LuxembourgforFinance
Agency for the Development of the Financial Centre

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EVERYTHING YOU NEED TO KNOW ABOUT LUXEMBOURG AND LATIN AMERICA

Diplomatic relations
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In-depth report
BIG FOUR LATAM DESK MANAGERS

Philanthropy
THE FONDATION DE LUXEMBOURG

Industry
ARCELORMITTAL, SES AND CARGOLUX

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EDITORIAL

NICOLAS MACKEL

*Nicolas **MACKEL**,*
CEO,
Luxembourg for Finance

While the Luxembourg football team did not quite make it through the qualifiers for the FIFA World Cup, Luxembourg now has the opportunity to go to Brazil to demonstrate its expertise as a global financial centre.

In recent weeks, Luxembourg has enjoyed a certain degree of unwanted and, dare I say it, unjustified attention with regards to the taxation of multinationals. Unjustified, because what is broadly portrayed as being specifically about Luxembourg is in reality a problem of the interaction of different national tax systems. The fair taxation of multinationals can only be solved as part of a joint effort, and Luxembourg is actively participating in finding solutions at the international level.

Luxembourg has not become a successful global player in areas as diverse as the steel industry, the satellite industry, logistics, ICT, the automative component industry and finance because of tax advantages. On the contrary, this success is built on expertise alone.

It is therefore no coincidence that, according to the latest edition of the Global Financial Centers Index, Luxembourg is the number 1 financial center in the Eurozone. It is Europe's largest investment fund distribution center and a premier wealth management center. It acts as an ideal entry gate for many non-European banks and financial actors, including major players from Brazil. It is a leading financial center also for renminbi business. Luxembourg's Stock Exchange is Europe's main listing place for international bonds. In the digital area, Luxembourg is the European home to major players such as ebay's Paypal, Rakuten, Alipay, Yapital and many other actors.

This special edition magazine will give you a good overview of the diversity and depth of the solutions that Luxembourg can offer Brazilian asset managers, corporates and investors. The level of expertise available in Luxembourg truly makes it stand out as a center of excellence in international finance.

Brazilians will find many interesting features in Luxembourg, but one will surprise them above all: Portuguese is one of the most widely spoken languages in Luxembourg as the lusophone community is second to the Luxembourg natives' one.

This newsletter also underlines that the relationship between our two countries is built on a large spectrum of activities, besides financial services. Major Luxembourg multinationals such as the world's leader in satellites SES, ArcelorMittal in steel production or Cargolux for airfreight have strong relations with Brazil where their presence goes back a long way, in the case of ArcelorMittal even to 1921 when Luxembourg's Arbed (later merged into Arcelor and then into ArcelorMittal) founded BelgoMineira in eastern Brazil with the expertise of Luxembourg professionals.

Enjoy the read.

INSIGHTS FROM THE LUXEMBOURG DIPLOMATIC NETWORK

Marie Christiane H. Meyers, Honorary Consul in Rio de Janeiro and Jan Eichbaum, Honorary Consul in São Paulo give their insights about diplomatic relations between Brazil and Luxembourg.

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HOW IS THE LUXEMBOURG FINANCIAL CENTRE PERCEIVED IN BRAZIL?

Jan ***EICHBAUM***

Luxembourg is highly regarded as a safe, reliable and agile financial center, with an excellent institutional image. Yet, there is still a great deal of misunderstanding regarding its financial centre. The fact that Luxembourg has been removed from the grey list of privileged tax regimes in 2011, is a sign that the country is considered a compliant jurisdiction offering an ideal gateway to the European market.

Jan ***EICHBAUM,***
Consul General of Luxembourg in Brazil

LFF: HOW CAN LUXEMBOURG FURTHER DEVELOP POTENTIAL BUSINESS OPPORTUNITIES WITH BRAZIL?

JE: I believe that we should maintain our continuous on-going efforts of promoting the Luxembourg financial centre in order to show its wide range of services and stability demonstrated by the fact that the Grand Duchy is one of the few European countries with a AAA rating.

There is a huge potential for bilateral exchange between both countries, which is not being fully addressed. Fostering Luxembourg's key benefits as a gateway to Europe, its lack of bureaucracy, the expertise of its multicultural workforce and its Portuguese-speaking community in addition to its key geographical position would be a necessary step in that direction.

LFF: AS A CONSUL GENERAL OF LUXEMBOURG IN BRAZIL, WHAT IS YOUR PERSONAL HIGHLIGHT OF THE COUNTRY?

JE: The flexibility and the adaptability of the Brazilian market and its increasing demand for internationalization. Brazil has been undergoing a significant increase of its middleclass and HNWIs base in the last 10 years, it thus shows the huge potential of opportunities for quality services and products to meet their demand.

I am fascinated by Brazil's immense existing potential and the many arising opportunities in various areas. Brazil invests in huge infrastructure projects like transportation, energy and logistics. Its will to globalize is impressive. This matches well with the great capacity of the Brazilians to adapt to new challenges. There is also a great demand to

*Marie Christine **H. MEYERS**,*
Honorary Consul in Rio de Janeiro

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WHAT IS YOUR PERSONAL HIGHLIGHT OF BRAZIL AND ESPECIALLY RIO DE JANEIRO?

*Marie Christine **H. MEYERS***

I want to highlight the fact that Brazil is the 7th largest economy in the world, a major exporter of agricultural and mineral products, having also a solid industrial base producing airplanes and automobiles, which run on ethanol. Additionally, millions of people have been taken out of the poverty line thus improving the economy considerably. Rio de Janeiro, known as the "marvelous city" because of its natural beauty – blend of tropical beaches, mountains and forests- is receiving huge investments in offshore oil and gas production, ports and transportation infrastructure. Steps to improve security are also being taken. Not to be forgotten is the warm-heartedness and friendliness of the local citizens.

increase the bilateral trade and services with the European Union, while developing reliable international long-term partnerships and seeking foreign investors for mid-to long-term projects. The countries' potential for innovation in all areas, especially in the field of technology linked to services, products and finance, is huge. I firmly believe that Brazil has the potential to become a world-class global player.

LFF: COULD YOU PLEASE TELL US MORE ABOUT YOUR JOB AND THE WORK YOU ARE DOING FOR LUXEMBOURG?

MM: I have been the Honorary Consul of Luxembourg in Rio de Janeiro since 1998, having taken over the function from my father. It has been a great honour and a pleasure for me to represent the Grand-Duchy of Luxembourg in the city and the state of Rio de Janeiro all these years. I am also proud to represent Luxembourg citizens who live here, to promote bilateral relations between Luxembourg and Brazil and to show that Luxembourg, in addition of being a leading international financial centre, is also a cultural, touristic and technological hub.

LFF: WHAT ARE YOUR PRIORITIES AS LUXEMBOURG HONORARY CONSUL IN RIO DE JANEIRO?

MM: Every two to three years we receive in Rio financial or economic business missions and sometimes a State mission. These missions have an enormous importance in strengthening the relations between Luxembourg and Brazil and surely are one of the priorities of my function. Another important part of my activity is to take care of the Luxembourgers who live in Rio, providing them passports and any other support, legalizing documents and providing Brazilians with information about Luxembourg.

OVERVIEW OF THE ASSET MANAGEMENT INDUSTRY IN LATIN AMERICA

The UCITS brand is well established and well respected globally, with nearly 30 years of history in the market. It represents strong investor protection and cross-border marketability. Its structure, compliance and disclosure has been constantly improving and growing, thereby facilitating the distribution of funds into Latin America.

The Association of the Luxembourg Fund Industry, (ALFI), has been supporting fund managers and institutional investors to promote Luxembourg funds in Latin America. LFF spoke with Marc Saluzzi, ALFI Chairman, to ask him for his insight into the opportunities and challenges for the fund industry in Latin America.

*Marc **SALUZZI,** Chairman, ALFI*

LFF: WHAT ARE THE KEY OPPORTUNITIES FOR LATIN AMERICAN CLIENTS TO INVEST IN LUXEMBOURG UCITS?

MS: In Latin America, the main opportunities for us are the local pension fund systems. Like any investors, those in Latin America, retail or institutional, need to diversify their asset allocation and gain exposure to different markets and asset classes. We believe that our UCITS funds and sub-funds are great tools to build this asset diversification. This is particularly true for local pension funds. In Chile, 705 of foreign investments made by local AFPs are channeled through Luxembourg UCITS.

The local pension fund systems will need to diversify their asset allocation by investing abroad, and what we need to do is convince them that instead of investing directly, that it is beneficial to consider our UCITS and AIF'S to achieve that exposure to capital markets. That is an opportunity for us and what we have been able to achieve in Chile, Peru and Columbia, so the momentum is building for Luxembourg funds.

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WHICH COUNTRIES IN LATIN AMERICA REPRESENT THE BIGGEST OPPORTUNITIES?

*Marc **SALUZZI***

In Latin America, our key target client segment is pension funds. In most of these countries, national and private pension systems are quite developed and they offer great opportunities for our UCITS today and AIFs tomorrow. In Chile, Peru and Columbia, a Luxembourg UCITS is the preferred investment vehicle to get exposure to international financial markets. Our objective is to replicate these success stories in Mexico and Brazil. We have been visiting Mexico and Brazil quite regularly over the last two years and have built relationships with the local pension fund associations and pension regulators.

LFF: WHAT ARE THE DIFFERENCES WITHIN LATIN AMERICAN COUNTRIES IN THE WAY BUSINESS IS DONE?

MS: The main difference is a varying domestic focus when it comes to investing. In Mexico and Brazil, which are large economies, local pension funds have to mainly invest locally. When it comes to Chile or Peru, local capital markets not being allowed to invest more than 50% of their assets abroad. This is the main difference. And the more pension funds invest large or diversified enough, regulators have quickly allowed pension funds to invest abroad, the more likely they will invest through our Luxembourg funds.

LFF: WHAT ARE THE CHALLENGES THAT LUXEMBOURG HAS TO OVERCOME IN ORDER TO BE COMPETITIVE WITH OTHER FINANCIAL CENTRES?

