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# BACK TO THE FUTURE



As Gulf countries diversify their economies the region is returning to its ancient role of trade highway between Africa and Asia.

The increasing frequency of LFF visits to Doha, Dubai, Abu Dhabi and Bahrain reflects a tidal change in the region that has nothing to do with the Arab Spring. As the balance of wealth production moves towards Asia, Middle Eastern economies are faced with a challenge and an opportunity: they are back in the middle.

Everywhere the story is a little different, and everywhere the same: Gulf states are looking ahead to a geopolitical economy "after oil". Huge efforts are being made to diversify economies away from reliance on the hydrocarbon industry, to boost SMEs, create worthwhile jobs and educate the population to fill them.

Sovereign Wealth Fund assets are being repatriated to the region, some of it invested in the search for alternative energy sources.

Several cities are jockeying to become the principle regional financial centre, because the opportunities for the winner are immense.

## A STEADY INCOME

Qatar is in the happy position of owning some 200 years' worth of oil reserves. Even so, the authorities are looking resolutely beyond oil. At a recent LFF seminar in Doha, Abdulrahman Al Shaibi, a board member of the Financial Centre Authority (QFCA), spoke of the country's "2030 Vision": to diversify the economy, create high quality jobs and develop Doha into a global financial centre.

This is an ambitious programme, but Qatar has natural advantages: an economy that is resilient to price shocks, a small but fast growing population, social stability, a modern legal and regulatory environment and an open attitude to the outside world.

## SHARING KNOW-HOW

"Our two countries have many things in common", said Al Shaibi to a Luxembourg delegation led by Luc Frieden, Minister of Finance. Qatar has made substantial investments in Luxembourg in recent months, including two banks and the airfreight giant, Cargolux; now the QFCA is looking at Luxembourg to show the way forward to development as a global financial centre.

The private sector is expected to contribute strongly to the 2030 ambition. "Football is not the main driver" jokes Al Shaibi, referring to the 2022 World Cup. Qatar will spend "just 3-5bn USD" on football driven infrastructure projects, compared with an existing plan to spend 150bn USD over the next five years.

## DOING IT FOR OURSELVES

Shashank Srivastava, acting CEO of the QFCA, says that the financial centre will focus on asset management, reinsurance and banking: "None of these really exists in the GCC"

- Affluent Qataris and sovereign wealth funds hold vast assets, only a small amount of which is managed in Qatar. "The future growth markets are in Africa and Asia. Can fund managers in Europe really do this better?"
- The insurance industry is underdeveloped and almost half of premiums are re-insured outside the GCC region;
- A 25% domestic savings rate will drive the retail banking business.



## LIFE AFTER OIL

Some GCC markets have less abundant oil reserves and face a potentially vicious circle of falling remittances, falling tourism, fewer jobs and budget deficits. These countries are determined to diversify their economies while they can and to take advantage of the vast new capital flows between Asia and Africa.

"The GCC will be one of the growth regions during the next century" said Abdulla Mohammed Al Awar, CEO of the Dubai IFC Authority, at a recent LFF seminar. 70-80% of revenues in the GCC are still from oil, but the non-oil sector grew by 7.2% YoY from 2000-2008. Non-oil trade with the EU grew 23% in the first nine months of 2011, thanks to strong tourism, logistics and trade.

The DIFC sees itself as a platform for regional financial services and recently relaxed rules relating to foreign fund managers. "We need 60m new jobs in the region by the end of the century" said Dr Nasser Al Saidi, chief economist. This means "greater freedom, better governance and more diversified economies". He predicts greater regional integration and expects Luxembourg to contribute expertise: "We are committed to providing (Luxembourg) with the gateway to opportunities in this region" he said.

## OUT OF AFRICA

"The DIFC has gateway status between the economies of the East and the West", said Al Awar, echoing views we have heard from individual banks, such as Emirates NBD, where CEO Rik Pudner told us "Africa is the growth engine ... Business trade flows with Africa are one of the two pillars of the bank."

*"The DIFC has gateway status between the economies of the East and the West"*

Dr Al Saidi predicts that banking relationships will shift eastward and the "coming of the Redback" (renminbi) as a trade currency. "China is already the main buyer of Saudi oil", he pointed out. He also predicts the development of local currencies. "Liquidity was not there when it was needed" he said. "Financing of SMEs is critical." Only 20% of SMEs in this region have a banking relationship: most are self-financed. "This is a major part of the GCC agenda."

