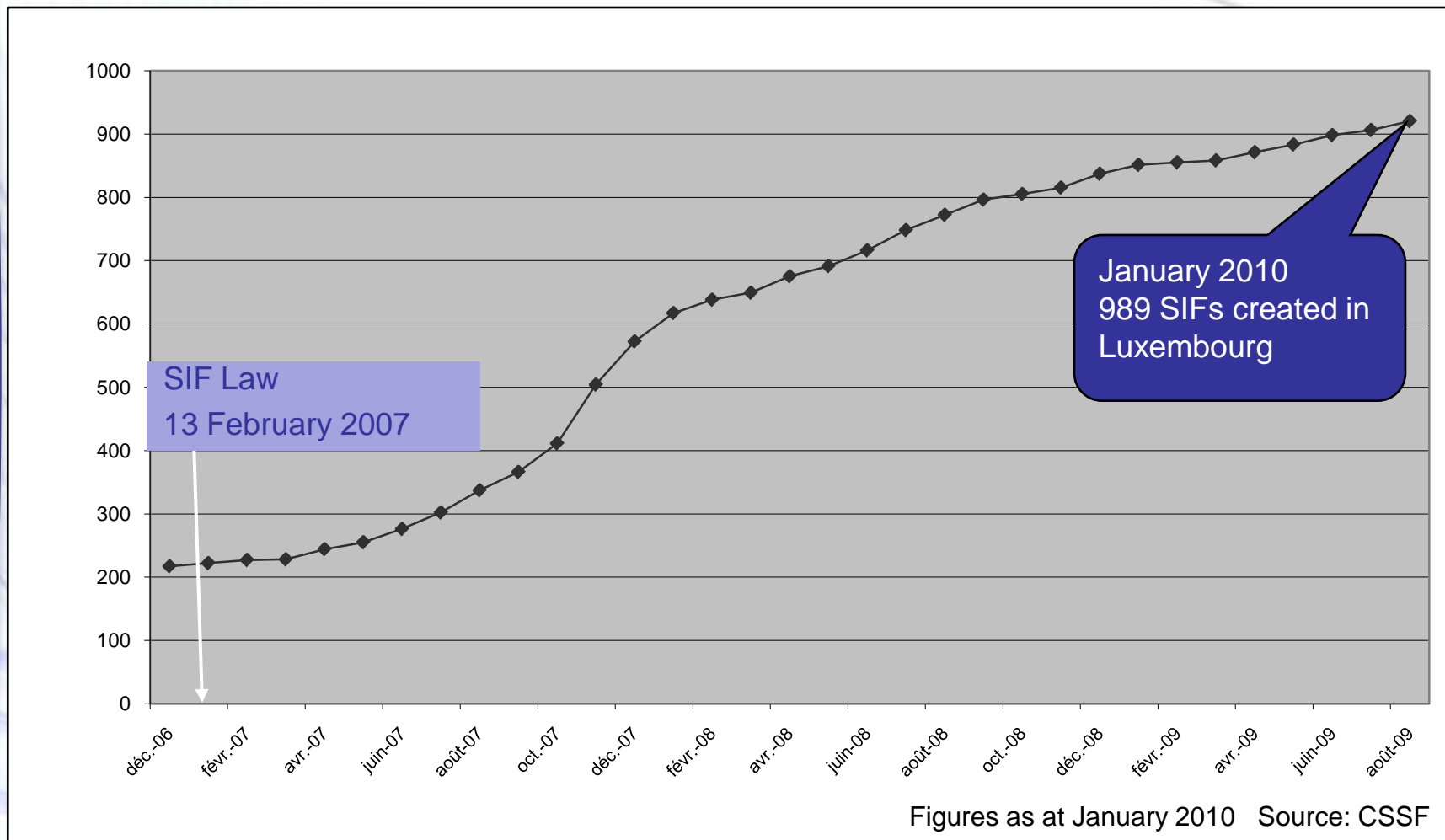
# The Luxembourg investment fund sector

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

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



# Growth in Alternative Funds

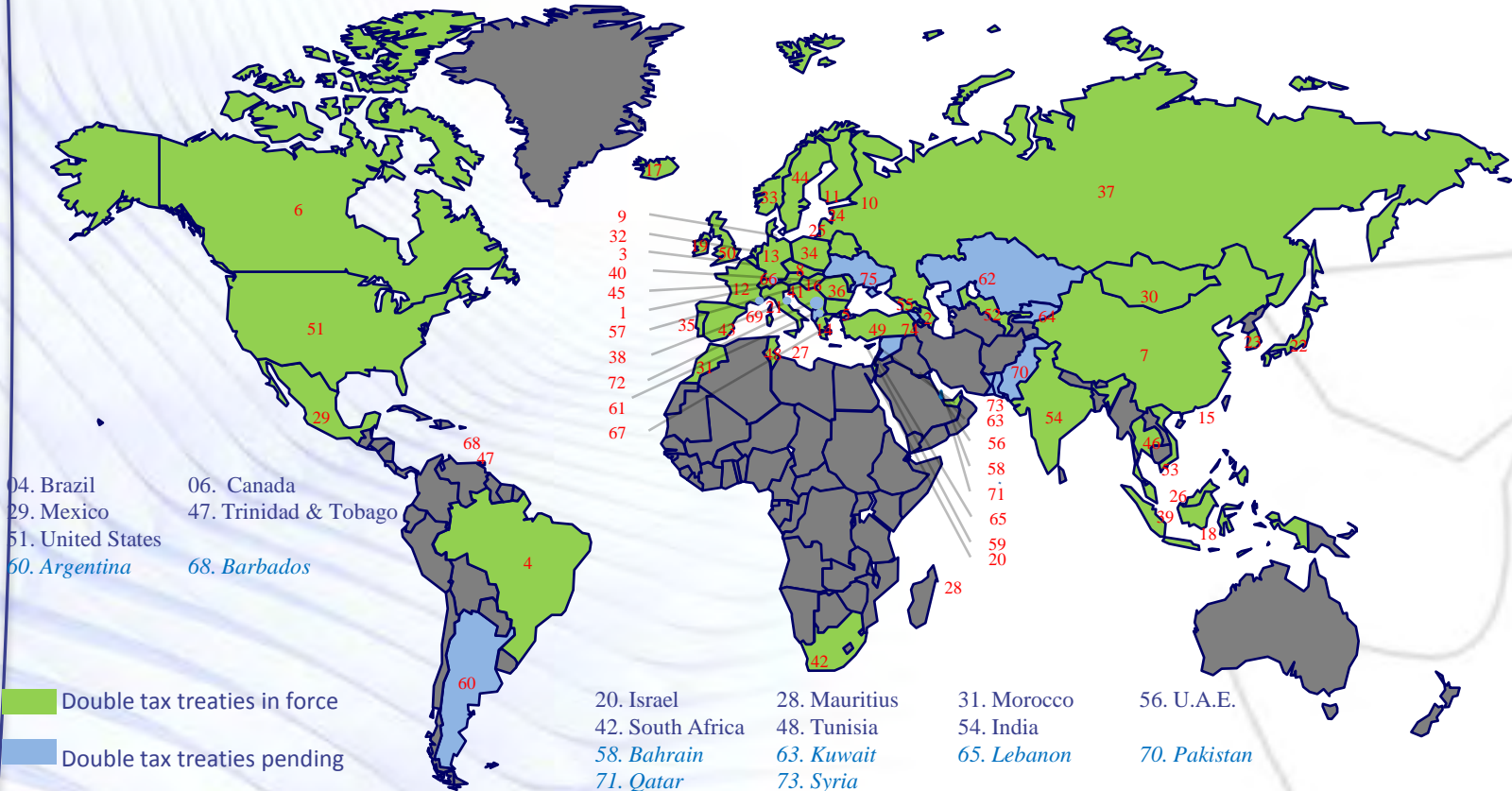


# Key Features of Luxembourg taxation...

- **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- Uruguay



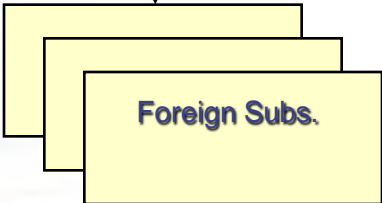
Level 2- Luxembourg



Level 3- Uruguay/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

## The Global Fund Centre of Choice

### Questions & Answers

**Many thanks for your attention.**

**The presentation can be  
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