

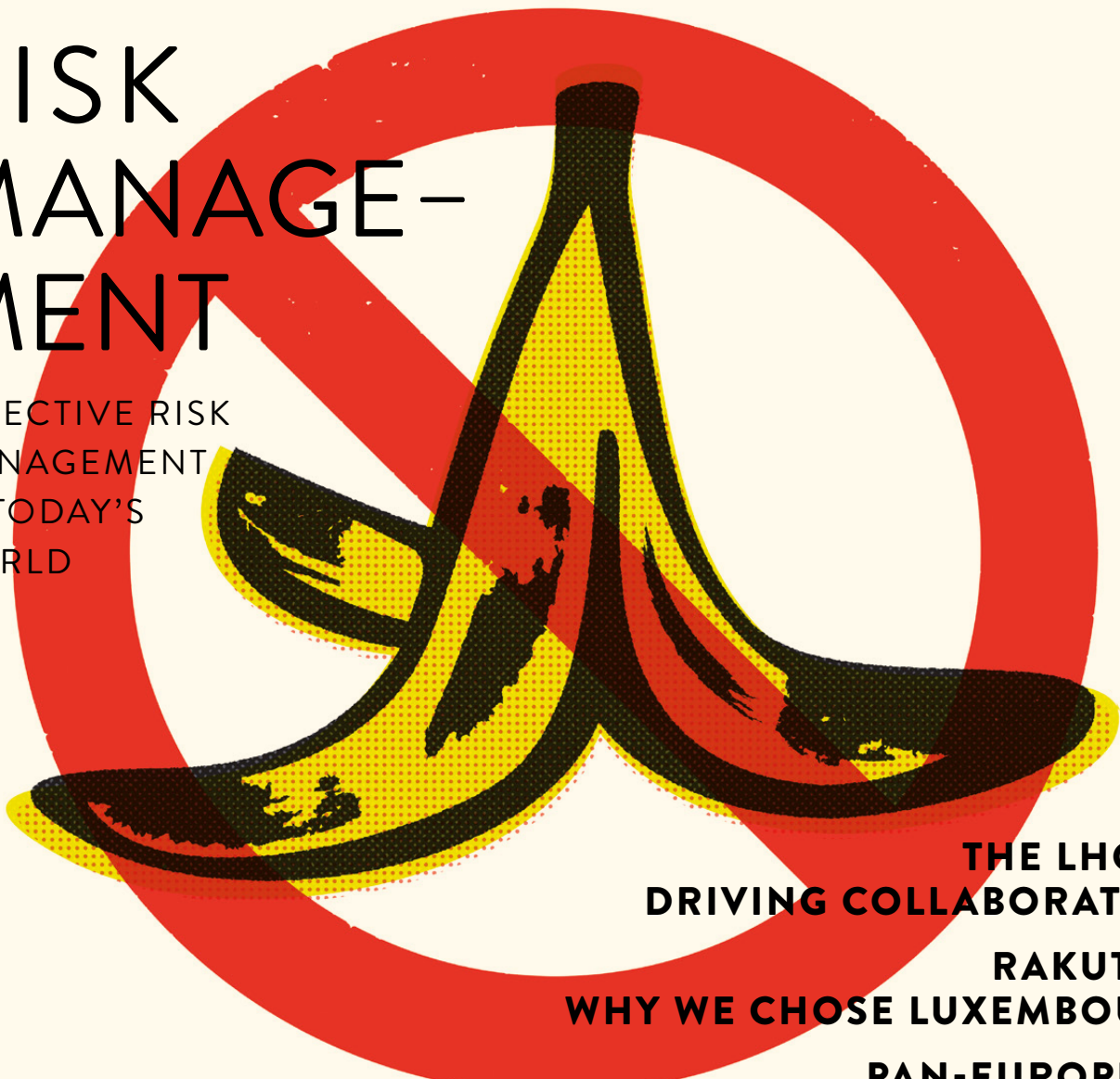
MARCH 2017

# LEO

THE FINANCIAL CENTRE'S MAG

## RISK MANAGEMENT

EFFECTIVE RISK  
MANAGEMENT  
IN TODAY'S  
WORLD



**THE LHOFT:  
DRIVING COLLABORATION**

**RAKUTEN:  
WHY WE CHOSE LUXEMBOURG**

**PAN-EUROPEAN  
PENSION FUNDS**







NICOLAS MACKEL,  
CEO, LUXEMBOURG  
FOR FINANCE

Dear readers,

I hope you are not linking in any way the banana skin warning on the cover of LEO to the complexity of the soon-to-be-launched Brexit negotiations. In fact, we wanted to feature in this edition an uncelebrated yet vital part of the financial industry: risk management. With the last financial crisis, the way in which risks are being managed has taken centre stage, and the professionals involved in this segment have moved up a few notches. As a financial centre, Luxembourg has very much specialised in this activity to the point of having become a true centre of excellence for managing risk on an international cross-border scale, whether in banking, asset management or insurance. Indeed, Luxembourg is today the regulatory nerve centre of major European and international groups. In the fund industry, for example, Luxembourg has developed an entire ecosystem of dedicated third-party management company services that have specialised in risk management. Importantly, Luxembourg's regulators, the CSSF and the Commissariat aux Assurances, are unmatched when it comes to regulating and overseeing companies that are active

across many jurisdictions and asset classes and thus ensuring that the appropriate risk management is in place. Finally, Luxembourg's financial industry also ensures that it constantly stays on top of the latest developments thanks to the joint efforts by the industry associations ALFI, ABBL and ACA, the risk managers association ALRiM as well as to academia and life-long learning, in particular, via programmes offered by the Luxembourg School of Finance and the Luxembourg House of Training. In this edition, industry leaders will give you their take on the latest developments in the area of risk management.

You will certainly also appreciate reading the interview with Nasir Zubairi, the CEO of the Luxembourg House of Financial Technology or LHoFT. Nasir's energy and drive transpires clearly from the interview in which he lays out his vision for the LHoFT. I would like to take this opportunity to thank all those involved in helping to make this initiative come alive, in particular our partners from the industry as well as our friends from the Luxembourg Chamber of Commerce who are graciously hosting the LHoFT temporarily as it awaits the renovation of its state-of-the-art premises to be completed.

We are also launching in this edition "We chose Luxembourg", a new series featuring major financial services institutions which have set up operations in Luxembourg. In this first article of the series, Rakuten Europe's CEO Toshihiko "Toby" Otsu-

ka gives us the reasons that have led the Japanese e-commerce and FinTech giant to choose Luxembourg and shares his personal view on life in the Grand Duchy.

Another article illustrates how Amundi from France has been able to leverage Luxembourg's unique cross-border expertise to set up the first multi-jurisdictional and multi-employer pension fund.

Finally, we take great pride in sharing with you an article on international education available in Luxembourg's public school system. Indeed, next to the large range of private international schools, the Luxembourg Government has created several international options within the public school realm.

Enjoy the read!

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ANY QUESTIONS?  
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## AIG CHOOSES LUXEMBOURG AS ITS EUROPEAN HUB OUTSIDE THE UK



“Luxembourg, a founding member of the European Union, offers us a secure location in a stable economy with an experienced and well-respected regulator in continental Europe close to many of our major markets.”

ANTHONY BALDWIN, CHIEF EXECUTIVE OFFICER OF AIG EUROPE

## DAIMLER ACQUIRES PAYCASH EUROPE

Daimler Financial Services is acquiring Luxembourg-based e-money services provider PayCash Europe SA under plans to build its own electronic payment service under the new “Mercedes pay” brand name.

## 2<sup>ND</sup>

### FOR ATTRACTING TALENT

Globally, Luxembourg ranks 2<sup>nd</sup> for attracting talent and 3<sup>rd</sup> for retaining talent in the latest INSEAD Global Talent Competitiveness Index 2017.