MS: As we are essentially dealing with institutional investors, we have to make sure our products meet their selection criteria:

- Fund domicle with good rating
- Well regulated funds
- Tax efficiency
- Cost competitveness

On that basis, Luxembourg funds are quite competitive in Latin America but we can certainly not rest on our laurels. Irish funds have regained access to the pension fund markets this year and the US is trying hard to make some inroad in countries like Chile. It is also interesting to note that some countries in the region have the ambition to become the "Luxembourg of Latin America."

LFF: LOOKING TO THE FUTURE, WHAT CHANGES DO YOU SEE IN ASSET MANAGEMENT IN LATIN AMERICA?

MS: The prospects for Latin America are promising and we are working hard to attract local asset management groups to set-up funds in Luxembourg and distribute Luxembourg funds in the local markets. Countries such as Brazil and Chile want to position themselves as hubs for investment funds and replicate the Luxembourg model. Luxembourg could benefit from this situation and build synergies. **GM**

ASSET MANAGEMENT OPPORTUNITIES IN BRAZIL

Brazil has the world's eighth largest asset management industry, with upwards of US$1 trillion of invested assets. Traditionally, invested assets have been tied up in domestic bond and equity markets but new regulatory changes are enabling a shift of direction for international diversification for investment flows towards the international markets. Such changes in the rules pave the way for registered investment funds, high net worth investors and, above all, pension funds to increase investment allocations abroad.

*Roberto **COLAPINTO,***
Head of Regional Coverage Southern Europe & Latin America,
CACEIS

Roberto Colapinto, Head of Regional Coverage Southern Europe & Latin America at CACEIS, works with asset managers to support their investment in Luxembourg. He sees a growing interest towards Luxembourg investment vehicles and UCITS funds from Latin American asset managers who are looking for partners to help them to support their Luxembourg projects.

"It is exciting to see that Luxembourg is now being used by Latin American managers as the primary hub for cross border international distribution. These managers have gained a domestic share in their own market and, now want to be able to distribute to nearby countries and Luxembourg is the preferred option."

SUPPORTING BRAZILIAN FUND MANAGERS

Currently Bradesco, BTG Pactual and Itau have set up UCITS funds in Luxembourg to distribute primarily to Europe and Asia. Other large Brazilian fund management groups are looking at setting-up in Luxembourg and turning to specialist asset service providers for support with the preparation of legal documentation and prospectuses.

"We will take care of compliance, risk management, distribution, essentially everything that is required for fund to be managed in Luxembourg. We are essentially a partner and allow Latin American managers to set up their own structure and to be sure that the investment vehicle will be administered properly, so all they have to think of is managing the investments of the funds", Colapinto explains.

UNWRAPPING UCITS

With over US$2.5 trillion of assets in UCITS investment funds, Luxembourg is the No. 1 global center and distribution hub for UCITS. Investors and asset managers in Brazil, are increasingly using the

*Jon **GRIFFIN**,*
Managing Director,
JP Morgan

*José **CORREIA**,*
Head of Private Clients,
Alter Domus

UCITS framework to broaden distribution. Renowned for traditional products, such as equity, bond, money market and mixed funds, UCITS may also be used to create funds of such funds, master-feeder structures, exchange traded funds, structured funds and some alternative types of funds.

"*Offshore funds cannot be sold in Brazil so asset managers use locally domiciled 'international investment funds' to invest offshore.*" says Jon Griffin, Managing Director at JP Morgan Asset Management in Luxembourg.

AIFMD OPENS UP NEW OPPORTUNITIES

UCITS in many ways is just the older and more established fund sibling of the Alternative Fund Managers Directive (AIFMD) which is aimed at institutional and professional investors. The European Securities and Markets Authority (ESMA) has approved co-operation arrangements between Brazil and all 27 of the EU securities regulators for the supervision of alternative investment funds (AIF). This applies to Brazilian alternative investment fund managers (AIFMs) that manage or market AIFs in the EU and to EU AIFMs that manage or market AIFs in Brazil.

"The AIFM Directive has set several new challenges for the private equity industry. One of them is the obligation to appoint a depositary for each private equity fund", points out José Correia, Head of Private Clients at Alter Domus.

With over ten years experience as a PE and RE specialist, Alter Domus have created a Depositary function in Luxembourg to support managers in the Directive and have set up a dedicated team of experts.

"The members of our Latin American Desk all speak Portuguese or Spanish and have the extensive experience and knowledge necessary to discuss any potential improvement you may wish to bring to your projects or existing structures. We set up local visits on a regular basis to present our firm and to meet our Brazilian clients and local law firms."

FUTURE GROWTH

Asset managers in Brazil are positioning themselves as hubs for investment funds. With nine times the assets of Mexican mutual funds, Brazil's fund industry is by far Latin America's largest mutual fund marketplace and the sixth in the world, with more than 300 mostly independent asset management firms in operation.

Looking ahead, analysts predict Brazil's hosting of the World Cup in 2014 and the Olympic Games in 2016 will attract additional foreign investors to Brazil. **GM**

WHY LUXEMBOURG IS MORE THAN UCITS

For several decades now, the Grand Duchy of Luxembourg has been recognised globally as a jurisdiction of choice for the establishment of UCITS funds and the structuring of corporate groups. Presently, however, there is growing interest from Brazilian players in other types of Luxembourg solutions and structures.

"Luxembourg investment vehicles, which benefit from wide investor recognition, offer attractive, flexible and tried-and-tested solutions."

*Marc **TKATCHEFF,***
Corporate Senior Associate in charge of the Luxembourg-LatAm desk,
Allen & Overy

Firstly, Marc Tkatcheff, Corporate Senior Associate in charge of the Luxembourg-LatAm desk at Allen & Overy, explains that they have recently seen several Luxembourg funds being launched with a view to offering non-Latin American investors the opportunity to invest in Latin American, particularly Brazilian, private equity or real estate assets.

"*Latin America is a very attractive investment region for global investors. This is due to several factors, including the development of several key countries (eg, Brazil, Peru, Colombia, Mexico and Chile), the fair (and sometimes undervalued) price of local assets, and the recognised expertise of Latin American asset managers. Also, in the aftermath of the global financial crisis, EU and US investors are looking for new investment opportunities in 'emerging markets' and countries.*"

The challenge for most Latin American asset managers or banks is converting interest into concrete investments. Some non-Latin American investors may be reluctant to invest in investment vehicles which are governed by regulations that are unknown to them. "*Confidence, not only in the asset manager's capacities, but also in the proposed investment structure, is crucial for investors*", points out Marc. "*Against this background, Luxembourg investment vehicles, which benefit from wide investor recognition, offer attractive, flexible and tried-and-tested solutions.*"

Secondly, there are also see more and more Latin American (Ultra) High Net-Worth Individuals ((U)HNWIs) using Luxembourg vehicles to manage their private wealth.

"Brazilian corporations may use Luxembourg companies to tap international debt capital markets."

*Jean-Christian **SIX,***
Investment Funds Partner,
Allen & Overy

Jan-Christian Six, Investments Funds Partner at Allen & Overy says "*Luxembourg offers a wide range of vehicles which may be used by (U)HNWIs to structure all or part of their wealth, including the specialised investment fund (SIF), the private wealth management company (SPF) and, in the near future, the Luxembourg private foundation.*" Many Brazilian (U)HNWIs have set up new structures in Luxembourg, or relocated existing structures to Luxembourg. Luxembourg vehicles may be particularly appropriate, for instance, for the holding of European investments (eg, EU private equity or real estate). Particularly because of its reputation as a safe and onshore centre , and the depth of its range of available vehicles, Luxembourg is a very attractive location for the establishment of private wealth structures.

Finally, many Brazilian groups or Brazilian public entities seek financing through the listing of bonds on the Luxembourg Stock Exchange. As of today, there are 190 securities listings (debt, equity and depositary receipts) issued by Brazilian entities which are listed on the Luxembourg Stock Exchange.

Six continues, "*Brazilian corporations may, for example, use foreign companies (and, in particular, Luxembourg companies) to tap international debt capital markets. In the traditional structure, a regular Luxembourg financing company (SOPARFI) issues notes and onlends the proceeds thereof to the Brazilian operating company. Investors have long been familiar with this type of financing structure.*"

Currently, many arrangers use Luxembourg securitisation undertakings, which benefit from a very favourable legal regime. When using a securitisation undertaking, the issuer may benefit, *inter alia*, from the recognition by law of the most important features for securitisation transactions (such as the possibility of creating ring-fenced compartments, the recognition of limited recourse and non-petition provisions, etc). **LR**

[1] The Grand Duchy of Luxembourg was removed from the Brazilian grey list in April 2011.

TIME HAS COME TO ADOPT A HIGHER PROFILE

José Da Silva is Head of Latin American & International Markets at BNP Paribas Wealth Management. For many years, José has worked with many wealthy clients from all over the world. LFF spoke with him about the expectations of Latin America's (U)HNWI's and how Luxembourg can prepare them for what lies ahead.

LFF: WHAT ARE THE LATEST TRENDS YOU OBSERVE IN WEALTH MANAGEMENT AND THE SOLUTIONS THAT ARE OFFERED TO LATIN AMERICAN CLIENTS?

JDS: The current trend is clearly going towards international wealth planning solutions. These are cross border compliant, matching local and international requirements, allowing for protection, transmission and growth of professional and corporate wealth, as well as personal and family private wealth.

Clients are looking for geographical diversification of their assets in different countries and jurisdictions, and the right structures to hold their bank accounts, commercial - and private real estate and companies.

They require local expertise within their own time zone, and an international expertise delivered in their own language, respecting their cultural values.

LFF: WHY DO LATIN AMERICAN CLIENTS CHOOSE LUXEMBOURG?

JDS: Clients often choose Luxembourg for its AAA rating and its high degree of political and social stability. It is considered the safest country and capital in the world (Mercer) and attracts people and companies to establish domicile on its soil.

Located in the heart of Europe, Luxembourg benefits from free circulation of people and services in a market of more than 500 million consumers. It is also a leading center for cross-border distribution of investment funds, and for private banking in the Eurozone. It offers the highest regulatory standards for investor protection.