## A SINGLE MARKET?

The region faces challenges, too: restrictive work permits, too few asset classes (real estate and equities), the need for a Single Passport, even a single currency.

Ironically, the GCC is better placed for monetary union than Europe ever was: currencies have been pegged or linked to the USD for the last 30 years; they have the resources to avoid debt crises; they do not have substantial entitlement programmes and what does exist applies only to nationals. Monetary union would not require fiscal union.

In Luxembourg, some GCC financial leaders see a model for how a small nation with a regular income and the right attitude can become a globally recognised business partner. **ER**



*Michel MAQUIL,  
Former CEO of the Luxembourg  
Stock Exchange*

After 38 years at the Luxembourg Stock Exchange and 25 years at the helm of the business, Michel Maquil makes his final bow. Michel Maquil joined the Luxembourg Stock Exchange in 1974, becoming Chief Executive in 1987 and then President and CEO in 2001. On the eve of his departure from the exchange, LFF interviewed one of the pillars of the Luxembourg financial centre; a gentleman who lavishes praise on everybody except himself.

## GOODBYE TO ALL THAT

► **LFF:** Mr Maquil, 1974 and 2012 are worlds apart. How has the Luxembourg Stock Exchange evolved during that time?

► **MM:** There are different ways of looking at this. In 1974 we were just 12 people, which is roughly the number of people it takes to run a purely local exchange serving the needs of the Luxembourg economy. The work of the exchange was to organise a physical trading floor with telephone booths, to accommodate traders, to set the rules and register and publish the official prices by day end.

Today we have 180 staff and Luxembourg is a major location for international listings. The market is fully automated and traders mainly deal on the exchange from abroad. The exchange has become a fully integrated and automated capital market infrastructure.

► **LFF:** In 2009, Luxembourg adopted the NYSE Euronext trading platform. Do smaller bourses have to integrate into larger entities to survive?

► **MM:** Again, there are several aspects to this question.

We are very lucky that right from the beginning we were created as a profit making company, not as a mutual. Thus we were always under pressure to be open and to innovate. We are independent but we are backed by a handful of large Luxembourg shareholders, including the savings bank BCEE, BIL, the State, Tradhold (a company jointly owned by Banque de Luxembourg and Foyer S.A.), and others.

With the arrival of automated trading we faced a new challenge. When Paris, Amsterdam and Brussels joined Euronext, and the German exchange announced its intention to merge with London, we found ourselves alone in the middle. We supposed that the merger between Frankfurt and London would go ahead and wondered whether to join one or the other mega organisation or to remain independent. We finally decided for the second option without excluding technical alliances. We adopted the Euronext trading platform since all the major institutional players were already connected to it and by adopting a common format we could expect to bring incremental business to Luxembourg. It was the right decision.

Since then we have sought to differentiate ourselves by diversifying into new services, something we can do thanks to our independent status.



► **LFF:** Luxembourg is a world class listing centre for bonds and investment funds but is little known outside the industry. What role does the Exchange play internationally?

► **MM:** "Listed on the Luxembourg Stock Exchange" is a brand name that is recognised all over the world and this has an important promotional effect: for instance, the Luxembourg Stock Exchange is regularly mentioned in the Indian media, because that is a huge market for Luxembourg-listed Global Depositary Receipts.

I think we can say that in the field of international bonds, whenever there is an issue planned, the question as to whether or not these bonds should be listed in Luxembourg is always raised.

As regards our international role, Luxembourg was a founding member of the World Federation of Stock Exchanges (WFE) in 1962 and of the FESE in Europe.

Luxembourg has played an important role in the WFE, firstly because we are such a long standing member and also because we have specific expertise. For instance, at a UN-sponsored conference on the role of exchanges in responsible finance, the contribution of the Luxembourg Stock Exchange to microfinance through LuxFLAG was received with much interest by the audience. LuxFLAG, of which the Luxembourg Stock Exchange is a founding member, promotes responsible investment by granting a label to microfinance investment funds and environmental funds. We were the only country to get any questions! In these projects I have been closely assisted by my secretary general, Christian Descoups.

► **LFF:** Has internet trading posed a threat to the Exchange?