## RAKUTEN LAUNCHES EUROPEAN COMMERCIAL BANKING OPERATIONS FROM LUXEMBOURG

**RAKUTEN, THE LEADING JAPANESE FINTECH AND E-COMMERCE COMPANY, WILL LAUNCH COMMERCIAL BANKING OPERATIONS IN EUROPE FROM ITS LUXEMBOURG HEADQUARTERS. THE COMPANY'S EUROPEAN HEADQUARTERS ARE BASED IN THE GRAND DUCHY SINCE 2008.**

## 3<sup>RD</sup>

### MOST ATTRACTIVE CITY WORLDWIDE TO MOVE TO FOR WORK

Luxembourg is ranked 3<sup>rd</sup> most attractive place worldwide for today's workplace in *Global 150 cities index* (GCI) published by AIRINC, a global research company which currently works with over half of the *Fortune* 100 on international talent.

# The LhoFT: driving collaboration

THE LHoFT – LUXEMBOURG HOUSE OF FINANCIAL TECHNOLOGY – IS LUXEMBOURG'S DEDICATED FINTECH PLATFORM, WHERE FINANCE AND TECHNOLOGY INTERACT TO DRIVE INNOVATION AND SOLUTIONS TO SHAPE THE FUTURE OF FINANCIAL SERVICES. ITS CEO, NASIR ZUBAIRI, NAMED ONE OF THE "40 INNOVATORS SHAPING THE FUTURE OF FINANCIAL SERVICES" IN 2014 BY THE FINANCIAL NEWS/WALL STREET JOURNAL, DISCUSSES THE LHoFT'S AMBITIONS AND LUXEMBOURG'S POSITION AS A FINTECH HUB.

**LFF:** THE LHoFT HAS NOW OFFICIALLY STARTED. WHAT WILL BE YOUR PRIORITY DURING THE LHoFT'S FIRST OPERATIONAL YEAR?

**NZ:** There is a lot to do, and expectations are high, but we have already achieved some key goals. Firstly, to incorporate the LHoFT foundation, and to build the operational backbone and board of governors. Secondly, to bring together the right team that will drive our action plan and excel in executing the LHoFT's strategy. Thirdly, to set up the LHoFT hub in Kirchberg where actors from the FinTech domestic and international ecosystem will meet to engage, learn, ideate and create. Finally, we have met with our partners and other stakeholders in the community to understand their needs and drivers. We now have a solid foundation from which to move forward and achieve our goals.

“Our team reflects the international nature of Luxembourg’s incredibly diverse and multicultural community.”





# IONS



NASIR ZUBAIRI  
CEO, LHFT



**LFF: THERE ARE A LOT OF SIMILAR AGENCIES INTERNATIONALLY. HOW DOES THE LHoFT DIFFER FROM OTHER INSTITUTIONS LIKE LEVEL 39 IN LONDON OR THE FLOOR IN TEL AVIV?**

**NZ:** Our differentiators are quite clear. We are a joint public and private sector initiative. We have 11 (eventually 13) leading private sector institutions as partners and collaborators. The Luxembourg government is the driving force behind the LHoFT, and is a major contributor to our budget and governance – Pierre Gramegna, Minister of Finance sits on our board, alongside representatives from the Ministry of Economy, Ministry of State and other partners. The LHoFT is a not-for-profit foundation and not a real estate or service business driven by profit – our incentives are aligned with those of Luxembourg and its financial services sector. Our focus on driving solutions for the financial services community is key to our strategy and is a unique proposition.

**LFF: WHAT ABOUT YOUR TEAM? HOW WILL A TYPICAL DAY LOOK LIKE FOR YOU?**

**NZ:** Our team reflects the international nature of Luxembourg's incredibly diverse and multicultural community. We are proud to have a gender balance in an industrial cross (tech and finance) usually dominated by men. I have looked to bring together people that I believe have the right mix of strategic know-how, financial services experience and, most importantly, an ability to execute. They are highly motivated and driven to make Luxembourg an important FinTech centre. As for a typical day – there isn't one at the moment. Very fast, very busy, focusing on getting some key tactical things done. We have been waiting for the final member of the management team to join us in order to

sit down for a strategic planning session; it is critically important for the whole of our team to be involved in the strategy and planning process to ensure full commitment and the highest levels of motivation.

**LFF: LUXEMBOURG IS COMMITTED TO MAKING FINTECH THE ENGINE DRIVING FINANCIAL SERVICES BUSINESS MODELS. HOW WILL THIS OBJECTIVE BE ACHIEVED?**

**NZ:** Collaboration is essential for Luxembourg to meet its goals and it is the heart of the LHoFT's strategy. The LHoFT's focus is on three pillars: Ecosystem, Solutions and Knowledge. We will work to bring together and align the key stakeholders in the broad

**“Luxembourg's trilingual capability in business and, very importantly, in dealing with the regulator including filing of license applications, is a huge advantage and draw.”**

FinTech ecosystem, both domestic and international, to drive collaboration and facilitate innovation. We will work with our partners and others to identify pain points and then build, incentivise and lead consortiums (big and small) from across the ecosys-

tem to provide the appropriate solutions. We will educate by understanding the needs of the ecosystem and delivering appropriately tailored knowledge through the right mediums and formats. We will raise international awareness of Luxembourg's initiatives and achievements in financial technology to draw in new actors and opportunities. We will ally with the varied associations, initiatives and government departments to build a soft landing platform for FinTech firms setting up in Luxembourg.

**LFF: HOW WILL BREXIT IMPACT LONDON'S FINTECH HUB? WILL IT SPEED UP THE ARRIVAL OF START-UPS IN LUXEMBOURG?**

**NZ:** Brexit is a sad event for all in Europe. Luxembourg has always worked closely with London as a partner, and we hope this will not change in the future. However, a good

business leader cannot risk the uncertainty of the known unknowns related to Brexit and is already looking at how to mitigate these risks, be they a large traditional financial institution or a startup. PPRO, a London based FinTech startup, announced that they will establish a European base in Luxembourg and they will certainly not be the last to consider Luxembourg as a channel for the European market now that London is unlikely to be the long-term solution. Likewise, startups from the US, Asia and Middle East, looking at European expansion for growth, are no longer considering London. One key factor in their decision-making will be language – firms from these locations are unlikely to speak French, German, Spanish or Dutch. They need English. Luxembourg's trilingual capability in business and, very importantly, in dealing with the regulator including filing of license applications, is a huge advantage and draw. Couple this with Luxembourg's friendly business environment, accessibility, talent pool, funding options such as The Luxembourg Future Fund, plethora of financial services firms and strong community engagement, and I am very certain we will see a growing number of startups moving to Luxembourg in the coming years.

**LFF: DO YOU THINK TRADITIONAL BANKS SUCCESSFULLY INNOVATE TO DEAL WITH THE RISE OF FINTECH BANKING DISRUPTORS?**

**NZ:** The future of financial services is not about disruption; it is about evolution and collaboration. Traditional banks have valuable assets and competencies. Notably, traditional institutions have customer trust and incredible economy of scales. Banks have developed specific skills, knowledge and experience that cannot be acquired overnight. Startups, on the other hand, are intrinsically creative and agile in their approach, more empathic of the customer and able to quickly adapt. Startups proceed iteratively, through experimentation and hypothesis testing, to deliver the best products and services.

In my view, the optimal business strategy for both banks and startups is to collaborate and



leverage each other's strengths - this is the win-win scenario, especially for the customer. The LHoFT has a key role in driving this collaboration. Our mission is to bring all the different stakeholders to the table, to foster the dialogue, to build the ecosystem and to identify market and industry problems and opportunities for which we can build cooperative teams from across the worlds of tech, education, startups and traditional finance to innovate solutions and drive the Luxembourg industry forward.

**“The future of financial services is not about disruption; it is about evolution and collaboration.”**

NASIR ZUBAIRI



TOSHIHIKO OTSUKA,  
CEO, RAKUTEN EUROPE BANK





# RAKUTEN EUROPE: WHY WE CHOSE LUXEMBOURG

IN JANUARY, JAPAN'S RAKUTEN EUROPE BANK LAUNCHED ITS NEW BANKING ACTIVITIES IN LUXEMBOURG. THE E-COMMERCE CONGLOMERATE AND ONLINE FINANCIAL SERVICES GIANT HAS JOINED THE GROWING RANKS OF INTERNATIONAL GROUPS THAT HAVE CHOSEN LUXEMBOURG AS THE EUROPEAN HUB FOR THEIR BANKING OPERATIONS.