Being the 1st captive reinsurance market in the EU, Luxembourg has become the biggest financial place for listing Latin American bonds.

When making inbound or outbound investments, Latin American clients invest in Luxembourg to reach their final targets located in their own countries as well as in countries in Europe, US and Asia.

Luxembourg has a skilled multicultural staff who speak among other languages, Portuguese and Spanish.

LFF: THE FINANCIAL INDUSTRY HAS BEEN TAKING IMPORTANT STEPS TOWARDS GREATER TRANSPARENCY. HOW HAS THIS IMPACTED YOUR WORK AND BUSINESS?

JDS: There's been a mostly welcomed paradigm change. Contrary to FATCA (countries delivering information to US authorities on assets held by US persons), reciprocity is about to become a worldwide standard under OECD multilateral conventions, preventing recourse to double standard dumping.

Clients are looking for compliant solutions and are keen to protect their private sphere. In some countries clients and their families may encounter great danger if sensitive information ends up in the wrong hands.

LFF: DO THE NEEDS OF LATIN AMERICAN HNWI DIFFER FROM OTHER COUNTRIES' HNWI'S?

JDS: UHNWI clients are looking for a holistic approach and quality financial management.

They expect quick effective answers and the best service for the lowest price. They are willing to fly first class, but not pay more than business class. In terms of wealth planning, the "planning" part is still lacking. To them, the ounce of prevention does not (yet) seem worth the pound of cure.

Awareness for the need of advisory is more and more increasing: clients are looking for solutions matching local and international requirements. **LR**

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WHAT ARE THE CHALLENGES SERVING LATIN AMERICAN HNWI OUT OF LUXEMBOURG?

José DA SILVA

Although Luxembourg has built up a financial place excelling in the fund industry, it needs to develop business opportunities in Latin America and go beyond Chile and Peru, where it is already number 1 for international cross border funds (UCITS).

Clients are awaiting the approval of Luxembourg Private Foundation.

Luxembourg has kept a relatively low profile. The time has come to adopt a higher profile.

BRADESCO APPOINTS NEW CEO IN LUXEMBOURG

Edésio ***DE PAULA E SILVA,***
CEO,
Bradesco

Banco Bradesco, founded in 1943, is one of Brazil's largest private banks in terms of assets. In the meantime, Bradesco Luxembourg has been renamed Bradesco Europa and has become an important hub in Europe. As from this summer, Mr. Edésio de Paula e Silva is the newly appointed CEO. Over the last three years the bank has tripled its assets and became a strong one-stop-shop bank that makes the bridge between Europe and Brazil.

LFF: HOW HAVE YOU FOUND YOUR FIRST WEEKS IN OFFICE AS NEW CEO OF BRADESCO LUXEMBOURG?

EPS: It has been a quite easy and natural evolution. In 2007, I was transferred from Bradesco's international department in Brazil to Bradesco Europa. I started as a Senior Manager, got promoted to General Manager and was recently appointed General Director. I have been working for Bradesco group since 1984.

LFF: BRADESCO IS A LEADING BANK AND HAS BEEN IN LUXEMBOURG FOR MORE THAN 12 YEARS. HOW HAVE YOUR BANK'S ACTIVITIES EVOLVED DURING THIS TIME? HOW DO YOU SEE THE FUTURE?

EPS: The bank's activities have evolved quite well during the recent years, mostly in terms of Corporate Banking, Trade Finance and Private Banking.

Currently Bradesco Europa has total assets of USD 2.7 billion compared to 1 billion in 2010. Our loan portfolio, at the end of September 2014, was USD 2 billion, out of which, 33.5% originated in Luxembourg.

LFF: HOW DOES LUXEMBOURG COMPARE TO OTHER FINANCIAL CENTRES WHERE BRADESCO HAS A PRESENCE?

EPS: Banco Bradesco has a presence in New York, Grand Cayman, Argentina, Mexico, London, Hong Kong and Tokyo. Luxembourg concentrates the majority of our Private Banking business as well as an important portion of the Trade Finance and Corporate Banking businesses. Bradesco Europa is the main conductor of business for corporates in Europe that have activities in Brazil.

The main purpose of the branches and subsidiaries abroad is to support Brazilian customers, individuals and corporates, and attend their demands on the international market, as well as raise funding with the foreign financial community to onlend to customers, mainly aimed to meet foreign trade financing operations. The book balance of assets at Bradesco's units abroad, at the end of September 2014, was USD 62.6 billion. **LR**

EVERYTHING YOU NEED TO KNOW ABOUT LUXEMBOURG AND LATIN AMERICA

LFF spoke with the leaders of the Latin-America desks of Deloitte, Ernst & Young, KPMG and PwC in Luxembourg about the latest topics in business and finance that shape today's agenda.

*Francisco **DA CUNHA,***
Director Cross-Border Tax,
Deloitte Luxembourg

INVESTMENT HUB

Francisco Da Cunha, Director Cross-Border Tax at Deloitte Luxembourg explains how Luxembourg is developing as an investment hub for Latin America.

LFF: WHAT KIND OF ADVICE AND SERVICES ARE CURRENTLY MOST FREQUENTLY ASKED FOR?

FDA: With increased intensity these past three years, Luxembourg has been in the spotlight of LatAm investors.

While more traditional forms of investment structures start to lose their effectiveness (for several reasons but mostly linked to the international context or changes in domestic tax legislation), Luxembourg is appearing more and more as a reliable and compliant jurisdiction for the purposes of establishing an investment platform.

In this context, we are often asked to render advice and services on the establishment of these investment platforms. As we cover the region and not only some investor profiles, this involves a wide range of services and assistance such as establishment of holding companies, incorporation of investment funds, audit, cross-border tax structuring advice, liaison with our regulator, the CSSF, assistance on the incorporation of financial service providers (PSFs), etc.

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BRAZIL FELL INTO RECESSION IN THE FIRST HALF OF 2014. WHAT IS YOUR FORECAST IN TERMS OF GROWTH?

*Francisco **DA CUNHA***

There are some factors that I believe one should not lose sight of when addressing this issue.

Clearly, if we consider (i) the size of the country, (ii) the (still evident) economic exposure to changes in politics, (iii) the real fluctuations and its macro-economic impact, (iv) the lack of basic infrastructure to connect the interior and north regions with the wealthier ones, (v) the uncertainty in terms of legal and tax stability and (vi) some inefficiencies as regards public servicing, we cannot but conclude that Brazil has done an outstanding job these past 8 to 10 years to keep up with more developed nations.

Many fights need to be fought before Brazil is viewed internationally as a risk-free economy to invest in and for Brazilian investors to comfortably invest overseas. In our view, the country is definitely getting there. Recent news of a recession can of course be seen as a step backwards, but this is part of the "learning curve" Brazil has to pass in order to solve the issues above and eventually unlock and unleash all its resources.

LFF: HOW HAVE LUXEMBOURG – LATAM RELATIONS DEVELOPED OVER THE LAST TWO YEARS?

FDA: Since Luxembourg started promoting roadshows involving high-level political and technical delegations to specific countries in Latin America, we have witnessed an outstanding progression on cooperation at an institutional level. From a perspective of cross-border investment, specific cases are the envisaged enlarging of the Double Tax Treaty network between these two regions, and the discussions held for purposes of knowingly removing Luxembourg from "black-lists" radars in several LATAM countries. The reconnection of the embassies of several of these countries with the Luxembourg professional sector (as a mean to monitor and understand Luxembourg's attractiveness for these countries) can also be seen as a positive sign for the future development of economic relations.

LFF: IN WHICH AREAS DO YOU SEE THE MOST IMPORTANT OPPORTUNITIES FOR COOPERATION BETWEEN LUXEMBOURG AND LATIN AMERICA?

FDA: There are a number of areas that start being developed between Luxembourg and LATAM, and others yet to be developed. Essentially, Luxembourg is, from all perspectives, an ideal gateway into Europe, and vice versa for professionals willing to invest in LATAM. This is the case from a fund and investment platform industry perspective (where we have seen more development these past years), but also from a logistic one, given that Luxembourg is ideally located in the middle of Europe and allows to easily and efficiently expand exports for LATAM companies willing to go deeper and wider into European continental markets.

LFF: WHY IS LUXEMBOURG SOMETIMES STILL UNKNOWN TO LATAM CLIENTS?

FDA: I believe Einstein once said that *"if you always do what you always did, you will always get what you always got"*. Luxembourg is, slowly but very steadily, appearing in the spotlight of LATAM clients; and this is nowadays always for the best reasons. Reliability, stability, compliance with international standards as well as appropriate and efficient regulation are the main reasons for this. LATAM clients understand it, and the international framework pushes them to this natural outcome. Some may still not know it (and even then I would dare say not many), but once they do, it will come as evident the possibility to use all the resources this country has to offer, and especially in relation to the Latin American region.

*Patricia **GUDINO**,*
Partner, Tax Advisory services,
EY Luxembourg

Patricia Gudino, Partner at EY Tax Advisory services explains how ICT become an important area for cooperation between Luxembourg and Brazil, the challenges countries in America are facing and what it sometimes means to be blacklisted.

PRIME LOCATION FOR E-BUSINESS GIANTS AND STARTUPS

LFF: WHY IS BRAZIL BECOMING ONE OF THE BIGGEST POTENTIAL MARKETS FOR PLAYERS IN THE ICT INDUSTRY?

PG: Brazil is the fourth largest market of smartphones in the world. As of Q1 2014, it ranks as the second country in the world in number of apps downloaded from Google Play, the top revenue generating app store market in Latin America for iOS and even while the country's economy saw a decrease in growth in 2014, in Q2, mobile devices saw a record growth when compared to the same period in 2013, with an average of 100 smartphones sold per minute to retailers.

Brazil is the second largest country in number of Facebook users (1st: US), and frequently the most active in terms of posting. It is the 5th most connected country in the Internet in absolute terms, with over 109 million Brazilians connected to the Internet. Additionally, Brazil stands as the biggest gaming market in Latin America in terms of revenues.

