

## RELEVANT NEWS FOR THE LUX FINANCIAL CENTRE

### 20 December:

Birthday of a European success story: the first UCITS Directive dates from 20 December 1985, exactly 25 years ago. With over €5 trillion in assets under management, UCITS have proven to be one of the great success stories of the Single Market. Today, more than 75% of the UCITS funds distributed internationally are based in Luxembourg.

### 18 December:

According to the German magazine "Der Spiegel", Germany's crackdown on tax evaders through its acquisition of stolen data on bank accounts in Liechtenstein and Switzerland could rake in some 1.8 billion Euros for public coffers. Under German laws, taxpayers who report undeclared income themselves and pay back tax plus interest owed before authorities launch an investigation can avoid prosecution.

### 17 December:

Chancellor Angela Merkel's coalition government agrees on changes to financial supervision in Germany by strengthening the Bundesbank's role in identifying systemic risks. The decision may help end a tussle between the Bundesbank, the financial regulator BaFin and Merkel's government over the bodies' respective responsibilities in case of bank failures.

Liechtenstein approves tax agreements in accordance with the OECD model convention with Norway, Finland, Denmark, Iceland, The Faroe Islands and Greenland. In compliance with European law, Liechtenstein persons and companies may now no longer be discriminated against.

### 16 December:

Luxembourg is the first country to implement the UCITS IV Directive into its national law. The Parliament approves as well a series of tax measures that will enhance the attractiveness of Luxembourg as a location for funds and management companies.

European Union leaders meeting in Brussels for their final summit in 2010 agree to set up a permanent crisis fund to bail out any of the 16 member-nations of the eurozone facing sovereign debt problems. The proposed fund will replace the European Financial Stability Facility (EFSF), eurozone's current 750 billion Euro (\$1 trillion) temporary bail-out fund, when it expires in 2013.

The European Commission proposes to set EU-wide-end-dates for the migration of the old national credit transfers and direct debits to SEPA instruments. This will reduce the costs of payments, increase competition and make cross-border payments as easy as domestic ones. The Commission's proposal now passes to the European Parliament and the Member States for consideration.

### 15 December:

Standard & Poor's Ratings Services affirms its 'AAA' long-term and 'A-1+' short-term sovereign credit ratings on the Grand Duchy of Luxembourg. They expect that the Grand Duchy of Luxembourg's government will achieve its medium-term aim of balancing its budget. The stable outlook reflects their expectation that Luxembourg's extremely strong creditworthiness shall remain underpinned by a healthy public sector balance sheet and exceptionally high levels of prosperity.

Jean-Claude Juncker, Luxembourg Prime Minister and Giulio Tremonti, Italian Minister of Economy and Finance, keep pushing the idea of eurobonds despite German and French opposition.

### 14 December:

The European Parliament stakes out its position on MiFID reform ; the main point of this resolution is that both, standard and not standard trading venues should be supervised in a transparent way with all venue users having access to similar information on the price formation process.

### 13 December:

Yves Mersch, Governor of the Luxembourg Central Bank, says that the Government has to find a long-term solution to reduce unemployment in the Grand Duchy. According to a new report issued by the bank, Luxembourg's unemployment rate could be as high as 6.4% in 2012. The BCL head claims that encouraging competitiveness will reduce the level of unemployment in the country.

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## 10 December

Luxembourg's budget 2011 : Finance Minister Luc Frieden presents the bill to parliament and reveals its aim of eliminating the deficit by 2014. The draft proposed tax savings and spending cuts that will save 450 million Euros next year.

French President Nicolas Sarkozy, defends the German Chancellor Angela Merkel, against criticisms by some of their European partners and joined her in rejecting a proposal to introduce a common government bond for the euro zone nations.

The Committee of European Banking Supervisors publishes its final Guidelines on remuneration policies and practices. The guidelines, which apply from January 2011 and will cover the 2010 bonus round, are still seen as being more stringent than the set of principles world leaders at the Group of 20 countries agreed to introduce.

## 9 December:

Olli Rehn, European Commissioner for economic and monetary affairs, announces that the EU will begin a new round of stress tests on its major banks in February 2011. "One of the lessons learned is that we have to have a liquidity assessment in these stress tests next time around", Rehn told a news conference.

## 7 December:

Euro zone finance ministers took no extra action to quell the debt crisis at the ECOFIN meeting and announce they believed the existing fund set up to help troubled European economies had enough resources for the time being. The Council adopted a decision on financial assistance to Ireland and a recommendation setting out the conditions for granting that assistance. Furthermore, it approved a report on bank levy schemes examining how different schemes in place should be coordinated.

## 6 December:

Luxembourg clarifies its tax regime for UCITS IV after complaints the directive caused confusion over European fund taxation.