“We have 19 nationalities out of 50 staff, with a lot of expertise in their respective areas, so it's a fantastic place to recruit various professionals.”

*“Our first footprint was back in 2008 when we incorporated our first company, Rakuten Europe in Luxembourg. Through this entity we started to acquire businesses in the area of e-commerce and decided that it would be more efficient to centralise our payment services,”* explains Toshihiko Otsuka, CEO of Rakuten Europe Bank.

Rakuten Europe was awarded a payment institution license in 2014, joining the likes of Amazon, PayPal, eBay, and many other international tech leaders accessing European markets via Luxembourg in the e-commerce and e-payments space.

*“Luxembourg has a very rich FinTech community which helps us a lot,”* Otsuka adds. *“The financial regulator, the CSSF, was very supportive to us, very open minded and business friendly. The government also supported us a lot, so given FinTech is one of our main fields of business, it was a very natural move to upgrade*

*our payments license to a full banking license so that we can provide our banking services to European nations as a whole.”*

## SETTING UP THE BANK IN LUXEMBOURG

Rakuten set about looking for larger premises in the city to accommodate its growing staff, many of whom travel across the border to work each day from Germany, France and Belgium. The company was also able to benefit from Luxembourg's best-in-class ICT infrastructure, offering some of the most modern data centre parks in Europe.

*“All the infrastructure in Luxembourg including the transportation is brilliant, and it makes it easy to manage a pan-European business here. We are renting two floors of office space, just in the middle of the centre of the city and that was not difficult to find,”* adds Otsuka

who was an original member of Rakuten Bank, one of the first on-line Banks in Japan in 2001.

*“Not only is Luxembourg in the heart of Europe but also what I like is the diversity within the community. We have 19 nationalities out of 50 staff, with a lot of expertise in their respective areas, so it's a fantastic place to recruit various professionals. So, when it comes to our business case in Germany, we can leverage our German resources for that, when it comes to Spain, we can use our Spanish resources, so the internationality makes us very flexible.”*

#### OBTAINING THE BANKING LICENSE

Setting up a bank in Luxembourg offers many advantages. The banking license application process is relatively straightforward, and regular interactions with the financial regulator are encouraged throughout the process. The license enables the bank to enter the EU single market centrally from Luxembourg thanks to the ‘passport’ and the ‘free provision of services’ regulations.

*“The passporting of the license is relatively straightforward while having cross-border regulatory arrangements is not always easy. However the regulator is always open for discussion which is amazing to me. We have a very interactive dialogue - even when we propose something very new, they don't push it back. Rather, they look into it and start to discuss how to make things happen rather than rejecting it. The attitude is very positive, and that is helping us to expand our services.”*

#### TESTING THE MARKET FROM LUXEMBOURG

Initially focusing on providing payment, deposit and loan services for merchants on the PriceMinister e-commerce platform

in France, Rakuten Europe Bank plans to expand these services. It will act as the banking platform for the businesses that make up Rakuten's growing ecosystem in Europe, as well as offer banking services to new and high-growth FinTech businesses across the region.

*“We are testing the waters with France right now, with what kinds of services would be accepted or welcomed. Right now we are limiting our offer and services to that market, but going forward it can be extended to other countries, and also non-Rakuten merchants or SMEs, FinTech companies, and retail customers, so we are gradually trying to push our strategies forward.”*

#### VIBRANT FINTECH ECOSYSTEM

With its vibrant ecosystem of financial institutions, technology companies, R&D centres, and a highly diversified and specialised economy, Luxembourg is a key FinTech hub in Europe. Otsuka hopes Rakuten can benefit from this dynamic, viewing FinTech companies less as upstart rivals and more as innovative, disruptive businesses from which they can learn, and partner.

*“I have met a lot of FinTech entrepreneurs since I moved here two and a half years ago, and identified a lot of FinTech companies who are struggling to get basic banking services, so I think they are underserved. We want to partner and collaborate with them and have several projects in the pipeline,”* says Otsuka who has now moved his family to make their home in Luxembourg. *“I love the challenge of setting up a new bank because I can leverage my experience here in Europe. I also enjoy the culture and European atmosphere here in Luxembourg. Everything is perfect,”* he concludes with a smile.

GM

# PAN-EUROPEAN PENSION FUNDS: CROSSING MORE THAN ONE BORDER

GLOBAL CORPORATIONS ARE LOOKING INCREASINGLY CLOSELY AT THEIR INTERNATIONAL RETIREMENT SCHEMES, SEEKING SOLUTIONS THAT CONSOLIDATE THESE PLANS AND MAKE THEM PORTABLE ACROSS MULTIPLE COUNTRIES.

WHILE CROSS-BORDER FINANCING OF PENSION FUNDS HAS BEEN FACILITATED THROUGH THE EUROPEAN DIRECTIVE ON PENSION FUNDS (IORP), ONLY FEW OF THESE SCHEMES HAVE BEEN ABLE TO CROSS MORE THAN ONE BORDER DURING THE LAST DECADE. IN FACT, AMUNDI IS THE ONLY PLAYER OFFERING ONE MULTI-EMPLOYER CROSS-BORDER PENSION SOLUTION FULLY OPERATIONAL IN SEVEN EUROPEAN COUNTRIES, AND SOON NINE. AMUNDI DECIDED TO LAUNCH THIS PLAN OUT OF LUXEMBOURG.

## EUROPE'S PENSION PREDICAMENT, CONFRONTING BOUNDARIES

Europe's pension system is changing. Life expectancy is increasing and fertility rates are falling. Moreover, people have more diversified careers, work in multiple countries and retire later. Local contributions towards the pension fund do not suffice anymore and governments need to intervene with additional payments. In response to these constraints, many European countries have moved toward the greater private provision of pensions in order to improve their financial sustainability. Efficient and international solutions are urgently needed, but the necessary transformation of the European market has been slow.

*"Although the IORP Directive came to life in Brussels in 2003, its operational implementation took several years. Only few coun-*

*tries, more open to cross-border plans, such as Luxembourg, have really supported pan-European pension funds,"* says Xavier Collot, Director of Employee Savings and Retirement at Amundi.

*"Today, around 85 IORP cross-border pension funds exist, mainly set up by multinational companies. It may seem like a paradox but the large majority of these pension funds are cross-border to a single country. They aren't distributed to multiple countries. They usually respond to corporate bilateral needs between two or three countries, e.g. UK-Ireland or Belgium-The Netherlands."*

Ludovic Ducourtioux, Managing Director of Amundi Global Servicing in Luxembourg, adds: *"IORP had a grand vision to go cross-border but this turned out to be too optimistic. The IORP Directive did not include a Distribution passport, like the UCITS*

*"Only few countries, more open to cross-border plans, such as Luxembourg, have really supported pan-European pension funds."*

XAVIER COLLOT



“The ASSEP is the vehicle that, according to our analysis, was most ‘cross-border’ and suitable for portability.”

LUDOVIC DUCOURTIOUX

*Directive. It was designed to meet the needs of large companies only, not asset managers like us. Most of these multinationals developed a pension plan to meet their regional needs.”*

Developing a true cross-border retirement plan requires not only the right vehicle but also time, money and expertise that only few large corporates can afford. In addition, the company has to be able to manage several external providers in many countries, which can be cumbersome and costly.

This is where Amundi and Luxembourg come in. For corporations which are looking for simplicity and efficiency, Amundi is the only player in Europe offering a multi-employer cross-border pension solution fully operational in seven European countries, soon rising to nine. This plan in Luxembourg allows to host pension funds’ fully customised for each employer. In parallel, Amundi developed their own fully digital, highly secured and user-friendly platform to adapt very quickly to the specific needs of their clients. The platform is multilingual and multi-currency.