The Brazilian government sees this potential and is actively encouraging the development, through initiatives such as the "TI Maior", Project Innovative and Competitive Digital Brazil 2015-22 and Start-up Brazil, all geared towards encouraging the development of the ICT industry, by attracting local and foreign enterprises. There are still points of severe struggle, mainly in the infrastructure to support said development and qualified workforce to support the growing industry. Nevertheless, it is still growing steadily.

LFF: WHAT DOES LUXEMBOURG HAVE TO OFFER IN TERMS OF ICT?

PG: Luxembourg is a state-of-the-art ICT hub and has a well-equipped data center park, with access to the main European data traffic exchange centers. Allied with academic programs aimed at capacitating new professionals, as well as programs such as Europe 4 Startup – of which EY is a partner – Luxembourg can serve as an entry door for up-and-coming ICT companies interested in expanding activities to the rest of the world. As a prime location of e-business giants, Luxembourg can be of great assistance to ICT companies envisaging to access the Brazilian market.

Certainly there is plenty of room for cooperation between Luxembourg and Brazil, to promote the expansion of Brazilian ICT companies to the European markets – and the world –, and also the entry of international companies in the Brazilian market, be it through start-up initiatives or as a center for distribution of digital content to Brazilian consumers.

STRATEGIES FOR DEALING WITH THE CHALLENGES

Patricia Gudino explains that one of the biggest challenges is high regulatory risk, in view of unstable legislation and taxation rules. *"Quick and often unpredictable changes to the legal and tax framework create uncertainty for investors. Likewise, foreign exchange controls restrict the freedom to repatriate capital. Regulatory risks such as these materialized, for instance, in the drastic devaluation of the Venezuelan bolivar, allied with over 60% inflation this year and strict controls to remove capital from the country, which results in heavy losses for investors who are unable to take their money out of the country unless using official – and disadvantageous – exchange rates, making their investments lose value rapidly"*. Similar phenomenon was witnessed in Argentina, where the dwindling of foreign cash reserves in the country led to the enforcement of stricter controls over the purchase of foreign currency. Not all countries are as strict, with countries such as Brazil, Peru, Colombia and Chile merely monitoring the inflow and outflow of currency (although Brazil may regulate this with a financial operations tax that can be increased to up to 25% if needed).

POLITICS

Politics also play a role in increasing risk when investing in Latin America. As much as the instability of governments and susceptibility to "coup d'état" have lowered, there are still risks to be taken into account, such as seizing of private companies' operations in times of crisis (as occurred with Repsol two years ago), protectionism, resource nationalism, increased state control over the economy, among others. Patricia says *"Countries tend to have high levels of bureaucracy and compliance requirements, which are linked to the governments' desire to monitor the flows of income in their territories"*. Corruption, intimately linked with the excess bureaucracy and the relatively high shadow economy in the region, is another risk factor.

TAX TREATIES

The lack of an extensive tax treaty network and inconsistent application of treaty provisions can also be a concern for investors to structure their businesses in Latin America. Brazil, for instance, had cases were its particular interpretation of tax treaty provisions led to domestic taxation of business income when, under the treaty, Brazil would not have had the right to tax.

INFRASTRUCTURE

Infrastructure and lack of qualified workforce often can be an issue, but investments and opportunities in these areas are increasing, with professionals investing more and more in their qualification, and in most countries the process for visa is not overly-complex, thus being possible to have expatriate workers when needed.

Despite the challenges, the prospects of a stable and continuous economic growth in Latin America show that it remains desirable to invest in view of the many opportunities. The return can be very attractive to investors who are well-advised to overcome the risks inherent to the region. **LR**

BLACKLISTING

Countries usually create so-called blacklists or greylists with the objective of imposing barriers for outbound payments made to certain jurisdictions which (i) do not levy taxes or levy low taxes, (ii) are deemed to be uncooperative in terms of exchange of information, (iii) lack transparency and/or (iv) do not impose substance requirements.

The consequences of being in a black or grey list have to be assessed on a case-by-case basis, depending on the country legislation. Countries usually levy higher withholding income taxes on payments made to listed jurisdictions. Furthermore, there may also be harder thin capitalization limits and any transaction entered into with a company domiciled in a listed jurisdiction may need to comply with local transfer pricing rules. Other undesirable effects can be the non-deductibility of expenses (interest, royalties, service fees and other income) paid to beneficiaries domiciled in listed jurisdictions and inclusion in the scope of Controlled Foreign Corporation rules.

The 1929 holding company regime, which allowed investors an exemption from corporate taxes, and the banking secrecy rules contributed to Luxembourg being historically included in certain black or grey lists. Some countries have removed Luxembourg from their lists after the termination of the regime. Others, however, for the lack of specificity in their lists, include Luxembourg as a whole, irrespective of the taxation regime to which the companies are subject to.

Although the 1929 holding regime ended in 2010, it should be noted that the legislation approving the blacklist in certain countries dates prior to 2010.

Patricia explains *"Brazil initially had listed Luxembourg holding companies as preferential tax regimes, with no specific mention of the 1929 regime. Luxembourg has engaged in discussions to clarify that the regime had been terminated in 2010 and, as a result, Brazil has removed Luxembourg from the list"*.

THE LUXEMBOURG PRIVATE FOUNDATION - A NEW TOOL FOR PRIVATE WEALTH PLANNING

Bastien ***VOISIN,***
Partner,
KPMG

Bastien Voisin, Partner at KPMG explains how Luxembourg's introduction of the private foundation will benefit Latam clients and what the automatic exchange of information will mean to them.

With the new private foundation, Luxembourg introduced a flexible and tax efficient vehicle to organize succession planning and preserve family wealth. It is aimed to attract Latin American entrepreneurs and high net worth individuals and families as an alternative to foundations or trusts existing in other financial centers such as Panama or the Bahamas. However, the Luxembourg private foundation is in no way designed to hide information from the tax administration. Indeed, the board of directors of the private foundation will be required to make available to public authorities all documents necessary for identifying its founder and the beneficiaries at the registered office.

"The use of a private foundation is limited to individuals and patrimonial entities with the objective of managing private wealth. It is suitable for securing private or business assets, for separating economic ownership from the decision-making authority, or for protecting the private sphere" says Bastien Voisin.

The foundation has its own legal personality and the capital contribution is of minimum Euros 50.000. It can hold movable or immovable properties as well as entities.

Together with the private wealth management vehicle (societe de gestion de patrimoine familial) and the family office, the private foundation aims to complete the range of wealth management instruments at the disposal of entrepreneurs and high net wealth individuals in Luxembourg.

It is also intended to preserve the solid reputation of the country in private banking following the government's decision to abolish bank secrecy by 2015 and to introduce an automatic exchange of information with third party countries.

"The Luxembourg private foundation could be seen as the "civil law" counterpart of the "common law" based Anglo-Saxon trust. The manner in which a foundation is established and run, however, is quite distinct from a trust".

The trust is a relationship created through a private writing, where a trustee holds and controls assets for the benefit of beneficiaries. On the other hand, a foundation is an autonomous legal entity. It has characteristics of a company however the foundation has no shareholders and acts more like a trust.

Another main distinction between the trust and the foundation lies in the fact that an instrument of trust is not registered and is kept with the trustee, whilst a Notarial deed must be drawn up for a foundation. **LR**

AUTOMATIC EXCHANGE OF INFORMATION: LUXEMBOURG TO SHARE TAX INFORMATION IN 2015

LFF: WHAT DOES IT COVER AND WHAT WILL CHANGE FOR LATAM?

BV: The days of information on request look to be numbered after the OECD released its new global Standard for Automatic Exchange of Financial Account Information in Tax Matters last July.

The Standard is based to a large degree on the United States FATCA intergovernmental agreements in that jurisdictions obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions that need to report and the different types of accounts and taxpayers covered.

At the same time, many Latin American countries have adopted Controlled Foreign Corporation (CFC) rules to fight against tax evasion and tax undistributed income of foreign entities located in tax havens and controlled by domestic taxpayers. The development of CFC rules combined with automatic exchange of information should definitely encourage Latin American investors to migrate in the near future their assets from popular tax havens such as British Virgin Islands, Bahamas or Cayman Islands towards compliant financial centers that are not blacklisted.

LFF: WHAT HAS CHANGED SO FAR?

BV: End of 2012, Mexico has entered into a FATCA Model I Intergovernmental Agreement with the US. For Mexican residents, the agreement provides for automatic reporting and exchange of information in relation to their US financial accounts.

In 2013, Brazil has entered into a tax information exchange agreement (TIEA) with the US and Cayman Islands.

Over 66 jurisdictions including Argentina, Brazil, Colombia and Chile have now publicly committed to implement The Standard and more are expected to follow.

Luxembourg is part of a group of early adopter jurisdictions that have committed to a specific timetable leading to the first exchanges of information in 2017.

Bringing the new global standard into force will still require a lot of work and it is unclear when all of the pieces of the jigsaw will be in place. However, the G20 countries at least expect to be exchanging information with each other automatically by the end of 2015. **LR**

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WHAT DOES IT MEAN FOR LUXEMBOURG? WHAT WILL LUXEMBOURG BE ABLE TO OFFER TO LATAM CLIENTS IN THE FUTURE?

Bastien VOISIN

With the new Standard, a new way of doing business is emerging that is based on being globally compliant and tax transparent.

Being at the forefront of these changes, Luxembourg has already paved the way for its compliance with automatic exchange of information.

In this ever-changing environment, Luxembourg will be able to provide the right answers to Latin American clients in need for certainty. By adopting the new global standards, Luxembourg's attractiveness to foreign investments would remain unaffected and even grow. In this regard, the main advantages of Luxembourg are the diversity in financial products, investment vehicles and solutions, a strong tradition in private banking, an extensive double tax treaty network and the access to the European market via the European passport for alternative investment fund managers.

IN THE SPOTLIGHT: CFC RULES

The Brazilian tax environment is constantly evolving. However, despite the recent attempts of the Brazilian government to introduce changes in the taxation of national residents ("Investors"), as per MP 627/2013 issued in November 2013 ("CFC rules", among other changes), the cash basis system is still in place. How long this is going to last remains unclear. Based on said system, only the Investors' effective receipt of income from their participation in a foreign company would by itself lead to taxation in Brazil.