► **MM:** No. We have always embraced technology. Our Finesti investment fund database is an example. This online service provides detailed information about all public investment funds, presented in a standardised format and updated daily. It is an extraordinary contribution to transparency in Luxembourg and in the industry as a whole. Finesti can be accessed by all types of investors including the public at large and foreign supervisory authorities. We have always striven to achieve maximum transparency for Luxembourg listed issues and investment funds. For instance, by the use of ISIN codes assigned to the securities and directly searchable on Internet, the user will be directly routed to the price and reference data of the security concerned.

With regard to online dealing, we welcomed this move as it offered new opportunities for individual investors to access our market.

► **LFF:** You have signed a number of MoUs with other exchanges, such as Shanghai in 2006 and Tokyo in 2008. What is the purpose of such MoUs?

► **MM:** We meet each other regularly at the level of the WFE. The purpose of signing an additional MoU is to draw the attention of the other exchange to what we are doing and to focus further on possible future ways of cooperation.

► **LFF:** In 2008 the Exchange adopted 10 corporate governance principles, which was revised in 2009. What do such principles contribute to the business?

► **MM:** To a certain extent, we were lagging behind other countries. But we made a virtue out of necessity. We brought together companies like Arcelor-Mittal, BIP, RTL and SES under the Chairmanship of Alain Georges and produced a practical set of principles that met the needs of both Luxembourg multinationals and SMEs. It is significant that we did not call it a "code". It's not binding. Businesses need a certain freedom of action but they need principles. We put particular emphasis on "readability" so that our principles are easily understood by both professional and private investors. It was an extraordinary exercise, coordinated by Daniel Dax, who now runs the LuxFLAG fund labeling agency. **ER**



*"Investors are looking for markets that offer decent returns in the long run. Luxembourg is on the radar to meet these expectations"*

## Real Estate Dossier

### LUXEMBOURG: MORE THAN JUST ANOTHER BRICK IN THE WALL

The property market is usually a reliable indicator of a country's economic health. The Luxembourg real estate industry had an enviable year in 2011: the vacancy rate is one of the lowest in Europe and the occupier market registered strong letting throughout the year. However, despite resilience to the financial crisis, the outlook is a mix of optimism and prudence. We spoke to the CEOs of Jones Lang Lasalle and Property Partners, the local market leaders, about the real estate sector and the attractiveness of Luxembourg.



The fundamentals of the Luxembourg real estate sector are encouraging in the current climate. "But we shouldn't get overexcited", warns Vincent Bechet, Partner and Managing Director at Property Partners, one of the main actors on the local property market. "We are an island in the storm, but this means that we are living rough times and that the island is not necessarily a paradise: it can be deserted too."

This statement is underpinned by hard facts; the development pipeline for 2011 and 2012 is very low, respectively 77,000 and 48,000 square meters, compared to a 5-year average of 118,000. This lack of new supply is likely to drive the vacancy rate down further over the course of 2012. However, Vincent Bechet stresses that you have to interpret the figures correctly. A low vacancy rate doesn't necessarily mean that no property is available. "There is a lot of capacity left at Kirchberg to be exploited, which is part of Luxembourg City. The low vacancy rate only reflects the fact that no speculative projects have been launched in recent years. But it doesn't say anything about land reserve."

## ON THE RADAR

The Luxembourg economy has its own dynamics. The Grand Duchy has a population of 510,000 people, of which only 100,000 live in Luxembourg City. To this can be added 150,000 commuters from the three neighbouring countries, France, Belgium and Germany, who help fuel the machine.

With a total office stock of 3.3 million square meters, the Luxembourg office market has a comparable size to European cities like Dublin or Warsaw, which are much larger in terms of the size of the population. Luxembourg's vacancy rate is one of the lowest in Europe (6,2%), particularly in comparison with that in large cities like Paris, Brussels, Frankfurt or Dublin.

*"Investors are looking for markets that offer decent returns in the long run. Luxembourg is on the radar to meet these expectations"*

Romain Muller is Managing Director of the internationally renowned company Jones Lang LaSalle, the other big player on the local property market. He draws a comparison with Dublin. "That market is comparable to ours. The volume of office stock is broadly the same in both capitals and the main tenants in Dublin are banks and the fund industry, as in Luxembourg." But there is one big difference: Dublin's vacancy rate is three times higher than Luxembourg's and the prime rent level has dropped by 20%, by comparison with 5% in Luxembourg. "Investors are looking for markets that offer decent returns in the long run. Luxembourg is on the radar to meet these expectations," adds Mr Muller. "Luxembourg has always had a very stable property market with a historically low vacancy rate, which has been rewarded by investors and clients. Thanks to visionary planning by local politicians many years ago, we are now reaping the rewards".