Amundi’s one-stop solution out of Luxembourg brings economies of scale and allows corporates to manage and consolidate efficiently all their local plans, to outsource administrative burdens and to monitor underlying risks.

*“We started to work on this project four years ago. Based on discussions with a series of large corporates, we felt that we could play a leading role in the development of the new pan-European pension fund market. Even if local social, tax and labor rules are complex in Europe, we structured a solution as simple as possible with a single entry point and a compartment by country fully compliant with the local regulations,”* Mr Collot explains.

#### UNIQUE EXPERTISE TO CROSS MULTIPLE BORDERS

Ireland, UK and Belgium have known modest success in the pension market due to their attractiveness to headquarters of large companies.





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LUDOVIC DUCOURTIOUX,  
MANAGING DIRECTOR,  
AMUNDI GLOBAL SERVICING,  
LUXEMBOURG

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XAVIER COLLET,  
DIRECTOR OF EMPLOYEE SAVINGS  
AND RETIREMENT, AMUNDI

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Luxembourg offers the unique expertise to cross multiple borders. In comparison with other EU countries, the choice for a Luxembourg vehicle was therefore rather straightforward. *“Pooling assets for pension funds as a result of treasury management, is not what Amundi defines as ‘cross-border’,”* says Mr Ducourtioux.

*“Luxembourg is among the few European countries which have fully transposed the IORP directive with the ASSEP (Association d’épargne-pension – pension savings association), a simple and efficient vehicle. It is the vehicle that, according to our analysis, was most ‘cross-border’ and suitable for portability.”*

The Grand Duchy is not new territory to Amundi. Credit Agricole, its main shareholder, has a long-standing presence, with 3,000 employees in Luxembourg.

*“Luxembourg is one of the most secure and global financial centers. Its social and political stability, expertise of the regulator, as well as strong culture of investor protection, are crucial to us. As this money belongs to employees, the long-term stability of Luxembourg directly affects the stability of our clients.”*

The setting up of the pension fund in Luxembourg went smoothly. However, starting from zero is never easy. Ducourtioux points out that each compartment needs a client and the approval of the local authorities. *“With compartments fully operational in seven countries with at least a client in each country, we are now in a position where we can help corporates to save a lot of time and money,”* adds Ducourtioux.

### GOING GLOBAL: FROM EUROPE TO THE UNITED NATIONS

Amundi’s clients include large international groups, mid-size companies and supra-national corporations. They all have specific needs.

*“We developed each compartment based on clients’ needs and will open new ones on the same basis. In addition to the UK, France, Spain,*

*Luxembourg, Germany, Italy and the Netherlands, we are activating Portugal and soon Ireland,”* explains Mr Collot.

Mr Ducourtioux adds: *“The fact that we include a new country also often triggers interest of other companies to join the plan. Portugal wasn’t really a priority country but as soon as the news spread that it would be added, we noticed significant interest.”*

Today, more and more companies start looking for a pan-European approach. *“Some are keen to implement it immediately, others are looking first to decrease the risks associated with the DB plans before moving to cross-border DC plans. We advise our clients to move to a pan-European plan country by country. The change has to be done gradually.”*

At this time it is difficult to anticipate whether Brexit could impact pan-European pension funds. *“The UK Pension ministers declared that they are not too concerned about the regulatory framework,”* says Mr Collot.

For employees outside the European Union, a “world” compartment has been developed that is dedicated to workers employed outside Europe (such as expatriates) and approved by the Luxembourg financial regulator, the CSSF.

Thanks to this compartment of the Luxembourg vehicle, the United Nations pension plan of the Green Climate Fund has chosen Amundi to manage from April 2017 the pension plans of their employees in South Korea.

### A PROMISING FUTURE

Long-term growth is in prospect. The pan-European pension market will trigger interest from European corporates, as well as American and Asian groups with subsidiaries in Europe.

Already 10 multinational companies now use Amundi’s platform in Luxembourg. Their main incentives are: cost savings, harmonisation of investment policy while



“The United Nations pension plan of the Green Climate Fund has chosen Amundi to manage from April 2017 the pension plans of their employees in South Korea.”

XAVIER COLLOT

keeping local specificities, improved governance and monitoring, support in the implementation and communication with employees. The open architecture of the plan can integrate several thousand external funds to answer clients' needs and avoid any conflict of interest.

This type of pan-European solution, instead of running local plans in individual countries, will save costs. *“A multinational with numerous legacy schemes in several jurisdictions will probably not know what they are all costing the company. Based on our experience, global costs can be reduced by around 30%. In today's low return environment that makes a huge difference,”* explains Mr Collot.

*“It's a very promising market. With its undisputable leadership fund distribution, Luxembourg has developed with the ASSEP an excellent cross-border vehicle that deserves more promotion,”* concludes Mr Ducourtieux.

LR

## THERE ARE THREE LUXEMBOURG STRUCTURES THAT ALLOW A SPONSOR TO ESTABLISH A PENSION FUNDING VEHICLE WITHIN THE 2003 EUROPEAN DIRECTIVE ON PENSION FUNDS, IORP :

Two pension fund vehicles are regulated by the financial supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF):

- SEPCAV – Société d'épargne-pension à capital variable (pension savings company with variable capital). This vehicle, which is similar to the SICAV, can only be used for defined contribution (DC) schemes;
- ASSEP – Association d'épargne-pension (pension savings association). This vehicle is suitable for both DC and/or defined benefit (DB) schemes. It is able to pay out a lump sum or an annuity and may also pay ancillary benefits such as death in service, disability pension and payments to widows and orphans.

A third pension fund vehicle is regulated by the insurance supervisory authority, the Commissariat aux Assurances (CAA):

- the CAA pension fund is suitable for DC, DB and/or supplemental benefits in case of death or disability of members. It has a choice of four legal structures, but in practice the asbl, a non-profit making association, is the most commonly used.

**ALL THREE VEHICLES CAN BE ORGANISED AS AN UMBRELLA STRUCTURE: DIFFERENT SHARE CLASSES CAN BE USED TO SEPARATE INVESTMENT STYLES (DC PLANS) OR DIFFERENT TYPES OF PLAN (DB AND DC SCHEMES), OR WHERE DIFFERING SOCIAL AND LABOUR LAW PROVISIONS MAKE THIS NECESSARY. ALL THREE TYPES OF FUND CAN BE ORGANISED AS A “MULTI-EMPLOYER” SCHEME.**





# RISK MANAGEMENT

IN TODAY'S MORE COMPLEX BUSINESS ENVIRONMENT, INSURERS, BANKS AND ASSET MANAGERS ARE REQUIRED TO IMPLEMENT AN INCREASING NUMBER OF POST-CRISIS REGULATIONS, FROM SOLVENCY II TO THE NEW BASEL FRAMEWORK FOR BANK REGULATION, AND THE RENEWED EMPHASIS ON LIQUIDITY MANAGEMENT.

LEADING FINANCIAL PLAYERS SHARE THEIR VIEWS ON HOW BEST TO MANAGE RISK AT A TIME OF RAPID ECONOMIC CHANGE AND EXPLAIN WHY LUXEMBOURG IS FAST BECOMING THE LEADING CENTRE FOR RISK MANAGEMENT IN EUROPE.



MARIA LÖWENBRÜCK,  
CEO,  
UNION INVESTMENT LUXEMBOURG



## LUXEMBOURG: A CENTRE OF EXCELLENCE IN RISK MANAGEMENT

LUXEMBOURG HAS AN OUTSTANDINGLY STRONG EXPERTISE IN RISK MANAGEMENT WHICH HAS BEEN BUILT UP FROM THE 1980S WHEN THE FIRST UCITS DIRECTIVE WAS IMPLEMENTED INTO NATIONAL LAW. SINCE THE ADOPTION OF THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD), THE INDUSTRY HAS EXPERIENCED A REINFORCEMENT OF THE ROLE OF RISK MANAGEMENT. ALTERNATIVE INVESTMENT FUND MANAGERS (AIFMS) MAY NOW CONSIDER OUTSOURCING PART OR ALL OF THE RISK MANAGEMENT OPERATIONS.