*Serge **SAUSSOY**, partner and Private Wealth Services Leader, PwC Luxembourg*

*Monica **TIUBA**, Senior Manager, Private Wealth Services*

In this context, if the proposed introduction of CFC rules is approved, an annual basis system will henceforth apply to three situations as from 1 January 2015. Either:

- the CFC is to be located in a low-tax jurisdiction or subject to a privileged tax regime; or
- the CFC is to be subject to a sub-taxation regime (i.e. a regime which taxes resident companies at a nominal tax rate below 20%); or
- the Investors will not make the relevant documentation on the CFC available (e.g. certificate of incorporation identifying the other shareholders and subsequent amendments, registered with the relevant public offices).

These proposed rules would apply in case the Investors' participation in a CFC exceeds 50%, regardless of whether the latter is held alone or jointly with another individual or corporation located in Brazil or abroad and considered to be related.

Accordingly, the profits of said CFCs would be made available but not effectively distributed to Investors, and consequently be taxed in Brazil at a progressive tax rate of up to 27,5%.

Therefore, the widespread use of low- or nil-tax jurisdictions to avoid an immediate taxation in Brazil could soon become inefficient. This could be particularly relevant considering both changes in the future and the evolution of Investors' mind-sets remain uncertain. Any fiscal strategy should take into account the economic reasoning underlying the investment structure in question.

Finally, although MP627/2013 was converted into Law 12.793/2014 without including the CFC rules for individuals, one may consider it only a matter of time before the latter are adopted. With this in mind, Brazilian investors are poised to get acquainted with new investment structures. Combined with genuine business objectives, such an approach could justify their international structuring and investments and ensure efficiency in the long term.

Being a well-developed financial centre with a wide range of alternatives (SIF, Soparfi, SPF, etc.) which is white-listed in Brazil and home to a very significant Portuguese-speaking community, Luxembourg offers solutions that aim at ensuring compliance with similar types of rules. As such, the Grand Duchy is definitely the right jurisdiction to consider.

*By Monica **TIUBA**, Senior Manager, Private Wealth Services and Serge **SAUSSOY**, partner and Private Wealth Services Leader, PwC Luxembourg*

FAMILY OFFICES

According to the latest "Brazil 2014 Wealth Book", the number of Brazilian High Net Worth Individuals is forecast to grow by 17% to reach 233,837 by 2018, while HNWIs wealth is expected to increase by 27% to reach US$1.32 trillion by 2018. In this context, the Family Office market has been growing as a response to the ever-changing need of HNWIs for new structures and tailor-made solutions.

SGG S.A. has developed a global expertise in the field of Family Office, Corporate Services and Fund Administration. LFF sat down with Serge Krancenblum, CEO of SGG S.A. and President of the Luxembourg Association of Family Offices (LAFO) and Guilherme Bezerril, currently representing the SGG Group in Brazil to discuss the scope of the Family Office market and how Luxembourg positions itself as a strategic partner for HNWI Brazilian clients.

Undergoing a significant change, Brazil's pool of millionaires has been gradually shaped by a new class of investors and entrepreneurs with a growing international focus. *"As opposed to the traditional wealthy families who mostly focused on wealth maintenance and succession planning, the new class of young millionaires is very active, well informed and focused on finding new wealth management solutions, including international ones, on an rising pace"*, says Guilherme Bezerril.

With a rising number of HNWIs, the Family Office market in Brazil has grown substantially over the last 20 years as an integral part of both core asset management activity and those of legal, tax advisory and investment consultancy. *"Banks in Brazil tend to limit the spectrum of investment alternatives offered, to their own financial products and limited services. Therefore, clients certainly welcome the intermediation of a Family Office as an independent and specialised agent and advisor"*, points out Mr Bezerril.

Acting as a gatekeeper, the Family Officer serves the needs of private individuals, families or patrimonial entities and coordinates, controls and supervises all the interlocutors of his customers, ranging from asset managers, lawyers, banks to notaries. *"A family office has an overview of the whole fortune of the client: its shares in companies, its real estate properties, its various assets such as works of art and its personal and family organisation"*, explains Serge Krancenblum.

*Serge **KRANCENBLUM**,*
CEO of SGG S.A. and President of the Luxembourg Association of Family Offices (LAFO)

*Guilherme **BEZERRIL**,*
Representing the SGG Group in Brazil

LUXEMBOURG: A FIRST-MOVER ADVANTAGE

Following the steps of Dubai and the United States, Luxembourg was the first European country to implement a coordinated legal and regulatory framework for the activity of Family Offices on 21 December 2012. Within this new framework, the activity of multi-Family Offices is reserved to specific Luxembourg regulated professionals, which have to comply with additional professional obligations but also ensures the respect of the highest standards and a thorough clientele protection: vigilance towards the client, adequate internal organisation as well as cooperation with authorities are Compliance obligations for Family Offices.

In international comparison, the law is unique. *"The way Luxembourg implemented the law, we are the only ones in the world,"* points out Serge. *"Luxembourg is the only country in the world where a family office has to report to the family on all the remuneration received, directly or indirectly. We are very keen to provide secure services in Luxembourg,"* points out Mr Krancenblum.

Luxembourg's pioneering legal framework in Europe is considered as a considerable added value with regard to emerging countries. *"In Brazil, there is no such legal and regulatory framework on the Family Offices activity. Therefore such pioneering initiatives shall certainly generate a very positive impact on Luxembourg and is a valuable added value for the local regulator and Family Offices industry,"* says Guilherme Bezerril.

A NEW TREND

Despite the fact that European solutions are not known enough, providers are increasingly interested in learning more about them for possible adoption, in particular thanks to the innovative and sophisticated alternatives they offer.

Institutional and corporate clients are said to be the ones who adopt European solutions the most. European choices by such clients are driven by the greater complexity of their projects, demanding a refined know-how and a more sophisticated level of tax and legal advisory involved in conception and implementation.

"Due to stringent regulations worldwide, flow of capitals and fight against money laundering, Brazilians are in a clear move towards preferring European solutions in detriment to offshore alternatives of black/grey qualifieds jurisdictions", explains Guilherme Bezerril.

"White-listed by Brazilian Authorities in March 2011, Luxembourg reaffirms its strategic edge and its privileged position to serve Brazilian clients who invest or trade abroad. It has been and will continue to be a valuable asset to help Brazilians put Luxembourg on the map", adds Serge Krancenblum.

In this respect, Luxembourg has become well positioned on the global market to play an active role in the family office businesses, thanks to its wide spectrum of services coupled with a stable tax and regulatory environment.

"We don't expect to attract Brazilian families to live in Luxembourg but most of their assets can be organised through Luxembourg structures as they are considered as flexible and secure. Luxembourg's expertise is recognized worldwide because of its thorough asset protection toolbox, large offering of legal vehicles, sophisticated and secure solutions. When Brazilians want to invest, they need a high level of sophistication and Luxembourg is definitely the right platform for that", points out Serge Krancenblum.

LUXEMBOURG: A HUB WITH INTERNATIONAL FOCUS

The increasing international focus of Brazilian clients also has an impact on the work of Brazilian Family Offices, coupled with local lawyers and asset managers. In this context, Luxembourg's effective cross-border expertise is considered as a valuable asset.

"Working in partnership with a Luxembourg-based Family Office and other services' providers shall mean to them widening international experience and getting required assistance with implementation of European solutions and related services, Luxembourg in particular", points out Guilherme Bezerril.

Brazilian asset managers are more and more looking into forming Luxembourg Specialized Investment Funds (SIFs) and Investment Company in Risk Capital (SICARs). *"Motivation behind this trend is the recent changes in Brazil's legislation allowing for greater percentages of investments in foreign assets to form the portfolio of Brazilian Funds"*, he adds.

Luxembourg has a bright future in positioning itself as a centre of excellence for Brazilian HNWIs. *"The Luxembourg Private Foundation will considerably contribute to the development of the private banking sector in Luxembourg. We have all the tools to organise the assets of families"*, concludes Serge Krancenblum. **OB**

LISTED IN LUXEMBOURG

*Hubert **GRIGNON DUMOULIN**, Member of the Management Board*

Over the past 50 years, the Luxembourg Stock Exchange carved itself out a niche as the largest listing centre for international debt securities. Developing continuously on the edge of innovation, the label "Listed in Luxembourg" is recognised in the international capital markets from Buenos Aires to São Paulo.

Today, 70 sovereign issuers and 12 supranational institutions, top a client list of some 3,000 issuers from more than 100 countries. Besides being internationally recognised for bond listings, we also list Shares & GDRs (e.g. from India and Taiwan...), Warrants, Investment funds, ETFs, Sukuk (e.g. from South Africa, Luxembourg...), ABS... amounting to a total of 40.000 listed securities.

On this, Latin America is a major market for the LuxSE. Hubert Grignon Dumoulin, Member of the Management Board, explains: *"Since the 1960s, large Latin American debt issuers are using our listing capabilities. This is notably linked to our network of advisors (law firms and international Banks) who are based in London, in New York and also in Luxembourg and who are familiar with the LuxSE and the high quality services we provide to our joint customers."*

However, in a competitive world the notion of habit does not explain why Luxembourg has listed sovereign issues for every country in South and Central America, not to mention bond issues by corporations. Hubert Grignon Dumoulin concedes this: *"Luxembourg has shown long term loyalty. Twenty years ago, people were cautious about the ability of some Latin American issuers to fulfil their commitment in an environment of high inflation. We supported them before they became fashionable and listing on the LuxSE opened doors for them to access an institutional investor base. Furthermore, Luxembourg's reputation for political neutrality is another important factor."*

On the corporate side, Latin America generates big business for the LuxSE. Some 21% come from Brazil: e.g. 270 listings by 71 issuers include giants like Petrobras, Vale, Odebrecht, Electrobras and a dozen major Brazilian banks. This pattern repeats itself for other Latin American countries: Aeropuertos and Enersis from Argentina; Codelco and Cencosud from Chile; America Mobil, PEMEX and Grupo Televisa from Mexico; Abengoa and Camposol from Peru; PDVSA from Venezuela and BBVA from Paraguay... to name but a few.