*"That market is comparable to ours. The volume of office stock is broadly the same in both capitals and the main tenants in Dublin are banks and the fund industry, as in Luxembourg"*

## DEMOLITION AND RECONSTRUCTION

The same is true for real estate investment funds, which have appreciated Luxembourg's stability for the last 15 years, explains Vincent Bechet, CEO of Property Partners. "The properties they have in Luxembourg have very few rent-free periods. Fund managers are looking for this sort of steady return. But they face a new competitor on the market, namely family offices which have equity and are looking for long term investments for the next generation".

Vincent Bechet has worked in Luxembourg for 20 years and is impressed by the evolution in the property market. This business, which is linked to physical bricks and mortar, has turned into a financial product that is increasingly important to investors. In October 2011, Property Partners opened an office in Brussels and another one in France is planned for 2012. Bechet foresees a couple of stable years ahead but emphasises that the market has matured and is now facing demolition and reconstruction, an unprecedented challenge.

Romain Muller at Jones Lang LaSalle Luxembourg shares Vincent Bechet's view, commenting that more and more companies find Luxembourg an attractive place to do business. He has done business with many IT and e-commerce companies and found that a lot of them start with just 5-6 people but then rapidly develop. Amazon and e-bay are trendsetters in this domain.

This sector is a good example of the government's policy of economic diversification in practice, where private initiative has been supported by a well-planned authorisations policy. CW





## Real Estate Dossier

### PREPARE FOR THE BIG FREEZE

If you thought that Paris and London were the most attractive cities, you bet on the wrong horses.

According to the publication **Emerging Trends in Real Estate 2012** by the Urban Land Institute and PwC, it's the Turkish city of Istanbul that tops the ranking for new investment prospects, followed by Munich and Warsaw. More than 600 real estate professionals have been surveyed for this 9th edition, which concludes that 2012 marks the beginning of an era that will be defined by more negatives than positives. The results of this study were presented by PwC Luxembourg.

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Istanbul has been the top market two years running. The ranking is more a reflection of its long-term economic future than a sign that investors are about to rush and place their capital in the market. Munich comes second; with one of the lowest unemployment rates in Germany, the Bavarian capital is considered as a safe haven, offering a liquid market that is more stable than Frankfurt. Warsaw ranks third in the survey; the Polish capital is viewed more favourably by outside investors than domestic ones. Kees Hage is Partner and Global Real Estate Leader at PwC Luxembourg. He speaks about the results on the cities in the ranking and why two stars have fallen slightly. "Investors continue to steer away from a strategic focus on countries, cities or sectors in favour of deal-by-deal approaches. Paris and London have fallen compared to prior years. They are still safe investments, but they seem to be overpriced because people have been going after properties there for many years."

Needless to say that given the sovereign debt crisis throughout South Europe, cities like Milan, Madrid and Athens garnered little favour with investors and find themselves at the bottom of the ranking.



## BETTER DAYS WILL COME

Real estate professionals consider the study published by the Urban Land Institute and PwC as a barometer for their industry. "Adapt or die" was last year's topic. In 2012, the main headline is called: "the big freeze?" This means that there are a lot of uncertainties investors have to deal with. PwC has detected three major challenges: the impact of regulation on banks, the state of the national economies and sustainability. Alexander Jaumotte, Partner and Real Estate Tax Leader at PwC Luxembourg predicts that institutional investors in real estate will be better equipped to weather the regulatory storm than small promoters or asset managers. Though the outlook looks bleak, he sees strips of light on the horizon. "The fact that banks will be forced to divest in fields like real estate debt will lower prices and bring properties to the market. What's more, new players like sovereign wealth funds, pension funds or insurance companies are looking for assets that offer a stable return. This is the case for properties in prime locations in Paris, London and Luxembourg."

To many of the people surveyed, the current real estate climate is worryingly familiar, wrapped up in a renewed liquidity crisis that feels almost as severe as the one that followed the Lehman collapse. No wonder that only 6% of lenders believe that debt will be as available in 2012 as it was in 2011. But there is good news too. Regarding the availability of equity, 65% of institutional investors believe that equity will be moderately more available, 10% even substantially more available.