WE TALK TO THE CHIEF EXECUTIVE OFFICERS OF UNION INVESTMENT LUXEMBOURG, CARNE GROUP, SEB BANK, AND SOCIÉTÉ GÉNÉRALE TO ASK WHAT VALUE RISK MANAGEMENT IS TO THEIR OPERATIONS.

“In a time of rapid global political and economic changes and increasingly complex conditions, strong risk management becomes even more important.”

MARIA LÖWENBRÜCK

“In a time of rapid global political and economic changes and increasingly complex conditions, strong risk management becomes even more important,” says Maria Löwenbrück, CEO of Union Investment Luxembourg, the Luxembourg-based asset manager of Union Investment Group, part of DZ Bank, one of the biggest banks in Germany.

The company’s risk management control systems identify opportunities and threats at company and fund level that are used to manage relevant risks.

“At the fund level, risk management has to be differentiated for UCITS and Alternative Investment Funds (AIF). For traditional UCITS-structures, we measure and manage market risk, liquidity risk, counterparty and credit risk and fund specific risk factors.

*Moreover, to take into account the specific risks arising from the illiquid asset classes in which our AIF invest, we primarily assess risks and implement asset-class specific risk management techniques and mitigation measures to manage risk.”*

### NAVIGATING THE RISK LANDSCAPE

Due to the legal framework that applies to investment companies, complex investment products in particular, such as guaranteed funds, are launched by Union Investment Luxembourg. Besides conducting the risk management for the UI funds in Luxembourg, Union Investment Luxembourg also manages the depository network for the entire Union Investment Group and deals with custody and settlement risks in this context.

*“Risk management expertise has been built up in Luxembourg from the first minute with the UCTIS adaption and primarily enforced from the Luxembourg regulator, the CSSF, which successively implemented a dynamic and comprehensive regulatory risk management framework,”* says Löwenbrück.



STEVE BERNAT,  
CEO  
CARNE GROUP



“The beauty about being based in Luxembourg is that no matter what you need and want, there are always people in the industry who have that knowledge and expertise in the marketplace.”

STEVE BERNAT

*“The risk landscape in the asset management sector has become more complex and dynamic over the past years, with increasing use of structured products and derivatives, higher fund volumes and more and more unpredictable financial markets. In the context of rising risks and regulation, the strategic importance of the risk function for our business is increasing considerably. In this regard, we see the biggest opportunity for the Risk Function as a standard setter in Luxembourg to take logical decisions and adapt in a flexible manner to new investment opportunities, market trends, and new regulation.”*

### THIRD PARTY RISK MANAGEMENT

Risk control is a crucial challenge for fund management under UCITS and AIFM. The third-party management company is a familiar concept originating with UCITS. It has taken its next evolutionary step with AIFMD.

*“As an asset manager, you don’t necessarily need to set up a management company in Luxembourg, there are solutions out there in the industry,”* points out Steve Bernat,

CEO of Carne Group in Luxembourg, a global fund management solutions provider, whose core business is providing third party management company services. *“As an industry, we have dealt with asset managers from around the world for the last three decades, so we do understand the local market nuances, and in line with that, we have built innovative solutions. We provide that additional and independent layer of risk management and control, which allows the asset manager to concentrate on their core business which is managing their portfolio.”*

### DEVELOPING RISK MANAGEMENT EXPERTISE

Luxembourg is one of the company's main operational hubs, and with more than 120 staff globally, it is now the fastest-growing entity within the group that spans across eight locations.

*“The beauty about being based in Luxembourg is that no matter what you need and want, there are always people in the industry who have that knowledge and expertise in the marketplace,”* says Bernat whose staff

have an average expertise of 17 years in the fund's industry. *"If I look at my team in Luxembourg, they have experience dealing with so many asset classes, both liquid and illiquid, developed markets and emerging markets. They have a depth of experience that a lot of other financial hubs don't have."*

Carne Group has invested heavily in technology and has built its own IT team with senior developers, who have constructed state-of-the-art systems, to deal with the new rules and regulations. (such as the implementation of UCITS V, the CSSF Circular 11/512 and AIFMD.)

*"As the management companies have become more sophisticated in the last five years, the financial regulator also has growing expectations of the management company,"* adds Bernat. *"We have focused on putting the right technology in place to make those processes efficient, so for example, to be able to focus on exceptions rather than going through all the details every single day."*

#### SUPPORTING INNOVATION THROUGH REGULATION

Indeed one of Luxembourg's strengths is innovation in regulation. The country's legal and regulatory framework for investment funds is highly regarded by the global asset management community and leads the way in investor protection.

*"I always have the feeling that Luxembourg is setting the standard for the industry and you can clearly see that other domiciles pretty much follow the standard that Luxembourg is setting, especially in the area of risk management. For example, the regulator insists on semi-annual risk reporting which is not required in other domiciles. That is probably why Luxembourg is so far ahead regarding the expertise it has. Because what we have been doing for several years, other domiciles are only now starting to do."*

#### THE FUTURE OF BANK RISK MANAGEMENT

Established for more than 120 years in Luxembourg, Société Générale Bank & Trust (SGBT) is the oldest foreign bank in the country. It employs more than 1000 staff and offers highly skilled cross-border banking expertise.

*"Risk management is of primary importance to us because we are confronted with all types of risks. It can be currency risks, interest rates, liquidity, Anti-Money-Laundering linked to transactions, reputational or even cyber security risks,"* says Véronique de la Bachelerie, CEO, Société Générale Bank & Trust.

The bank is a significant liquidity provider for the whole group. *"We have to deal with very low rates due to the quantitative policy of the European Central Bank (ECB). Securities services, commercial banking as well as private banking activities*

*provide a lot of liquidity, in this context we run a margin risk because it is difficult to transfer to clients the negative interest rates on deposits. A large part of our transactions are in EUR, but a significant amount is also executed in USD, which also means an additional risk of sanctions in the case our bank would not respect the US regulations on Sanction and Embargo items. For example, it may happen that we intend to finance companies located in countries that are under specific embargo measures; but also that payment or trade finance operations could involve counterparties or beneficiaries concerned by this kind of measures. The concepts of sanctions and embargo as well as more generally the respect of AML/FT regulations are sometimes complicated and burdensome to be dealt with. It means for instance that we have to monitor*

**"The key question we need to ask ourselves is, what risk are we ready to take to facilitate this transition to the digital world."**

VÉRONIQUE DE LA BACHELERIE







VÉRONIQUE DE LA BACHELERIE,  
CEO,  
SOCIÉTÉ GÉNÉRALE BANK & TRUST

*all transactions of our private banking and commercial banking clients. Our bank has, especially in accordance with SG Group approach, put in place performant filtering tools of clients' databases and/or transactions."*

### ADDING AN EXTRA LAYER OF SECURITY

Cyber security is fast climbing to the top of the list of issues that the financial risk community has to worry about. Société Générale has made protection against cyberattacks a top strategic priority.

*"First, we have to build specific systems to deal with these threats and continuously strengthen our lines of defenses. For example, within the Société Générale Group we have build an internal CERT (Computer Emergency Response Team) which is an operational team in charge of preventing and helping to resolve information security incidents targeting the Group. Second, we must raise awareness about information leaks and external attacks among our employees. In their day-to-day operations, our staff can unintentionally give access to "third parties" without being aware of it. It is a specific hurdle as in the same time we must embrace digitalisation and "educate" our employees to new collaborative tools and media with for instance the use of social media (LinkedIn, ...) for KYC reasons. The key question we need to ask ourselves is, what risk are we ready to take to facilitate this transition to the digital world for all our employees. It is a global challenge for the financial industry," concludes de la Bachelerie.*

### STRIKING THE RIGHT BALANCE

The Swedish bank, Skandinaviska Enskilda Banken (SEB) started its activities in

Luxembourg in the 1970s. It specialises in funds and private banking, providing services for primarily Nordic private and corporate customers and financial institutions with cross-border needs.