## 3 December:

Germany rejects joint eurobonds or to increase the euro-area bailout fund. Luxembourg's Prime Minister Jean-Claude Juncker, head of the panel of euro-area finance ministers, sought to overcome German opposition to joint bond sales by euro members, a measure that would make borrowing cheaper for highly indebted countries and more costly for states with top credit ratings such as Germany.

## 2 December:

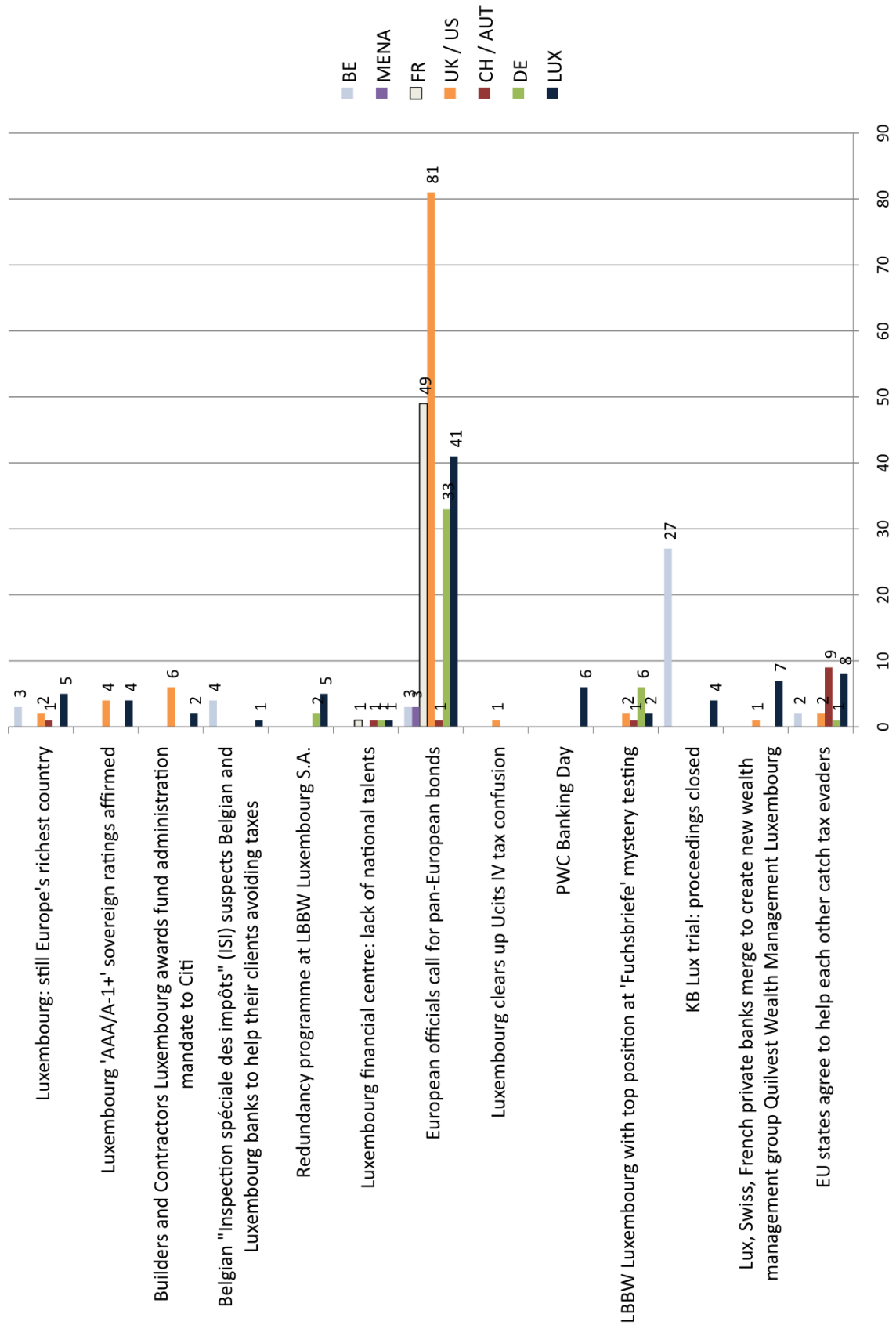
The Swiss Federal Administration announces that the additional agreement amending bilateral double taxation agreement in place between Switzerland and Luxembourg is now entering into force.

## 1 December:

The European Commission agrees to prolong into 2011 its state aid crisis framework subject to modified conditions to continue with a gradual phasing-out. As to the financial sector, as of 1st January 2011, every bank requiring state support in the form of capital or impaired asset measures will have to submit a restructuring plan. The crisis support frameworks were introduced at the end of 2008 in response to the financial and economic crisis.