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## ONLY FOOLS NEVER CHANGE

Sustainability used to be a major source of concern for real estate players. Times have changed and it has now become a source of business opportunities, according to Jean-François Champigny, Partner and Real Estate Advisory Leader at PwC Luxembourg. "European market studies have proven that green buildings are quicker to rent and yield higher returns. If you opt for green buildings, there is a financial impact: lower energy costs in the long run and a marketing advantage, because certified buildings are easier to sell".

*"But the questions is how long this is going to last. Another key point is: what are the banks going to do?"*

In his conclusions to this study, Kees Hage from PwC Luxembourg said that because of the uncertainty a lot of investors aren't making a move. "But the questions is how long this is going to last. Another key point is: what are the banks going to do?" But there is a positive side too. There could be more forced sales. If that is the case, 2012 could be the year a lot of investors have been waiting for. **CW**



## Real Estate Dossier

### SPACE TO THE PEOPLE

In the middle of Luxembourg city centre, annexed to the dignified Boulevard Royal with its serried row of banks, the Royal Hamilius serves as the main downtown bus junction. Undergoing continuous development in recent decades, this area of the city has evolved from a historic bourgeois villa district to a hectic arterial route, where the risk of being run down by a bus is incomparably higher than anywhere else in town.

From this year on, the Royal Hamilius will become a new centre of attraction in the city centre. The bus junction will disappear in favour of a public esplanade. Modern housing, offices and shops will replace the office buildings of the Eastern Boulevard. As the ultimate finishing touch at the Northern side of the Boulevard, an egg-shaped transparent rooftop restaurant will top the new territory.

Behind this ambitious project stands the Luxembourg architectural office Tetra Kayser. Together with architects from Foster & Partners, the office of star-architect Sir Norman Foster, the team won out over numerous international offices that participated in the tender announced by the city of Luxembourg.

### HISTORY IN THE MODERN AGE

"Opportunities like this are rare," says Paul Kayser, associate and founder of Tetra Kayser. Tun Frieders, the manager of this project, adds: "You are not often lucky enough to contribute to the designing of a city centre. Furthermore, the plot to be built on is comparatively large, so you can think on a large scale". Frieders explains what sets the design apart: "Our project focuses on public space for people. With the creation of a new space in front of the historic Post Office building, we underline its importance. It has been important to us to retain certain proportionalities. The project is subdivided into several pieces and integrated into the existing structure of the city. Although the ensemble of buildings is coherent, individual pieces could be replaced in the future."





With the division into individual buildings, the project reflects the character of the old town, where the facades of houses are only 6 to 15 meters wide. Even the shops planned in the new shopping complex will adapt to these dimensions. Rays of sunlight shining down from above are a defining characteristic of the project. "Our goal has been to guide the sunlight throughout the shopping mall right onto the pedestrian area in order to direct visitors' gazes upwards. Light serves as a guide so that people know where the end of a building is and can orientate themselves," illustrates Frieders.

The complex area to be built is some 36,000m<sup>2</sup> and includes around 80 apartments. 44% of the area is reserved for shops, and 25% will be offices. In the run-up to building measures, the existing buildings at East Boulevard Royal will be torn down. According to Frieders, "it is extremely important for the inner life of a city that enough housing area is foreseen. In an ideal city, distances are short. A city centre should combine the three functions living, working and shopping". Nevertheless, the planned housing area is located in two complexes apart from the shopping and office areas, so that a certain degree of privacy and silence is ensured.

*"Nobody is a prophet in his own country"*

## ARCHITECTURE IS EVOLUTION

The style of the new complex is dedicated to the form-follows-function principle. Office buildings are functional and short-lived. Paul Kayser clarifies the character of urban development: "Urban development means evolution. In twenty years' time we will probably say: this could have been different. Also, urban development is closely linked to financial resources that can limit projects in one way or another. The Royal Hamilius plot, for instance, has been rebuilt several times. Later on, there will be other ideas, other evolutions. Architecture, especially of office buildings, is transient. Regarding functional buildings, it is not only the external architecture that is important, but the architecture has to function on the inside. New developments like energy guidelines have of course influenced architecture as well".

The project will uncover both new and old qualities of the city and will significantly improve the public transport situation. A new tramway will connect the Kirchberg business centre with the old town, so that the number of buses can be reduced. It will take five years until the whole project is completed. During this period, a team of Tetra Kayser and Foster & Partners will be on site.

The decision to develop the project with a renowned architectural office came during the development phase. "Nobody is a prophet in his own country," says Paul Kayser. "In Luxembourg, it is not possible to concentrate on a special field of architecture; the market is too small. That's why we decided to join forces with Foster & Partners. Of course, every office had its own ideas. Since Luxembourg is not comparable to other capitals, which are usually much bigger, the team had to downsize the development to the scale of Luxembourg".