*"We have a long tradition of also providing risk management services to our customers, and we have been practising risk-reward thinking for many years," says Erika Lundquist, CEO at SEB Luxembourg.*

*"Banking is a lot about supporting clients in identifying risks and optimising their exposures. At SEB, we have a good balance between a strong risk culture and very conscious risk-reward thinking in every business case. The Nordic culture is open and transparent. To be successful with risk management I think the key is to stay close to the business, identify and know the risks in your business, follow the regulation and implement controls, monitor and report the risks and have escalation procedures in place. But it's also important to focus on the key risks and not lose yourself in the enormous reporting."*

### IMPLEMENTING A WELL DEFINED RISK MANAGEMENT STRATEGY

Now, with a staff of 240 working with cross-border financial services, and a branch in Singapore, Luxembourg has become the centre of excellence for cross-border business within the SEB Group.

*"Today "risk" is integrated into the business as such, and an important part of the whole process that of course goes for our client business part as well," adds Lundquist. "As a CEO, you do notice changes in the amount of time that you spend on risk management duties. I spend more time discussing this in client meetings and board and management meetings, and notably, our clients are also eager to understand the latest regulatory changes," adds Lundquist. "Ten years ago, we would invite our clients to business breakfasts to discuss how to manage or optimise a portfolio; today the topic is extended to include new regulations such as MiFIDII, PSD2, GDPR, AIFMD, etc."*

*"Regulations are also a driver behind increased digitisation. Stricter requirements for documentation and monitoring require more efficient processes and tools to use our valuable data better and also enhance the client experience," adds Lundquist.*

### GEOSTRATEGIC RISKS ON THE RISE

Investors can also be prepared to manage geopolitical risk in their portfolios by understanding how risk is priced into investments and anticipating how geopolitical developments are likely to affect the value of these investments.

*"We always follow macro events closely to proactively manage the agreements with our customers. We combine all the research that we have in the bank and form a "House view" that we base our recommendations on in our advisory service and our discretionary portfolios. There is also a lot of focus on the investment advisory process, matching our customers' financial situations, investment goals and knowledge and experience with an investment profile, supporting us when providing the clients with proper and relevant advice," adds Lundquist.*

### THE IMPACT OF BASEL III ON RISK MANAGEMENT

Since the financial crisis, global regulators have grappled with devising mechanisms to reduce the systemic risk posed by the banking system.

The regulations that emerged from the international financial crisis and the fines that were levied in its wake triggered a wave of change in risk functions. Key among the regulations affecting the financing markets is the Basel III regulatory framework designed to strengthen financial institutions by placing guidelines on leverage ratios, capital requirements and liquidity.

*"Regulations aiming at limiting systemic risk have long been a part of the industry's day-to-day business, measuring and reporting risk-weighted capital, liquidity ratios and*



leverage ratios to mention on a few and making sure we have sufficient capital buffers and real control over counterparty risks. More formal requirements and monitoring are good ways to sustain and develop the confidence for the industry and its function in society. This also ensures that we have a prudent and stable long-term liquidity situation in our bank," says Lundquist.

### FINANCING SUSTAINABILITY

"Another positive development is a meaningful dialogue across the industry around values, code of conduct and sustainability. The United Nations 17 sustainable development goals to transform our world is an important milestone to concretise necessary actions

where everyone needs to do their part. We all have an important role in the development of society and in supporting these goals," concludes Lundquist.

GM



"As a CEO, you do notice changes in the amount of time that you spend on risk management duties."

ERIKA LUNDQUIST


ERIKA LUNDQUIST,  
CEO,  
SEB LUXEMBOURG





DR LUC NEUBERG,  
CEO, BCEE ASSET MANAGEMENT,  
CHAIRMAN ALRiM





“The most challenging risk management developments are multidisciplinary such as cyber risk and the operational risk linked with outsourcing.”

DR LUC NEUBERG

## Working in Risk: the skills required for a rapidly developing profession

ALTHOUGH IN THE PAST, RISK MANAGEMENT FOCUSED PRIMARILY ON BANKING, IT HAS RECENTLY BECOME A CRUCIAL COMPONENT OF THE INVESTMENT FUND INDUSTRY. FOLLOWING CHANGES IN THE UCITS DIRECTIVE, THE ALTERNATIVE INVESTMENT MANAGERS DIRECTIVE (AIFMD) AND NUMEROUS CSSF CIRCULARS, PLAYERS IN THE INVESTMENT FUND INDUSTRY ARE NOW REQUIRED TO MANAGE RISK PROFESSIONALLY ON THE SAME LEVEL AS BANKS.

*“Risk management is not there to control, but rather it is a real component of the business and an added value. It runs through the whole chain of the business, from those who are working on products, right up to those who are taking the strategic decisions,” says Dr Luc Neuberger, CEO of BCEE Asset Management. “It is vastly different to when I started my career as a risk analyst, and I was playing with mathematical models. Now we are managing with regulations, interpretation flows and more with the core business and this is a tremendous evolution.”*

### AN EFFECTIVE RISK MANAGER IN TODAY’S WORLD

*“The risk manager of today needs to have substantial experience and a global view on the whole business. It is less and less technical and more linked with governance. The most challenging risk management developments are multidisciplinary, for example cyber risk and the operational risk linked with outsourcing. We need to cover so many different things, and that was not the case in the past. We are also facing more and more regulatory constraints,*

*so the challenge is how to comply with all those regulations and to manage priorities.”*

The Luxembourg regulator, the CSSF, and the risk management industry are in close contact regarding new regulations. The CSSF sets up technical committees, with practitioners to discuss new regulations to ensure that industry practice is fully aligned with the latest regulations and that the latter are efficiently implemented.

*“We receive frequently new texts from the regulator, with useful information and insights, which is not the necessary the case in every European country. If I have a question, I can directly contact the person responsible for risk for the funds industry or the person responsible for the risk on the banking side and this helps us to iron out any issues.”*

#### PROFESSIONAL STANDARDS FOR RISK MANAGEMENT

Neuberg, is Chairman of ALRiM: the Luxembourg Association for Risk Management, which supports the development of risk management in the Grand Duchy. The association, in partnership with the House of Training (HoT, former IFBL), has developed a complete training programme in risk management covering a wide variety of topics.

*“Educating risk managers is a huge challenge because we need to provide some extremely sophisticated technical courses and on the other hand we need some courses where we offer the big picture, a global view. Continuous training in risk management is also necessary at every level, even at the board level,”* adds Neuberg.

#### BOARD-LEVEL RISK MANAGEMENT

*“When you drive a strategy, you need to be aware of the risks. Take the risk management weakness related to the subprime crisis, when a lot of board members were totally ignoring the level of risk which they had on some products. Is that acceptable? Can you be in a car and ignore the speed at which you are at? No, so you need some technicity at the highest level,*

*otherwise it is like you are playing with a bomb without knowing when it will explode.”*

#### LUXEMBOURG SCHOOL OF FINANCE TO LAUNCH MASTER IN RISK MANAGEMENT

The most popular training offered in Luxembourg, is The Risk Management Specialist certificate, focusing on banking or the investment funds industry. The 11 day training, covers Measuring and Managing Market, Counterparty, and Operational Risk, as well as asset and liability management. ALRiM is also supporting the Luxembourg School of Finance (LSF) with the development of a new MA programme in Risk Management.

*“The programme will be offered with an opportunity to specialise in funds, banking or insurance, mixing academic excellence with professional practical experience,”* explains Professor Jang Schiltz, Head of LSF. *“The price for our Masters programmes is currently 17,500 EUR, which by international standards is very competitive. The general pedagogical philosophy at LSF is to teach small groups, hence we would anticipate a first intake of around 35 students, who will have the opportunity of undertaking an internship in the Luxembourg financial centre.”*

GM

**“Continuous training in risk management is also necessary at every level, even at the board level.”**

DR LUC NEUBERG





PROFESSOR JANG SCHILTZ,  
HEAD OF LSF

“The MA in Risk Management offers an opportunity to specialise in funds, banking or insurance, mixing academic excellence with professional practical experience.”