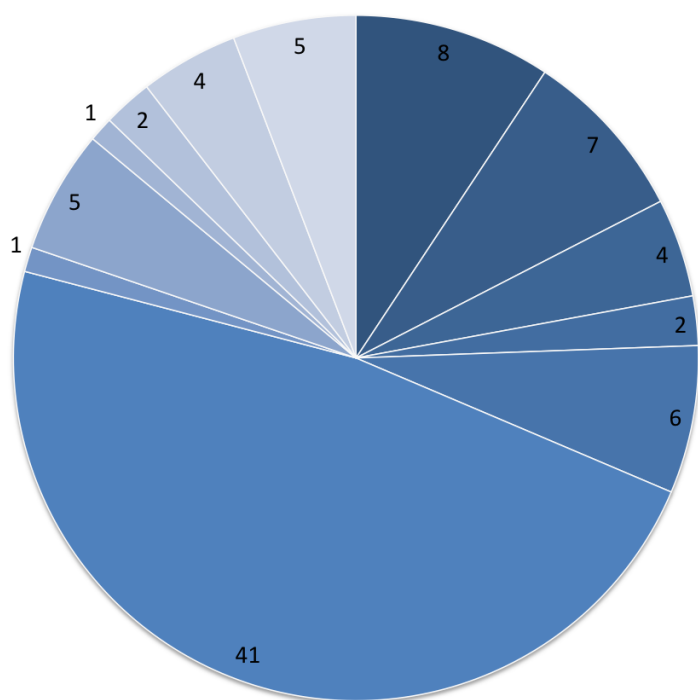
UK clashes with European Union regulators over its right to police the liquidity of London branches of foreign banks in the wake of the collapse of Iceland's banking system. The European Commission is proposing to shift powers for regulating bank branches' liquidity away from authorities where they are located to the lender's home nation. The U.K. is concerned that this could leave its regulators unable to protect British depositors in a crisis.

FINANCIAL CENTRE: MEDIA COVERAGE (by number of articles)



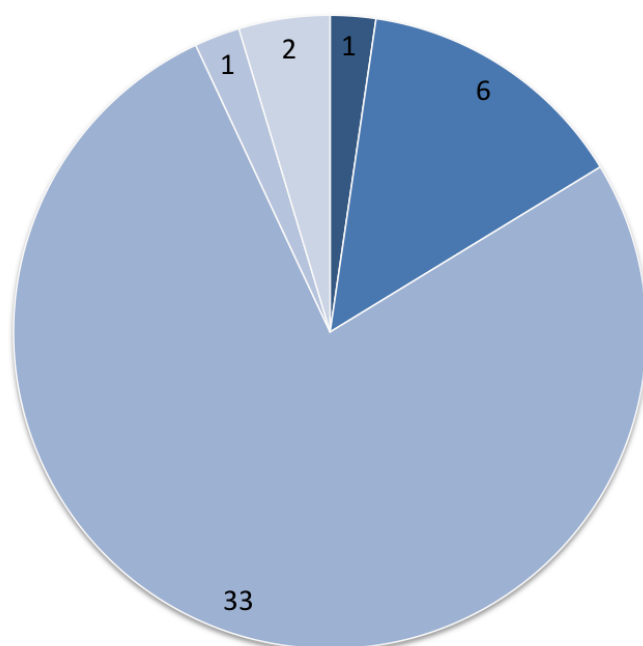
FINANCIAL CENTRE: COVERAGE BY COUNTRY (by number of articles)

LUX



- EU states agree to help each other catch tax evaders
- Lux, Swiss, French private banks merge to create new wealth management group Quilvest Wealth Management Luxembourg
- KB Lux trial: proceedings closed
- LBBW Luxembourg with top position at 'Fuchsbriefe' mystery testing
- PWC Banking Day
- Luxembourg clears up Ucits IV tax confusion
- European officials call for pan-European bonds
- Luxembourg financial centre: lack of national talents
- Redundancy programme at LBBW Luxembourg S.A.
- Belgian "Inspection spéciale des impôts" (ISI) suspects Belgian and Luxembourg banks to help their clients avoiding taxes
- Builders and Contractors Luxembourg awards fund administration mandate to Citi
- Luxembourg 'AAA/A-1+' sovereign ratings affirmed
- Luxembourg: still Europe's richest country