In addition, all the major Spanish banks are present in Latin America raising money through their subsidiaries to finance their Latin American operations. A more recent phenomenon is that the Spanish head offices raise money for themselves through Latin America in order to benefit from the superior ratings available there.

Finally, the LuxSE has the capacity to list a large variety of currencies, including Brazilian Real, Mexican Peso, Peruvian Nuevo Sol, Chilean Peso. On the whole, the LuxSE lists securities in 54 different currencies.

All this reasons make the LuxSE a prime location for Latin American and prominently Brazilian issuers to tap international capital.

ENCOURAGING AND FACILITATING PHILANTHROPIC COMMITMENT IN LATIN AMERICA

Wealthy individuals and families in developing countries have a long tradition of making contributions to alleviate social problems, including poverty, illiteracy, and fatal diseases. In recent years, the number of wealthy individuals and families in Latin America have grown exponentially as these countries have developed in economic terms and influence. An increasing number of newly well-off entrepreneurs, families, and their companies express an interest in "giving back" to their societies through foundations or other mechanisms.

Let's take the example of Brazil which has experienced huge economic growth over the last decade, but without a corresponding social growth. The country has a large formal civil society and private wealth has significantly increased.

ENHANCING SOCIETY TOGETHER

Philanthropy can play a fundamental role in social development in Brazil - in fact, we already see this happening. Today's donors are moving away from pure charity, typically characterised as an emotional act of the moment, to philanthropic giving, which involves a more long term and focused approach. They see a role in enhancing society, especially in the areas of education and health. Benefactors want to be personally involved in the cause they support, often in collaboration with other foundations. One of the main challenges seems to be that Brazil lacks a solid framework and legislation for foundations to enable people to create endowments or funds.

In recent years, Luxembourg has created an effective public-private partnership, which enables donors from all over the world to set up their personal endowment foundations under the umbrella of the Fondation de Luxembourg. Through this initiative, Luxembourg can provide its cross-border expertise and offer Brazilians a strategic approach to philanthropy within a secure structure.

STRATEGIC APPROACH TO PHILANTHROPY

The Fondation de Luxembourg is an independent center of expertise and advisory in the field of philanthropy. It provides support to donors wishing to make a long-term commitment to the development of significant philanthropic projects by developing specific tools and structures. The Fondation has strong backing from the Luxembourg government and offers a personalised approach, combing flexibility, influence and discretion.

*Tonika **HIRDMAN**,*
Director General,
Fondation de Luxembourg

Luxembourg can provide its cross-border expertise and offer Brazilians a strategic approach to philanthropy within a secure structure.

CUTTING OUT RED TAPE AND ADMINSTRATIVE COSTS

As an independent foundation with public support, the Fondation de Luxembourg facilitates philanthropic engagement by providing advice and guidance to both donors and private bankers from all over the world. At the same time, the Foundation offers an umbrella structure that enables donors to establish their own philanthropic foundations, benefiting from all the advantages of stand-alone foundation, while minimising administrative and cost burdens. This allows donors to structure their long-term philanthropic commitments within a secure and transparent legal framework, while supporting projects either in their home country or elsewhere.

Under the umbrella structure, each foundation maintains its own bank account and management committee, where the founder is a member, and files its own annual reports. At the same time, the Fondation exercises rigorous oversight designed to ensure that the individual foundations are properly governed, while benefitting from the possibility of collaborations with other foundations pursuing similar objectives. A high level of confidentiality is guaranteed: the founder, beneficiaries and amounts contributed do not have to be publicly disclosed.

SUPPORTING PROJECTS ACROSS CONTINENTS

Since the Fondation de Luxembourg was created by the Luxembourg State and the Oeuvre Grande-Duchesse Charlotte in December 2008, it has facilitated over 100 worthy philanthropic projects across the globe, including poverty alleviation, education biodiversity, public health, science and culture. There are no restrictions on the geographic destination of these projects. Along with the political and economic stability of Luxembourg, these qualities make the Fondation de Luxembourg appealing to an international clientele.

As an example, in partnership with the Fondation Linkels-Voss, the Fondation de Luxembourg is supporting the construction of dormitories for indigenous university students from Tocantina in Palmas, Brazil. The project takes into account their specific needs and cultural diversity. Reaching a higher level of education is important in order to give indigenous peoples the opportunity to better understand both the national and regional contexts. However, the framework also aims at strengthening young people's commitment with their respective populations.

Sympathy for our fellow human beings and the desire to make an active contribution to their welfare are the cornerstones of any philanthropic action. At the Fondation de Luxembourg, Latin American donors will find an attentive and dedicated discussion partner, whatever their philanthropic aspirations may be. **GM**

HOW DECADES OF EXCELLENCE IN STEELMAKING CAN BUILD A HIGH-STRENGTH FUTURE

ArcelorMittal is at the forefront of steel production in Latin America. Looking ahead, Latin America will require large amounts of steel for infrastructure, transport and construction. LFF spoke with Lou Schorch, member of the Group Management Board and CEO of ArcelorMittal Americas, about the Latin American economy and ArcelorMittal's strong track-record in the region.

*Lou **SCHORCH**, Member of the Group Management Board and CEO, ArcelorMittal Americas*

LFF: THE WORLD'S LEADING STEELMAKER, ARCELORMITTAL, HAS ALWAYS BEEN WELL POSITIONED TO CHECK THE ECONOMIC PULSE OF A REGION. WHAT ARE THE ECONOMIC TRENDS YOU'VE OBSERVED DURING THE LAST TWO YEARS IN LATIN AMERICA AND WHAT WOULD BE YOUR FORECAST FOR THE COMING MONTHS?

LS: Brazil has managed through the financial crisis quite well. However, over the last two years, particularly at the beginning of this year, the growth rate has slowed.

One of the reasons is that China has always been a very important driver for the Latin American economy. Commodity prices have remained flat or dropped due to the deceleration in China.

Despite some softening in steel demand, the prospects are still good overall. There are emerging economies that have a lot of positive factors going for them. Construction remains a relatively healthy component of steel demand. However, the manufacturing industry is facing several challenges as a result of foreign competition.

We hope that the current pause is temporary. We don't expect Brazil to have the same growth rate as China, but it would be important to regain the 4 – 5% of a few years ago.

LFF: HOW IMPORTANT ARE YOUR OPERATIONS IN BRAZIL TO THE ARCELORMITTAL GROUP?

LS: The operations are very important because we are the largest producer in Latin America. The Brazilian operations currently count for approximately 20% of the group's total production capacity and our aim is to grow our position in Latin America.

We are investing around US$15 million in the production of advanced high strength steel at Vega do Sul flat steel rolling mill in southern Brazil. Much of that investment will be directed to adding the capability to produce Usibor®, a press-hardened boron steel with an aluminium-silicon coating used mainly in the automotive industry. This product allows manufacturers to create lighter, safer and more environmentally friendly vehicles at an affordable cost. We are installing this Usibor® capability now because in an emerging market you first need to reach a point at which demand is sufficient and we believe Brazil is at that point now.

In addition, a new high-quality wire-rod mill will be installed in Monlevade, as well as a new bar mill in ArcelorMittal Acindar, Argentina.

Each of these investments reflects our long-term confidence in the region.

Our results and profitability are generally good. ArcelorMittal's operations in Brazil have several structural upstream advantages that save costs: efficient port facilities for importation of coking coal and other inputs, energy efficiency including proprietary hydroelectric operations, access to raw materials (Andrade iron mine), private eucalyptus forests for sustainable charcoal production, as well as scrap collection and processing.

Exchange rates also play their part. We are currently at 2.3 real to the dollar, whereas 2 to 3 years ago it was almost 1.6 real. It is difficult to be competitive at an exchange rate of 1.6.

LuxembourgforFinance

WHAT HAVE BEEN THE BIGGEST CHALLENGES FOR ARCELORMITTAL'S OPERATIONS IN LATIN AMERICA?

Lou ***SCHORCH***

In terms of operations, there are always opportunities to improve but in general we feel very satisfied about the businesses we have in Latin America.

Relaying my colleagues point of view in the region, challenges are mostly connected to the macro-economic environment. In the past, Brazil has achieved a lot in terms of strengthening the middle class and addressing poverty. However, more has to be done. There are urgent structural reforms that are needed in Brazil such as infrastructure, pension provision, taxation and labor reforms.

Another challenge is Argentina. Latin America's third-largest economy has slid into recession. Major challenges are looming for the Argentinian economy.

LuxembourgforFinance

ARCELORMITTAL'S STEEL PLANTS IN BRAZIL AND LUXEMBOURG PRODUCE SOME OF THE WORLD'S BEST STEEL PRODUCTS. WHAT'S THE SECRET OF THEIR SUCCESS AND WHAT DOES A STEEL PLANT IN A SMALL COUNTRY SUCH AS LUXEMBOURG HAVE IN COMMON WITH A STEEL PLANT IN A LARGE EMERGING MARKET SUCH AS BRAZIL?

Lou ***SCHORCH***

Whether it is a sheet pile in Luxembourg or Usibor® in Brazil, ArcelorMittal can bring our substantial R&D and technical experience to bear. We spend more than 300 million USD on R&D each year. Our global footprint is larger than our competitors and constitutes a shared strength.

Similar to Luxembourg, ArcelorMittal Brazil has state-of-the-art assets across all the product lines and is home to some of the best plants in terms of lay-out, logistics and scale.

Some of the advantages we have are very difficult and expensive for our competitors to reproduce.

LFF: ARCELORMITTAL'S OPERATIONS IN BRAZIL HAVE ALWAYS BENEFITTED FROM A VERY GOOD REPUTATION IN TERMS OF MAINTENANCE AND CORPORATE RESPONSIBILITY. HOW DO YOU EXPLAIN THIS?