PROFESSOR JANG SCHILTZ

# LUXEMBOURG'S GOT TALENT

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**135,000** Students

**6 UNIVERSITIES** within a 100km radius, cooperating closely as part of the University of the Greater Region

## > ATTRACTING TALENT FROM ACROSS THE WORLD

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### VISA-FREE

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**46%** of the population is foreign

### MULTICULTURAL

**170** different nationalities

**2nd** in the world for retaining talent<sup>2</sup>

**3rd** in the world for attracting talent<sup>2</sup>



# 5,000,000

INHABITANTS WITHIN A  
1 HOUR COMMUTE

Sources: 1) Expat Insider 2016, 2) INSEAD Global Talent Competitiveness Index 2017, 3) GFCI, 4) Eurobarometer & European Commission, 5) EF English Proficiency Index, 6) Eurostat, 7) WEF



**11,000,000**INHABITANTS WITHIN THE  
GREATER REGION**> MULTILINGUAL, HIGHLY  
SKILLED WORKFORCE****1st**the Eurozone's leading financial centre<sup>3</sup>**3.6**Most multilingual country in Europe:  
Luxembourg's population speaks  
an average of 3.6 languages<sup>4</sup>**84%** of the population speaks  
at least 2 languages<sup>4</sup>**7th** in the world for English proficiency<sup>5</sup>**1st**Luxembourg has the highest labour  
productivity in the EU<sup>6</sup>**2.5%**

average annual employment growth rate

**60%**Largest share of highly skilled workers in the  
world: 60% of all workers in Luxembourg  
are in high-skilled employment<sup>7</sup>

# FREEING UP INTERNATIONAL SCHOOLING

INTERNATIONAL EDUCATION CAN HELP BRIDGE THE CULTURAL AND LINGUISTIC DIVIDES THAT EXIST NOT ONLY WITHIN EUROPE BUT ALSO GLOBALLY. IN LUXEMBOURG, IN ADDITION TO PRIVATE INTERNATIONAL SCHOOLS, PARENTS CAN CHOOSE FROM A DIVERSE RANGE OF PUBLICLY FUNDED INTERNATIONAL SCHOOLS, WHICH ALLOW STUDENTS TO COMPLETE THEIR SECONDARY SCHOOL EDUCATION IN ENGLISH AND AT LEAST ONE ADDITIONAL LANGUAGE.

*"I often get emails from prospective parents abroad saying that they couldn't find the price for the school fees on our website," says Joanne Goebbels, Coordinator of the International Baccalaureate (IB) diploma programme at the Athénée de Luxembourg. "They are quite astonished when I tell them it is free and that the Luxembourg government invests in such an expensive programme of studies," she adds.*

The IB is the new gold standard for entry to the world's top universities. Notoriously expensive to deliver, due to the substantial teaching time required, the qualification offers a breadth and depth of understanding that provides students with the skills they will need in further education and beyond.

## RIGOROUS ACADEMIC STANDARDS

*"The IB Diploma is a highly challenging academic programme," adds Goebbels. "Students must choose six subjects - three at a higher level, and three subjects at a lower level. Every student has to study one principal language and one language acquisition as a second language. All students must take maths and at least one science subject, which makes them very open to almost anything."*

To foster all-round, and not just academic, development, IB courses are taught with the IB Learner Profile in mind - a set of guiding principles which motivates and inspires students, encouraging them to be Inquirers, Knowledgeable, Thinkers, Communicators, Principled, Open-minded and more.

*"The IB Learner Profile is like a bible. Our students have to be risk takers, and they need to be open-minded and knowledgeable. We work on that to find out their strengths and weaknesses, and that makes it super interesting because we - the students, the parents and the teachers - work collaboratively altogether," explains Goebbels who helped launch the programme in 2010.*

*"An IB student is autonomous, knows how to deal with pressure, knows how to handle deadlines, knows how to write an essay because they have to write a 4,000-word extended paper as part of the programme. Many universities increasingly see that as an asset, so our students get good offers from the most prestigious universities worldwide."*

*"Prospective parents are quite astonished when I tell them it is free and that the Luxembourg government invests in such an expensive programme of studies."*

JOANNE GOEBBELS

## AT THE CENTRE OF INTERNATIONAL EDUCATION

The IB is offered in English, with French as the second language, at the nation's oldest and most prestigious high school.

*"We have been growing since we became an International Baccalaureate World School seven years ago. We started off the first class with 13 students, who came from all over the place, from Asia to across Europe. Now we have 110 students and it's like a big family. I know each and every one of them and they know where to find me, and they can come to me with whatever problem they have."*

Last year, the Athénée de Luxembourg added an extra class to accommodate the number of pupils who passed the IB admissions test. The programme is proving so popular with international students that additional classes will be opened up to include students from all year groups in secondary school from 2017.

*"It's exciting to be able to open up those new classes in September," declares Goebbels. "It's*





JOANNE GOEBBELS,  
INTERNATIONAL BACCALAUREATE (IB)  
DIPLOMA PROGRAMME,  
ATHÉNÉE DE LUXEMBOURG





GERARD ZENS,  
HEAD OF THE DIFFERDANGE  
INTERNATIONAL SCHOOL

“Since this school year, parents who are looking for a multi-lingual education have also the Differdange International School as an option.”

GERARD ZENS

“Our students have to be risk takers, and they need to be open-minded and knowledgeable. We work on that to find out their strengths and weaknesses.”

JOANNE GOEBBELS

*also a great opportunity to have it at the Athénée because of the history of the school, because of the name we have. Our school likes to take the kids by their capacities and push them, and that's quite challenging and thrilling to be part of.”*

#### EMPOWERMENT THAT HELPS

The international students integrate with the native school population at gym class and through extracurricular activities offered in English and French.

*“We offer a huge list of extracurricular activities ranging from maths to debating clubs, to Model United Nations, and performing arts. Students can join sports teams as well, and we have very good relations with the Conservatoire of Music which is located next to the school. We also have our own NGO, with projects in South Africa and Cape Verde, giving our students the opportunity to fundraise and actively volunteer on our overseas projects actively.”*

#### THE RICHNESS OF DIVERSITY

Students who prefer to follow the British educational curriculum can study for the International GCSE and A-level at Michel Lucius International School in the heart of the city. There are currently more than 400 students in the school representing 59 different nationalities bringing a cultural richness to the student population. The publicly run school is preparing to open up a new English-language primary section for children aged 6 to 12, offering the full English international curriculum.

*“We have recognised in Luxembourg that we must open up more towards communities speaking other languages and that we need to provide more free public school places with tuition in different languages,”* explains Gérard Zens, Head of the Differdange International School and formerly Head of Secondary Education at the Ministry of Education.



*"The government is making significant efforts in that direction and has already set up an English offering at the Michel Lucius International School and the Athénée de Luxembourg. Since this school year, parents who are looking for a multi-lingual education have also the Differdange International School as an option," says Zens.*

### SPEAKING THE LANGUAGE OF DIVERSITY

The school is free of charge, and provides a curriculum based on the programme of European schools, enabling students to work towards the European Baccalaureate which is accepted by universities across the globe. The School offers three language sections: English, French and German. All pupils are taught a second language, which may be English, French or German, and a third language in secondary school. Spoken Luxembourgish classes are also made available to all pupils at primary level and in the lower classes of the high school, which allows the children to integrate locally.

Zens continues: *"We want to be an innovative school, so we value cultural differences and talents because every child is different. At the moment we have 150 children in primary and secondary, representing 31 nationalities, so it is very international here, but from September, we will expand to all year groups, and we are welcoming all applications."*

Children can enter the school in any year group in the lower school without knowledge of a second language. *"In primary school children learn the second language very quickly. For secondary students, we offer integration classes lasting one year, and in this year we try to deliver a second language and bring them up to the required level."*

### AFFORDABLE AND ACCESSIBLE BEFORE AND AFTER-SCHOOL CARE

Construction work is underway to build two new school campuses to accommodate the growing student population. Although the school is located in the south of Luxembourg, it is only a twenty-minute drive from the city centre. The after school club is subsidised by the government and parents, pay a maximum of 6 EURO an hour, a tiny proportion of what you might pay in any other European capital.