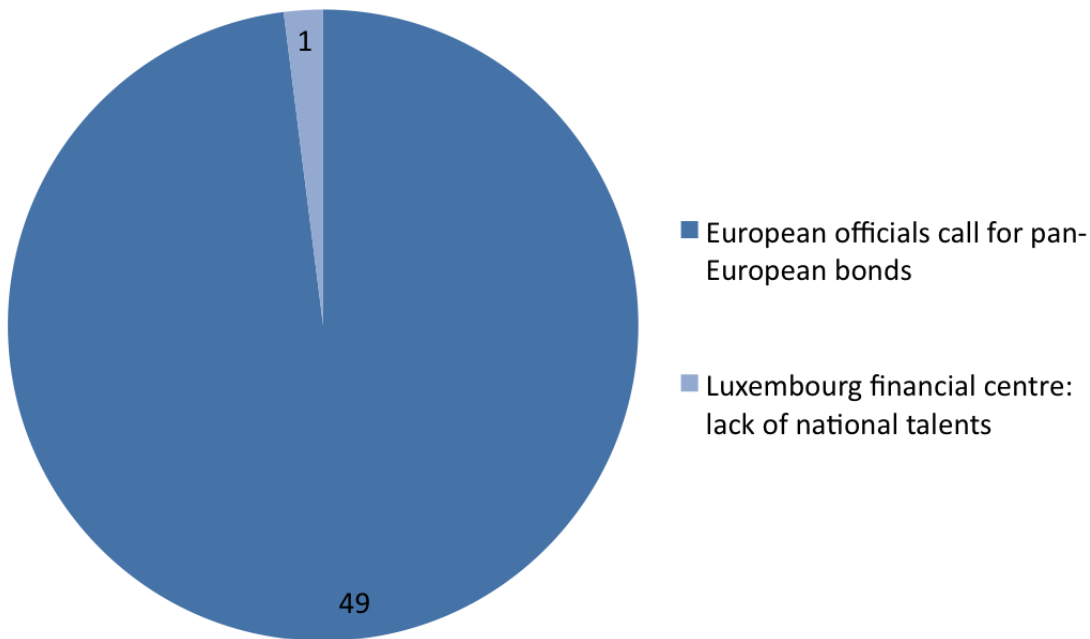
DE



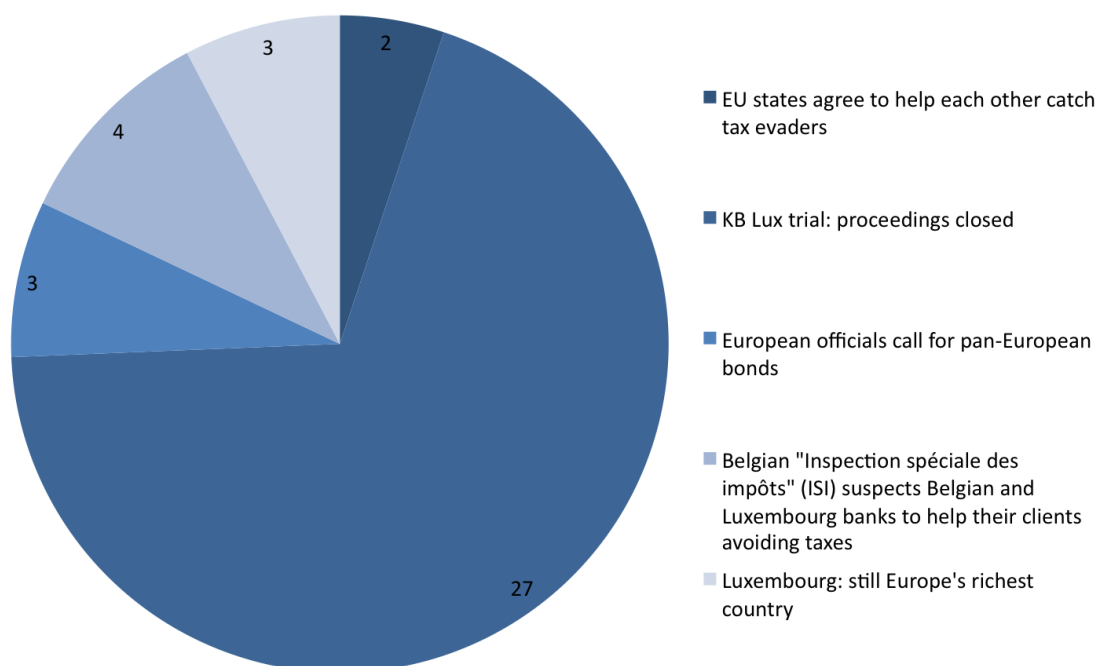
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FR