The result is impressive. Precisely because the city centre is so densely covered with buildings, a more prestigious project could hardly be found for an architectural office, both Kayser and Frieders agree. In five years' time, the city scape at Royal Hamilius will have changed significantly. Everything is already in motion. It will be hard to miss. EK



# FOCUS ON SUSTAINABLE QUALITY GROWTH



René **MOTTAS**,  
CEO of UBS

The Swiss bank UBS has announced that it will refocus on its core wealth management operations, cutting back on investment banking. René Mottas was appointed CEO of UBS Luxembourg in January 2012. This appointment reflects the new strategy: Mr Mottas is a seasoned private banker who knows his business inside out. In an interview with LFF, he speaks about attracting wealthy clients, the role of Luxembourg within the Swiss group and restoring client confidence when your image has suffered.

► **As CEO of UBS Luxembourg, what will be your short and mid-term priorities?**

► I started in January 2012. However, I was already a member of the UBS (Luxembourg) S.A. board so I understand the location and its businesses. As a CEO, the "first hundred days" are very important to get a good idea of the organisation's strengths and opportunities. This is a large bank of about 650 employees and the idea is to get to know as many of them as possible. For me it is very important that employees know I am accessible. I have an open door policy that should encourage employees to approach me if they have an issue that needs resolving and if they have an idea on how to solve it. What we have done so far is create working groups with senior management to address strategic topics. Employees were also invited to participate and give their input.

It is important to get a feeling for what is going on here in UBS Luxembourg because we have gone through a number of changes over the past few years. I have taken over a bank that is in good shape; my predecessor did a good job in a period that was difficult for UBS. Then, the focus was on retaining clients, rebuilding their confidence and trust – and I think we succeeded quite well. Now, it is about generating sustainable quality growth, though the environment is still difficult. My mid-term goal is therefore to grow the bank and to move it closer to our clients by transforming our Wealth Management unit to an actual investment

adviser. Here in Luxembourg, we have a wide range of capabilities at our disposal such as innovative investment expertise and a compelling product shelf from our local teams as well as the capabilities from UBS Group such as the research expertise of our Chief Investment Officer.

The other business we are focusing on is Asset Servicing. Over the past 18 months, we have grown our fund structuring, custody and administration capabilities across the UBS network. With a strong platform for our Asset Servicing business, we have ambitious expansion plans in this area by focusing on the UHNW and Financial Intermediaries client segments.

The third business we want to further develop is our Service Hub, which is basically our back office capabilities, IT infrastructure and product-related services used by other UBS locations. Luxembourg is clearly a centre of excellence in that respect and we want to expand its footprint. Europe remains a very important market for us in this area.

► **What are Luxembourg's major assets as a financial centre?**

► Luxembourg has proven that, being a smaller financial centre, it can be more flexible than bigger competitors. Investors who have come here have appreciated this. Luxembourg has shown that it can be fast at decision-making and still maintain high standards. Other advantages include, obviously, the free provision of services via the EU passport, also unequalled fund capability, possibilities for structuring, wealth management experience and a political, economic and



business environment that is conducive to business. The high level of employee expertise, knowledge and professional standards is definitely another point in favour of Luxembourg. The role of all of us is to promote this so as to attract more expertise and talent. In recent years, Luxembourg has developed to accommodate a growing number of international families coming to live here. European schools, a dynamic university: all of these factors contribute to Luxembourg's attractiveness as a place to work and to do business with.

► **How difficult is it for private banks to attract wealthy clients knowing that they will bargain hard to pay less for services rendered?**

► When we talk about ultra high net worth individuals and wealthy families, for them it is not important where the client is booked. At the end of the day, it is crucial for a client to receive a unique service that enables him or her to achieve a positive performance. Although the service might be delivered from various booking centres and different UBS colleagues, it is important for the client to have one dedicated contact person who has the oversight of the financial situation. If this person whom he

or she has confidence in is based in Luxembourg, then the overall relationship is steered out of Luxembourg. However, it can also be the case that a client based in Belgium uses the services of Luxembourg. This is where our Asset Servicing and Service Hub offerings come in.