LS: This excellent reputation goes back decades and decades and has helped us to attract the best people. They again help us to maintain and perpetuate a good reputation. It feeds itself. Our employees in Brazil recognise the contribution that an advanced steel operation can bring to the country and the economy. The employees appreciate working for a global leader and wish to have a part in that.

LFF: WHAT ARE THE MAJOR PROJECTS YOU ARE SUPPLYING STEEL TO? IS THERE ANY STEEL 'MADE IN LUXEMBOURG' USED IN LATIN AMERICAN CONSTRUCTION PROJECTS?

LS: ArcelorMittal plays a role in most of the larger infrastructure projects in Latin America where steel technology is used. Our global sales and distribution network helps us to offer tailor-made solutions and to promote unique products such as sheet piles and jumbo beams from Luxembourg.

More than 80,000 tons of sheet piles were shipped from Luxembourg to Latin America over the last 3 years. One of the biggest projects where you can find them is Porto de Açu, north of Rio de Janeiro.

More than half of the steel used for the infrastructure works related to the World Cup has been supplied by ArcelorMittal Brazil, for a variety of buildings from stadiums, to train stations and giant aquariums.

The company is also supplying 50,000 mt of steel for the biggest ongoing construction project in Brazil -- the $26 billion Belo Monte hydroelectric dam complex on the Xingu River, in the north eastern state of Para. It is one of the largest hydro-electric projects in the world comparable to the Three Gorges Dam in China. **LR**

GROWTH OPPORTUNITIES IN BRAZIL

With a fleet of 55 geostationary satellites, SES is a world-leading satellite operator which provides satellite communications services to broadcasters, internet service providers, mobile and fixed network operators as well as business and governmental organisations around the world. With five satellites authorised in Brazil, and two recent acquired orbital locations, the company stands as a strong competitor to satisfy capacity needs and rising market demands in Brazil.

LFF spoke with Jurandir Pitsch, Vice President Market Development, Latin America and the Caribbean about the scope of SES's activities in Brazil and future projects.

*Jurandir **PITSCH**,*
Vice President Market Development,
SES

LFF: HOW IMPORTANT IS THE BRAZILIAN MARKET FOR SES?

JP: Brazil is the most important market for SES in Latin America. Our company has been located in Brazil since 1998, originally as New Skies Satellites, a company acquired by SES.

SES has five satellites authorized in Brazil by Anatel, the Brazilian National Telecommunications Agency, and has recently acquired two orbital locations from the Brazilian administrations, which will increase SES's presence and market share in the country. Current market share is around 23% according to Anatel's data. SES is the third largest satellite communications company in the country, with Star One, the local satellite company and Intelsat.

LFF: WHAT ROLE DOES YOUR BRAZILIAN SUBSIDIARY HAVE WITHIN SES?

JP: Our Brazilian subsidiary, SES DTH DO Brazil, is increasing its presence in Brazil, growing from 6 to 12 persons in the next 2 months. With the recently acquired Brazilian positions, SES will have to control two satellites (occupying the Brazilian positions) from Brazil, which will further increase the importance of the Brazilian subsidiary.

LFF: WHAT BUSINESS OPPORTUNITIES DO THE EMERGING MARKETS OFFER?

JP: In countries like Brazil, with a larger territory, the use of satellite is important for integration. Basically, all areas depend on satellite, for example for video distribution, Internet trunking – providing high capacity to cities in the North, West and North East regions of Brazil, GSM and 3G base station connection in the north of the country, fiber restoration and government digital insertion programmes, such as the Brazilian GESAC network.

LFF: WHAT ARE THE MAIN DRIVERS FOR THE DEMAND OF SATELLITE SERVICES IN BRAZIL?

JP: We see demand growing in different areas: 3G expansion in areas with less terrestrial infrastructure like Amazonia and the West of Brazil, digital insertion programmes, enterprise satellite ground stations (VSAT) – especially in the oil and gas areas of Macaé and Santos - and the Direct-to-Home (DTH) expansion, considering that the pay TV penetration in Brazil is still relatively low.

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WHAT CHALLENGES DO YOU HAVE TO OVERCOME IN THE BRAZILIAN MARKET AND HOW DO YOU ADDRESS THEM?

Jurandir ***PITSCH***

Brazil has a very difficult and complex tax system which is sometimes very hard to understand at first. The regulatory system in Brazil is also complex and demands much effort in terms of providing reports and negotiating the landing rights. Different from most countries, Brazil requires a complex landing rights procedure for foreign companies. SES works with the local Satellite Association and Chambers of Commerce, with the regulator as well as the government in order to reduce some of these burdens.

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WHAT MAKES THE BRAZILIAN MARKET SO DIFFERENT FROM OTHERS?

Jurandir ***PITSCH***

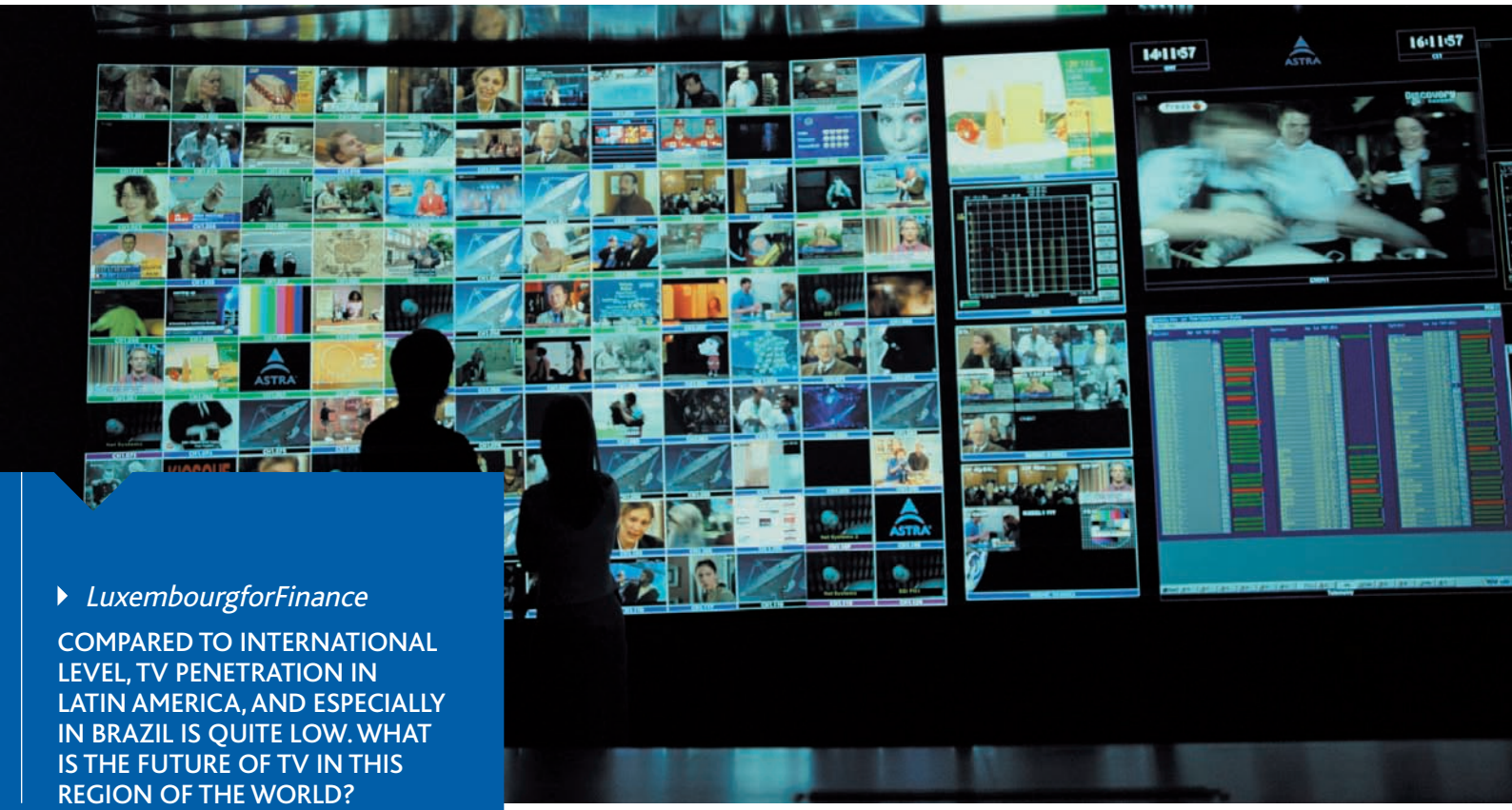
For satellite communication, Brazil is a relatively open market. In fact, all major operators have subsidiaries in Brazil and almost 40 satellites are authorized. Brazil has a very strong National Telecommunications Agency (Anatel), which pushes the satellite operators to use Brazilian Orbital locations instead of foreign ones. This was one of the main reasons SES decided to invest in two orbital locations in Brazil. This way, the company is able to operate also as a Brazilian satellite operator. The way Brazil auctions the orbital locations is quite unique and quite expensive.

On the other hand, the relatively low income of the population does not allow the adoption of expensive technologies. On average, the market price of the capacity is lower in Brazil than in the more mature markets, such as the US and Europe and is similar to prices in Asia. This is a challenge for satellite companies: bring more capacity to the emerging markets, with lower cost and still make a reasonable return to justify the investment.

LFF: BRAZIL WAS THE HOST OF MAJOR SPORTING EVENTS SUCH AS THE CONFEDERATION CUP IN 2013 AND THE 2014 FIFA WORLD CUP. IT WILL ALSO HOST THE OLYMPIC GAMES IN 2016. THESE MAJOR SPORTING EVENTS, WHICH ATTRACT GLOBAL ATTENTION, ARE BROADCASTED WORLDWIDE. WHAT ROLE DO YOU PLAY IN SUCH IMPORTANT SPORTING EVENTS?