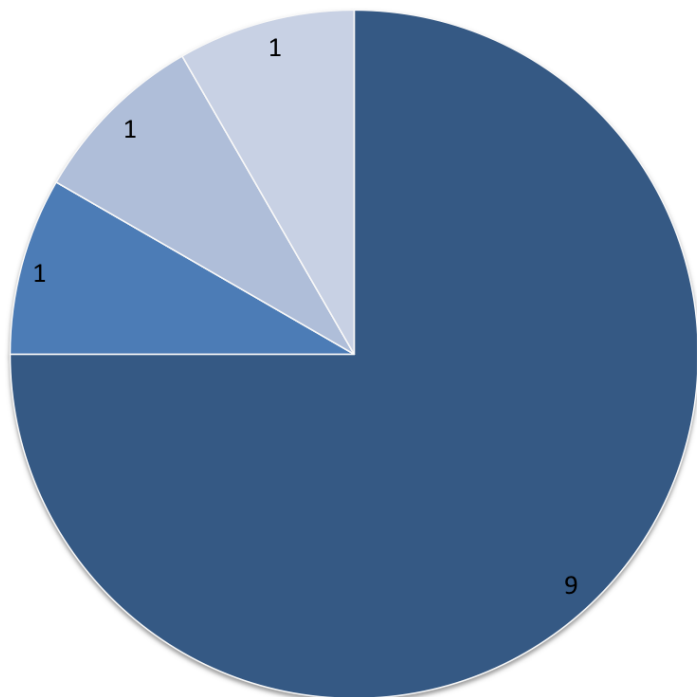


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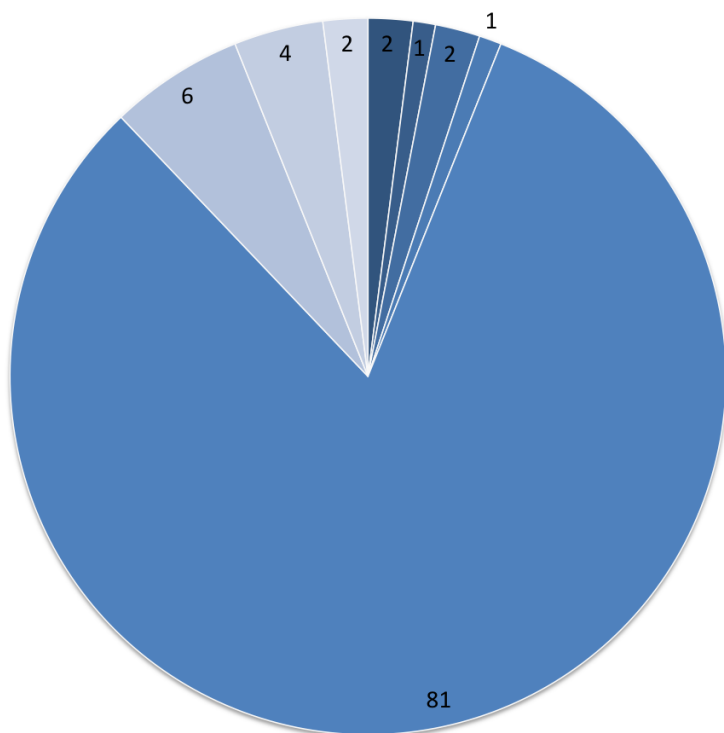
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CH / AUT



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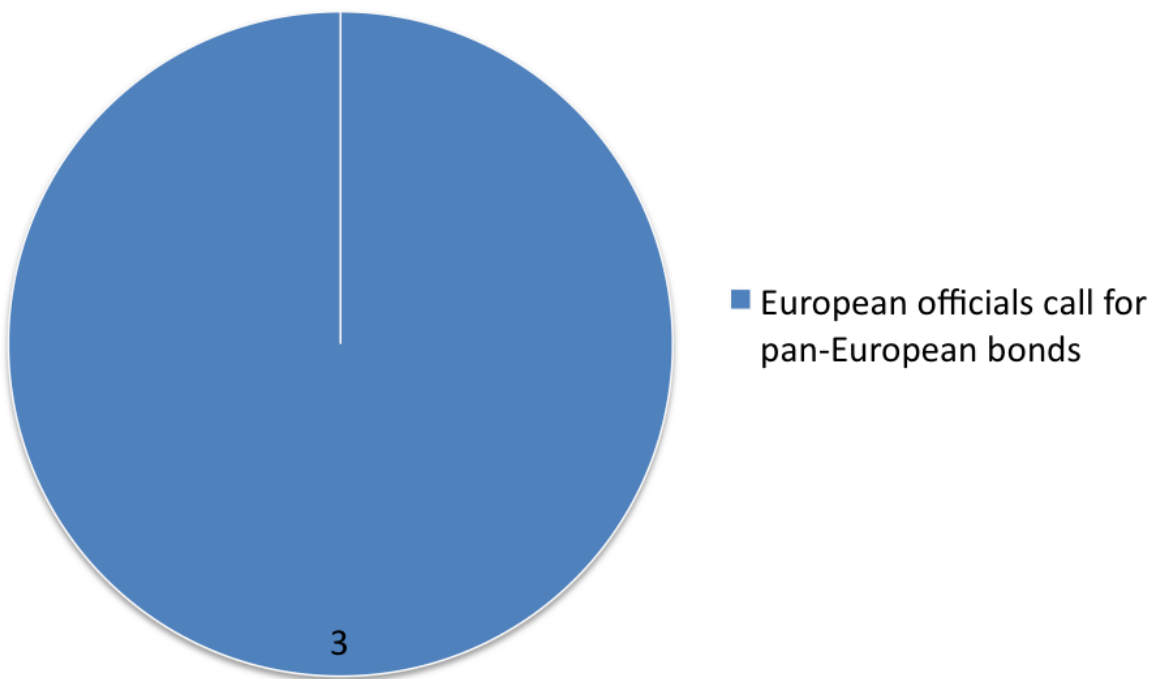
UK / US