Regarding fees, I am not keen on providing top quality service at a cheap price. Our rates have to remain competitive. A client who is satisfied and values the service rendered by a bank is willing to pay an adequate price. Our relationship needs to be a mutually beneficial one. If I have to bargain each cent with a client, I will wonder if this relationship makes any sense at all.

► **Clients want quality, security and more transparency. Is it more about wealth preservation than wealth creation, these days?**

► In the first place, it is about wealth preservation. Clients today want to diversify; they want to make sure their investments are safe. In this challenging environment this is said more easily than it is done, but wealth preservation is our foremost goal. Of course, we don't stop there; the idea is to provide our clients with a positive investment performance over a defined period of time. The crisis taught us all to be more transparent about both the

opportunities and the risks of an investment. So, wealth preservation comes first, but with that alone you will not win a gold medal.

► **UBS's image has suffered because of the tax evasion controversy and because of a trader scandal. How do you restore client confidence?**

► Some clients asked questions about the trader scandal; yet they continue to value the services we provide. Obviously, we have to make sure that we learn from it and improve our risk control framework. We have moved closer to our clients. Transparency is paramount and the adequate offering and efficient execution of services are also key elements in restoring client confidence.

This year, UBS celebrates its 150<sup>th</sup> anniversary. We have a long history, and inevitably we have gone through a number of ups and downs over those years. Yet, today, the bank is healthy in terms of capitalisation and risk. We have to live up to our own ethical standards in everything we do. We believe that only those who realise that and act accordingly will survive in these turbulent times. **CW**



## DOES YOUR APPOINTMENT SIGNAL ANY SPECIFIC STRATEGIC CHANGE IN LUXEMBOURG'S ROLE WITHIN THE GROUP?

Given the transformation of the wealth management business, my appointment makes sense as I know both this business and the country really well. Our local strategy focuses on Europe where we are one of the biggest players in the wealth management industry. There is no other financial organisation that has so many onshore banks in Europe where the wealth management business at the higher end is conducted locally. The goal is to optimise our structure while keeping up tight bonds with our clients locally. Together with Switzerland, Luxembourg plays an important role for UBS Group in that respect.

## THE SMARTER CHARTER



They get you where you want and whenever you want to: chartered flights are a popular means of transportation for those who don't want to lose precious time at check-ins and luggage carousels or who need flights at times that are not scheduled. Luxembourg's market leader in this business is the private operator Luxaviation.

With 18 aircrafts based in Luxembourg, Germany and Georgia, they are playing in the top league.

The company was founded in 2009 and merged with the German charter flight company FairJets in 2011, remaining the majority stakeholder. The development of Luxaviation has been surprisingly rapid and the company has big plans for the future. "At the moment, we are evaluating expansion into other business lines and markets", says Patrick Hansen, CEO of Luxaviation. "The next goal is to double our fleet in the coming years. There will be a lot of changes in this market. Regulations will become sharper due to European security standards. To meet those regulatory developments, charges for operators will rise, inevitably. Furthermore, there is a certain pricing pressure because of the crisis. The only ones that will survive will be the big players, because they can spread costs over a larger number of aircraft."

As another step towards sustainable success, Luxaviation has recently expanded to Tbilisi in Georgia. From there, Hansen wants to conquer the Near and Middle East. "It is obvious that with the orientation towards Georgia, our view goes east. But to me the Holy Grail is China. I don't know who will be successful in this market one day, but if we don't try, we won't have a chance."

However, it is not the number of flights but the number of hours in the air that is the deciding factor between success and failure. The Luxaviation fleet consists of aircrafts of different sizes, able to move up to thirteen passengers. "We fly anywhere the client wishes, no matter what the size of the airport", illustrates Hansen. "That's our strength compared to scheduled flights".



# DIARY



Flexibility is one of Luxaviation's major assets: a client can take off spontaneously from Luxembourg within two hours. Geneva, Rome, Nice, Cannes, Moscow and Scandinavia are some of the most popular destinations. Besides that, there are the more traditional destinations like London and Paris.

The client can buy his flying hours in packages or book a plane according to his needs. If several passengers share a flight the price can be competitive with other means of transport, not least because additional nights in hotels become unnecessary.