JP: Satellite technology was used for two reasons in the World Cup. In the first case, the C-Band satellite capacity served as a backup for the transmissions, in case of failure with sending data via optical fiber. Furthermore, the transmission of news from the national teams, which were scattered over the Brazilian territory, demanded extensive Ku-band,.a specific frequency range, currently used for transmissions to and from broadcast satellites. Thanks to satellite technology, sports fans could follow everything that was happening in the training centers, the player's and the World Cup's atmosphere in Brazil. In total, SES provided more than 45,000 hours of broadcast from nine different satellites and teleports.

For the Olympic Games, SES and the satellite operators will have the challenge to transmit multiple sports simultaneously from the same city. And to meet this extensive satellite capacity demand, the company is preparing several satellites.



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COMPARED TO INTERNATIONAL LEVEL, TV PENETRATION IN LATIN AMERICA, AND ESPECIALLY IN BRAZIL IS QUITE LOW. WHAT IS THE FUTURE OF TV IN THIS REGION OF THE WORLD?

Jurandir ***PITSCH***

The pay-tv market in Brazil and the region has great potential for growth. According to ABTA - Brazilian Association of pay-tv, it is expected that the country will have 20 million users this year. Another survey, developed by SES with the Economist Intelligence Unit (EIU), pointed out that this market will reach 35 million users by 2017. In addition, satellite broadcasting should be responsible for at least 70% of the pay TV market in the country in 2015.

Therefore, we believe that the market will expand, so we are investing in the region. For example, the SES-10 satellite, which is currently under construction, is the company's first satellite specifically designed for the region of Latin America. The launch date will be in mid-2016.

LFF: WHAT ARE YOUR FUTURE PLANS IN BRAZIL?

JP: SES recently won two Brazilian orbital positions, in the ANATEL auction, held in May 2014. Thus, SES gained access to the 48 degrees west and 64 degrees west positions.

For the first position, SES will have up to four years to fill the slot. For that, the company intends to move the NSS-806 satellite (which is already in orbit and which still has a considerable lifetime), until a new satellite is available.

For the second slot, SES will have up to six years to and has already begun developing plans for the position.

In addition, the company is also investing in an Antenna Programme in the region, so customers and partners can have visibility of the planned C-band capacity of the SES-6 satellite. This will make new transponders available for the region. More than 250 antennas and kits will be provided for cable operators in Brazil. Other countries will also be included soon in the programme, such as Colombia and Peru. **OB**

TAKE-OFF FOR TRADE

Headquartered in Luxembourg, Cargolux is one of the leading cargo airlines worldwide, ranking as the 7th largest air cargo carrier worldwide and the number one all-cargo carrier in Europe.

With over forty years of experience in high-quality airfreight, the Luxembourg company operates scheduled and charter services on a network spanning all continents with a modern and efficient fleet of Boeing 747-8 and 747-400 freighters.

Cargolux has more than 85 offices in over 50 countries and also serves more than 115 trucking and 10 online destinations all over Europe.

The international focus of Cargolux is shown in the key importance of the Latin American market in the companies' activities.

While Brazil represents Luxembourg's largest trading partner in Latin America, the country is an important cornerstone of Cargolux's South American operation. *"Brazil represents the major trade lanes for various commodities ranging from automotive to fruits"*, says Pier Curci, Vice President the Americas at Cargolux.

In this context, emerging markets account for an important part of Cargolux's activities.

"Supporting growth of specific products in emerging markets has the ability to provide continued business development. For these reasons, Cargolux invested in operations in Petrolina in Brazil which has enabled continued development of fruit exports from North of Brazil to reach European markets", he adds.

The Luxembourg company has been represented in Brazil since 2002 through local Brazilian company, Brazil Cargo Service.

CONNECTING BRAZIL

The initial destination at this time was Recife, which was opened to serve the local consumable market, mainly exporting mangoes and papayas. Today, Cargolux operates six weekly frequencies to Luxembourg, three direct flight from Brazil and three via Ecuador and Colombia while serving the airports of Viracopos, Curitiba, Manaus and Petrolina.

In June 2013, the airline introduced its advanced Boeing 747-8 freighter on its services to Brazil with the aim of further supporting airfreight exports from the country, permitting export commodities to reach their markets throughout the world in a more fuel efficient and, therefore, sustainable way. Flight CV7687 to São Paulo Viracopos thus marked the first commercial operation ever of a Boeing 747-8 into the country.

In addition to its airfreight services, Cargolux has trucking connections to serve additional markets all over the world, such as Sao Paulo, Rio de Janeiro, Porto Alegre, Salvador de Bahia, Recife, Navegentes and Curitiba.

Cargolux is a pure cargo airline, specializing in live animals, pharmaceuticals, perishable goods and outsized freight. On board of the flights to Brazil, Cargolux carries mainly textiles, car parts, machinery, pharmaceuticals and chemicals, while leather goods, trucks, cars, shoes and clothes are flown from Brazil.

"Our largest business drivers from the region continue to be fruits and automotive. However we are looking to increase our participation in pharmaceuticals and healthcare traffic", explains Pier Curci.

By flying high-value and technically sophisticated goods from part of the world to another, the airline acts as a catalyst for employment, indirectly supporting the creation of thousands of jobs in export and import-related industries.

Since mid-2009, Cargolux enjoys fifth freedom traffic rights from Brazil to Ecuador and Colombia, thus offering a fast and direct link to major South American markets.

*Pier **CURCI,***
Vice President the Americas,
Cargolux

LUXEMBOURG: AN INTERNATIONAL AIRFREIGHT GATEWAY

Operating to and from Brazil for over 10 years, Cargolux has acquired a strong brand recognition in the cargo sector in the country and all over the world.

Cargolux is Hheadquartered in Luxembourg, where its handling agent ,LuxairCargo, operates one of Europe's most advanced cargo airports with 100,300 m² of storage area.

"Luxembourg's logistics platform located in the heart of Europe provides Cargolux with direct access to Europe's highway system and allows us to move valuable as well time and temperature-sensitive commodities throughout Europe", says Pier Curci.

Boasting a purpose-built GDP-certified pharmaceutical and healthcare facility, the Luxembourg cargo center is one of Europe's most advanced, best-equipped handling facilities. *"Continuous investments ensure customers benefit from the latest technologies and techniques available on the market in the field of cargo handling. Additionally, Cargolux also benefits from a multi-lingual workforce which is one of Luxembourg's greatest assets!"*, he concludes. **OB**

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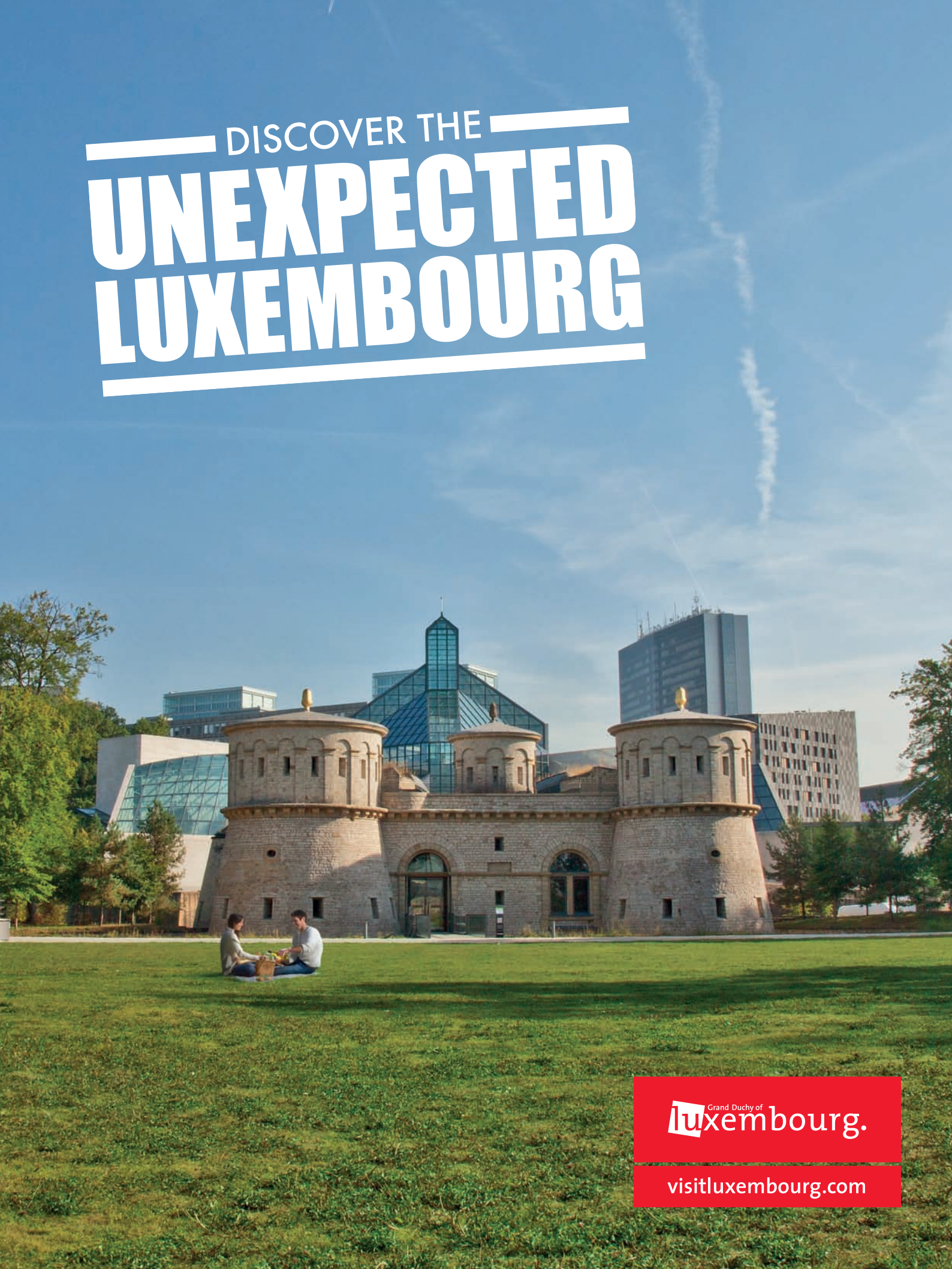
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