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**MENA**



## STATEMENTS ABOUT LUXEMBOURG

Name	Position	Organisation	Source	Date
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Investment Funds

Luc de Vet	Managing director	Citco Fund Services	FT Management	12/12
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While Dublin and Luxembourg, in particular, are geared up to satisfying the needs of traditional funds, service providers have not necessarily made the requisite transfer of resources and skills to the hedge fund and private equity arms of their businesses.

Geoffrey Furlonger	Journalist	Investment & Pensions	Investment & Pensions	06/12
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Other than the obvious advantage of being able to place all employees of a certain category in one scheme, the second attractive feature of the Luxembourg vehicles is that they do convey certain tax advantages. In most cases, the Grand Duchy of Luxembourg will not tax pension fund investment accumulations or retirement benefits (paid to Luxembourg residents) at the time of retirement. Furthermore, it is believed that use of an ASSEP will avoid certain discriminatory tax treatment of benefits-in-kind linked to employers' contributions; this is because a member of an international pension plan funded through use of an ASSEP becomes a creditor of the scheme. In addition, there are other tax advantages, such as the fact that the Luxembourg vehicles were designed to obtain acceptance under double taxation treaties. While it is clear that the Luxembourg vehicles hold attractions for pension plans for highly mobile employees, the second obvious immediate market for the Luxembourg vehicles are pension plans for the staff of Luxembourg branches/affiliates of international companies.

Taxation

David Bower	Marketing director	BlackRock	Citywire	10/12
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Some UK taxpayers have been caught out by finding 25% (France) or 30% (US) withholding tax deducted from their ETF dividends. Irish and Luxembourg-domiciled ETFs may be the most tax-efficient for many UK investors.

## FINANCIAL CENTRES MONITORING

## Luxembourg:

**Juncker is right to push idea of Eurobond**

www.independent.ie, 16/12/10

<http://www.independent.ie/business/juncker-is-right-to-push-idea-of-eurobond-2462543.html>

It faces opposition from the German courts, French politicians, German chancellor Angela Merkel, segments of the bond market, the Austrian finance Minister and even EU Commissioner Olli Rehn, but the simple and neat idea of solving Europe's debt crisis by issuing a Eurobond won't go away.

Angela Merkel is fuming that proponents like Jean Claude Juncker and Giulio Tremonti keep pushing the idea and it doesn't help that both gentlemen are either from small countries like Luxembourg (Juncker) or debt laden countries like Italy (Tremonti). The German opposition is not about cost, apparently.

**Grand Duchy of Luxembourg 'AAA/A-1+' sovereign ratings affirmed on continued strong financials; Outlook stable**

www.paperJam.lu, 16/12/10

[http://paperjam.lu/communique\\_de\\_presse/fr/grand-duchy-luxembourg-aaaa-1-sovereign-ratings-affirmed-continued-strong-fi](http://paperjam.lu/communique_de_presse/fr/grand-duchy-luxembourg-aaaa-1-sovereign-ratings-affirmed-continued-strong-fi)

## Overview:

- We expect that the Grand Duchy of Luxembourg's government will achieve its medium-term aim of balancing its budget.
- At the same time, we project that the government will maintain its net asset position.
- Luxembourg's services and manufacturing sectors have demonstrated resilience in the aftermath of the 2008-2009 global recession.
- We are therefore affirming the 'AAA/A-1+' sovereign credit ratings on Luxembourg.
- The stable outlook reflects our expectation that Luxembourg's extremely strong creditworthiness shall remain underpinned by a healthy public sector balance sheet and exceptionally high levels of prosperity.

**Offshore firms make moves to return onshore**

FT.com, 12/12/10

<http://www.ft.com/cms/s/0/396eab0a-048f-11e0-a99c-00144feabdc0.html#axzz18dxZGBpp>

A handful of high-profile fund management firms have grabbed the market's attention by closing or moving their offshore funds. Does this presage a wholesale redomiciliation of funds, or will the status quo prevail?

Existing data is thin and far from complete, but anecdotally fund management companies – under pressure from investors – do appear to be starting to shift funds onshore. Georges Bock, head of banking at KPMG in Luxembourg, articulates the main driver for this shift: "It is about political pressure to adopt standards acceptable in today's world."