*"That's our strength compared to scheduled flights"*

"Our Luxembourg passengers are mainly from the financial centre, working in banks, fiduciaries and law firms. Our fleet is growing and the number of passengers from Luxembourg is diminishing as a percentage of the total, due to geographical diversification of our clientele. We count many international industrialists, financiers and even some entertainers among our clients", adds Hansen. These people sometimes have exceptional demands: "One famous client flies with us because we have managed to get his father hot fresh goat's milk every time he is on board. Our clients are our best ambassadors, we don't need marketing campaigns." **EK**

## UPCOMING EVENTS



Luc **FRIEDEN**, Minister of Finance

### STATE VISIT TO GERMANY

> 24 APRIL 2012 | BERLIN

Financial roundtable in Berlin organised by LFF with Finance Ministers Luc Frieden and Wolfgang Schäuble.

### FINANCIAL SEMINAR IN ANTWERP

> 15 MAY 2012 | LUXEMBOURG

Seminar on the Luxembourg financial sector, highlighting cooperation opportunities between Antwerp and Luxembourg. Keynote speakers include Minister Luc Frieden and Mr. Kris Peeters, Minister-President of Flanders.

### FINANCIAL SEMINAR IN LONDON

> 22 MAY 2012 | LONDON

Financial roundtable on the subject "Delivering growth through sustainability". Keynote speakers include Minister Luc Frieden.

> For further information, visit our website: [www.lff.lu](http://www.lff.lu)

# LIFESTYLE

## DESIGN CITY 2012

> 13<sup>TH</sup> APRIL – 3<sup>RD</sup> JUNE

Carré Rotondes, Mudam Luxembourg and Luxembourg City Centre

Design City 2012 aims to bring design to a broad audience by illustrating the improvement in the quality of life that we owe to design. The exhibitions will take place in the Carré Rotondes and in Mudam Luxembourg but more importantly in public spaces throughout the city of Luxembourg. Luxembourg designer Sophie Krier will hold a symposium, which illustrates the various designers and their working methods.

[www.designcity.lu](http://www.designcity.lu)



## FESTIVAL INTERNATIONAL ECHTERNACH

> 6<sup>TH</sup> MAY – 1<sup>ST</sup> JULY

Echternach

From spring to summer 2012 the Festival International Echternach will once again entertain enthusiasts for classical music in the charming town of Echternach. Top class musicians on the programme include Murray Perahia, Francesco Tristano and Daniel Hope playing at locations such as the basilica, the *Trifolion* and the *Philharmonie* in Luxembourg City.

[www.echternachfestival.lu](http://www.echternachfestival.lu)

## MARCUS MILLER

> 17<sup>TH</sup> MAY

Den Atelier

Miller, who has collaborated with stars such as Aretha Franklin, Miles Davis, Luther Vandross, Grover Washington Jr. Elton John, Bryan Ferry and LL Cool J is going to present funk at it's finest.

[www.atelier.lu](http://www.atelier.lu)

## DUO KOPATCHINSKAJA & SAY

> 20<sup>TH</sup> MAY

Trifolion Echternach

The Duo consists of famous pianist and composer Fazil Say and well-respected violinist Patricia Kopatchinskaja. Kopatchinskaja and Say will perform their interpretation of Beethoven's *Kreutzer Sonata*.

[www.trifolion.lu](http://www.trifolion.lu)

## OTELLO - GIUSEPPE VERDI

> 21<sup>ST</sup>, 23<sup>RD</sup> & 25<sup>TH</sup> MAY

Grand Théâtre

Andreas Kriegenburg, one of the most distinguished German stage directors, offers a detailed psychological approach to this masterpiece of Italian opera. Typical for his style is the room for interpretation he leaves to his singers. His production in Berlin was critically acclaimed by the leading German newspapers.

[www.theatres.lu](http://www.theatres.lu)

## ROCK A FIELD 2012

> 23<sup>RD</sup> & 24<sup>TH</sup> JUNE

Den Atelier

The Kooks, Snow Patrol, Motörhead, Casper, Mac Miller, Billy Taltent. Those are only a few names that will be performing at the RaF on 23<sup>rd</sup> and 24<sup>th</sup> June on the field of Herchesfeld-Roeser.

[www.atelier.lu](http://www.atelier.lu)



## NORAH JONES

> 16<sup>TH</sup> JULY

Neumünster Abbey

**Norah Jones**, who has won several Grammy's over the past years, is widely considered one of the most intriguing singers of the past decade. She established herself as one of the best selling artists of the past decade with over 40 million albums sold. This year Jones is releasing her new album *Little Broken Hearts* in collaboration with **Danger Mouse**. She will perform her new album as well as her greatest hits in Neumünster Abbey in mid June

[www.atelier.lu](http://www.atelier.lu)