*"We have a partnership with a local bus company, and so for a small fee the children can be collected from their home and taken to school and brought back in the evening. We also offer a breakfast club from 7 am until the classes start at 8 am, as well as after school care until 6 pm. The after school club uses the school facilities and homework is supervised in all languages from 4-5pm. We also offer a range of extracurricular activities from journalism to science club. Our educators are also able to bring the children by foot to the local*

*Conservatoire to attend music lessons and learn an instrument."*

Zens and his team are preparing to increase the school intake in September substantially – an initiative he is thrilled to be leading.

*"There are a lot of challenges in setting up a new school, but I have a highly motivated team who are all tearing the rope in the same direction. Our school opens up multilingualism to children from all nationalities. In the past, this was only on offer to parents who had the necessary financial means. Now, it's free of charge, and we have plenty of spaces to offer."*

GM

**"Our school opens up multilingualism to children from all nationalities. In the past, this was only on offer to parents who had the necessary financial means. Now, it's free of charge, and we have plenty of spaces to offer."**

GERARD ZENS

ÉCOLE INTERNATIONALE DIFFERDANGE & ESCH-SUR-ALZETTE



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ATHÉNÉE DE LUXEMBOURG



## UPCOMING EVENTS

**2017**  
**04.04**

### **FT BREXIT AND BEYOND SUMMIT**

The FT Brexit and Beyond Summit organised by Financial Times Live will take place in London on Tuesday, 4 April 2017. The summit will explore the opportunities and challenges for Britain as it prepares to leave the European Union and will tackle questions, among others, on negotiation strategy, single market access, international trade and the prospect for further EU fragmentation. Luxembourg for Finance CEO, Nicolas Mackel will speak at the conference and the LFF team will be showcasing the financial centre with a booth.

**2017**  
**09-10.05**

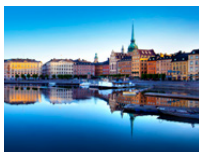
### **ICT SPRING 2017**

Join us at ICT Spring Europe 2017, a two-day event offering participants a unique opportunity to deepen their digital knowledge, capture the value of the fast-growing FinTech industry, and explore the impact of space technologies on terrestrial businesses, through exhibitions and demonstrations of the latest Tech Trends and Innovations.

**2017**  
**16.05**

### **STOCKHOLM SEMINAR**

Luxembourg for Finance will return to Stockholm with a delegation, led by HE Pierre Gramegna, Minister of Finance. A financial seminar will be held on Tuesday, 16 May 2017 at Grand Hôtel Stockholm where key experts will discuss topics ranging from climate finance, investment funds, private equity and wealth management to life insurance.



**2017**  
**23.05**

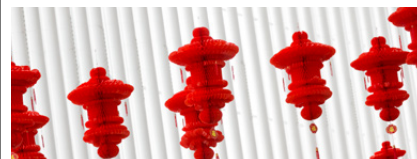
### **FT CLIMATE FINANCE SUMMIT, LONDON**

The FT Climate Finance Summit: *Scaling up Finance for Climate Action* will take place on 23 May 2017. The summit will explore the vital role of international finance in global efforts to combat climate change, as well as the risks and opportunities for businesses, financial markets and investors in the new climate economy. Robert Scharfe, Chief Executive Officer of the Luxembourg Stock Exchange will speak at the conference and the LFF team will promote the financial centre with a booth.

**2017**  
**01.06**

### **LUXEMBOURG RENMINBI FORUM 2017**

The fourth edition of the Luxembourg Renminbi Forum brings together international high-level speakers and practitioners, major political figures, and key decision-makers to share their views on Chinese policy. Discussions will focus on China's economic transformation, global investment trends, China's lead in green finance, European and Chinese payments and the future of Europe's relations with China in financial services.



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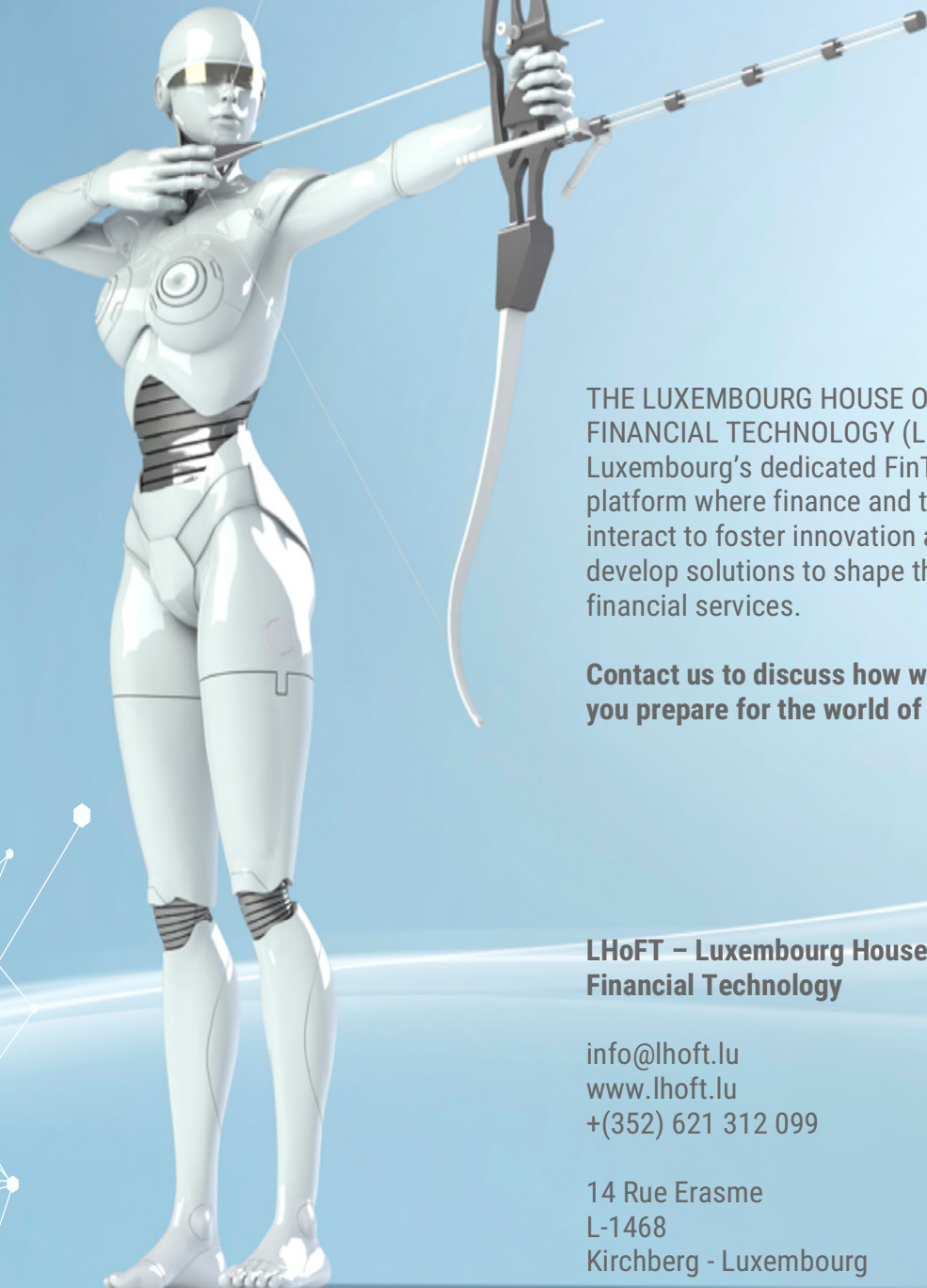
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Luxembourg House of Financial Technology

# AIM FOR TOMORROW



THE LUXEMBOURG HOUSE OF FINANCIAL TECHNOLOGY (LHoFT) is Luxembourg's dedicated FinTech platform where finance and technology interact to foster innovation and develop solutions to shape the future of financial services.

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