**Interview: Luc Frieden au sujet de la place financière et de son rôle joué au cours de la crise financière**

www.gouvernement.lu, 07/12/10

[http://www.gouvernement.lu/salle\\_presse/interviews/2010/12-decembre/07-frieden/index.html](http://www.gouvernement.lu/salle_presse/interviews/2010/12-decembre/07-frieden/index.html)

**Luxembourg clears up Ucits IV tax confusion**

fundstrategy, 06/12/10

<http://www.fundstrategy.co.uk/markets/luxembourg-clears-up-ucits-iv-tax-confusion/1023122.article>

Ucits IV allows groups to market and sell funds from one jurisdiction into another. However, it has remained unclear as to which jurisdiction would accept liability for and levy tax on the funds and their investors.

Charles Muller, the deputy director general of the Association for the Luxembourg Funds Industry (Alfi), says funds domiciled in Luxembourg will pay a tax to the Luxembourg government. Investors' home countries will tax them on the returns.

## FINANCIAL CENTRES MONITORING

## Luxembourg:

**Beratung auf hohem Niveau bei Luxemburger Vermögensberatern**

www.lff.lu, 02/12/10

<http://www.lff.lu/finance/news/news-detail/article/beratung-auf-hohem-niveau-bei-luxemburger-vermoegensberatern/2/>

Gleich zwei Luxemburger Banken haben es beim diesjährigen FUCHSBRIEF-Test unter die fünf besten Vermögensberater im deutschsprachigen Raum geschafft: Die LBBW Luxemburg und die DZ Privatbank konnten in punkto Vermögensstrategie, Beratung und Transparenz überzeugen. Im Mittelpunkt stand dieses Mal die Nachhaltigkeit der angebotenen Produkte.

## UK:

**City bonus rules to be watered down for small firms**

The Telegraph, 20/12/10

<http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8196133/City-bonus-rules-to-be-watered-down-for-small-firms.html>

The Financial Services Authority is set to water down tough new rules on bonuses to allow smaller financial services firms to pay their staff competitively.

The move comes after intense lobbying from asset management firms and hedge funds which said that onerous restrictions on remuneration could put at risk London's position as a leading financial centre. The FSA is now likely to agree to the changes to its new code, which is aimed at controlling pay in the banking sector.

The FSA code, which will be published before the end of the year, will say that at least 40pc of bonuses should be deferred if the amounts are below £500,000, rising to 60pc if the bonus is above that figure. An early draft of the code, published in the summer, also said that at least 50pc of bonuses should be paid in shares with a minimum retention rule attached.

## Switzerland:

**Swiss economy finds competitive advantage**

www.swissinfo.ch, 12/12/10

[http://www.swissinfo.ch/eng/business/Swiss\\_economy\\_finds\\_competitive\\_advantage.html?cid=29002240](http://www.swissinfo.ch/eng/business/Swiss_economy_finds_competitive_advantage.html?cid=29002240)

A year ago Switzerland was the whipping boy of Europe, with its financial sector in danger of buckling under the strain of a global assault on banking secrecy.

But the growing strength of Asian economies coupled with structural weaknesses in Europe have helped Switzerland gain a position of relative competitive strength over neighbours.

Swiss exporters still face problems associated with the strengthening franc and a weakening of their most important market – the European Union. But a steady diversification of exports away from the EU towards emerging economies is one of the key reasons Switzerland is enjoying comparatively strong economic growth and low unemployment rates.

**L'accord sur la fraude fiscale ne profiterait pas à la Suisse**

www.swissinfo.ch, 08/12/10

[http://www.swissinfo.ch/fre/Economie/Reconstruire\\_le\\_secteur\\_financiere/Le\\_secret\\_bancaire/L\\_accord\\_sur\\_la\\_fraude\\_fiscale\\_ne\\_profiterait\\_pas\\_a\\_la\\_Suisse.html?cid=28983034&rss=true](http://www.swissinfo.ch/fre/Economie/Reconstruire_le_secteur_financiere/Le_secret_bancaire/L_accord_sur_la_fraude_fiscale_ne_profiterait_pas_a_la_Suisse.html?cid=28983034&rss=true)

Les 27 Etats de l'Union européenne s'entendent sur un renforcement de la coopération administrative. Le secret bancaire ne sera plus une excuse pour refuser de partager des informations. C'est vrai au sein de l'UE et la Commission met en garde les Etats-tiers...

## FINANCIAL CENTRES MONITORING

## Germany:

**Deutsche Börse lockt Russen**

Financial Times Deutschland, 06/12/10

<http://www.ftd.de/unternehmen/finanzdienstleister/:kampf-um-parkettneulinge-deutsche-boerse-lockt-russen/50202363.html>

Frankfurt will seinen Ruf als Handelsplatz für internationale Konzerne stärken. Dabei hat die Börse besonders russische Unternehmen im Visier - und strebt eine Partnerschaft mit den Moskauer Plattformen Micex und RTS an.

## Singapore:

**Singapore: An island of opportunity for the qualified outsider**

FT.com, 09/12/10

<http://www.ft.com/cms/s/0/2f93c7fc-0280-11e0-ac33-00144feabdc0,s01=1.html#axzz18dz76tlz>

As one of the great economic success stories of Asia, Singapore has a lot going for it as a destination for expatriate executives.

Safe and secure, with one of the lowest crime rates in the world, the island state also boasts the second highest living standards in Asia, with gross domestic product per head of \$38,972 in 2008 – just behind the UK – according to the International Monetary Fund.

**Singapore ranks top for property investments: Survey**

www.moneycontrol.com, 06/12/10

[http://www.moneycontrol.com/news/world-news/singapore-ranks-top-for-property-investments-survey\\_503427.html](http://www.moneycontrol.com/news/world-news/singapore-ranks-top-for-property-investments-survey_503427.html)

Singapore and Shanghai rank top among Asian cities as the best real estate investment destinations, while Osaka and Manila are seen as the least ideal, an industry survey showed on Monday.

Singapore topped the rankings on the country's strong economic growth and brisk activity in the financial and high-tech industries, according to the survey jointly published by the global non-profit Urban Land Institute and PricewaterhouseCoopers.

## China:

**China: beating the US in IPOs**

ft.com, 12/12/10

<http://blogs.ft.com/beyond-brics/2010/12/12/china-beating-the-us-in-ipos/>

Another number showing just how powerful China is becoming as a financial centre. Chinese stock exchanges, including the Hong Kong bourse, have raised near \$138bn in 2010 - almost triple the amount of money secured by initial public offerings across the US.

**Shanghai to build global financial center with yuan internationalization**

People's daily online, 03/12/10

<http://english.peopledaily.com.cn/90001/90778/90862/7220393.html>

Shanghai will take full advantage of the enhancement of yuan's international status and make greater breakthroughs in developing itself into a global financial center over the next five years. The city's status as an international center for the pricing and settlement of yuan assets is also expected to be basically established by 2015, according to Shanghai's 12th Five-Year Plan released on Dec. 2.

## FINANCIAL CENTRES MONITORING

## Dubai / Abu Dhabi / Qatar:

**Dubai DIFC to start multi-currency clearing system**

Bloomberg Business Week, 15/12/10

<http://www.businessweek.com/news/2010-12-15/dubai-difc-to-start-multi-currency-clearing-system.html>

The Dubai International Financial Centre, a tax-free business park in the United Arab Emirates' financial hub, plans to offer a "real time" multi-currency and multi-country clearing and settlement system next year.

"It will be used for banks' operations and there is huge demand for it in the region," chief economist Nasser Saidi said in an interview in Dubai today. The dollar and euro system "will be integrated with Hong Kong's payment system and eventually a payment link" with China's yuan, he said.

**Abu Dhabi may buy out Dubai's 20% stake in London Stock Exchange**

arabianbusiness.com, 19/12/10

<http://www.arabianbusiness.com/abu-dhabi-may-buy-out-dubai-s-20-stake-in-london-stock-exchange-368316.html>

Abu Dhabi is in talks to buy the 20 percent stake in the London Stock Exchange (LSE) owned by neighbouring Dubai in a deal valued at \$1.5bn, it has been reported.

The proposed deal would see a merger of the Abu Dhabi Securities Exchange with the Dubai International Financial Centre and Borse Dubai, which owns the stake, said the Sunday Times, without identifying the source of the information.

**Qatar: A centre for 'quality' international dispute resolution?**

guardian.co.uk, 14/12/10

<http://www.guardian.co.uk/law/2010/dec/14/qatar-international-dispute-resolution-law>

As the Middle East state seeks to build up its legal reputation as well as on the football pitch, should London be worried?

Amid the huge surge in activity triggered by Qatar winning the bid for the 2022 World Cup – 900 construction contracts were activated the day after the decision – today will see prime minister Sheikh Hamad bin Jassim al-Thani officially open a heavily British-influenced landmark in the nation's legal infrastructure: the civil and commercial court and the regulatory tribunal for the Qatar financial centre (QFC).

**Battle heating up between Dubai and Qatar financial centres**

Reuters, 13/12/10

[http://news.reuters-gulf.efinancialcareers.com/newsandviews\\_item/newsItemId-29984](http://news.reuters-gulf.efinancialcareers.com/newsandviews_item/newsItemId-29984)

In another sign that there's something of a battle heating up to become the Gulf's preeminent financial centre, the DIFC has drastically slashed its operating fees at a time when Doha is looking to aggressively develop its financial sector.

From January next year the DIFC will implement a revised set of operational fees for companies base din the business park – charging AED160 a square foot, down from an estimated AED400 for the same space previously.