

SEPTEMBER 2017

LEO

THE FINANCIAL CENTRE'S MAG

INSURANCE

MAKING LUXEMBOURG
YOUR EU HUB



HARNESSING THE BLOCKCHAIN

A COUNTRY ON THE MOVE



NICOLAS MACKEL,
CEO, LUXEMBOURG
FOR FINANCE

Dear readers,

In the wake of the British decision to leave the EU and by extension the Single Market, Luxembourg has seen a very strong interest, besides from asset managers and banks, from insurance companies looking to relocate their EU activities and ensure continued market access. So far, seven of them have officially announced their choice of Luxembourg as their new EU hub. It thus seemed interesting and useful to us to share with you the reasons which, according to them, tilted the balance for Luxembourg. As leading industry players such as AIG, Liberty Special Markets and FM Global will explain in this month's feature, some of these reasons are sector-specific, while others are similar to other financial institutions or corporates choosing to set up operations here, namely the long-term stability offered by the country - which is of course the cornerstone of an insurer's business strategy - its international dimension, its financial services eco-system, as well as its professional and efficient authorities. Speaking of the latter, we also took the opportunity to interview the Director General of Luxembourg's insurance supervisory authority to get his

insights on Brexit. In fact, for many of the insurers that will set a new EU base in Luxembourg, the fact of having a dedicated regulator for the insurance industry was a decisive factor.

Another feature this month is the story of how Luxembourg's fund industry expertise and toolbox has helped an Australian entrepreneur finance the development and deployment of sustainable housing units, built with recycled plastic, in catastrophe-struck areas. Indeed, using Luxembourg's most recent fund vehicle, the Reserved Alternative Investment Fund, to raise capital for his project and applying for climate finance and environmental labels with Luxembourg's finance labelling agency LuxFLAG, he was able to go to market with an internationally recognised responsible investment fund in a very time-efficient way.

This issue of LEO also brings you news on Luxembourg's pioneering role in the area of Blockchain, notably with the development of Infrachain, a national trusted blockchain infrastructure platform that will

serve not only the financial industry but also have other applications.

Luxembourg's sustained growth is accompanied by major investments in the local transport infrastructure to ensure the mobility of the people working in Luxembourg. Anybody having visited Luxembourg in the recent past will have seen major construction sites with whole new city areas popping up in the Kirchberg and Cloche d'Or business districts. In and around Luxembourg city, major works are under way to build new railway stations, a new tram and new roads. Luxembourg is truly on the move... and in a smart and sustainable manner.

Finally, for those with a passion for art, we are happy to report for the third year in a row the by now well established Luxembourg Art Week is taking place from November 3rd to 5th, which will host even more galleries, national and international, as the previous editions. It will certainly be a very good reason to visit the Grand Duchy for the weekend.

3 NEWS IN BRIEF

Latest facts and figures about Luxembourg

**4 NEV EARTHFUND :
TURNING PLASTIC WASTE INTO
SUSTAINABLE HOUSING**

Capitalism and philanthropy: working hand in hand.



**8 IDEATION TO ACTUALISATION:
HARNESSING THE BLOCKCHAIN**

How to benefit from Luxembourg's pioneering blockchain initiatives

12 FOCUS INSURANCE



14 UNDERSTANDING THE FUTURE

Why leading insurers Swiss Re, AIG, FM Global, Liberty Speciality Markets chose to make Luxembourg their home.

**20 GIVING INSURANCE THE
ATTENTION IT DESERVES**

Claude Wirion, General Director, of Luxembourg's insurance regulator, explains why dedicated insurance supervision is key to the sector.

**26 LUXEMBOURG ART WEEK:
THRIVING ON THE PERFECT
BALANCE BETWEEN BUSINESS
AND PLEASURE**

What to expect from Luxembourg Art Week, Europe's youngest art fair.

29 LIFESTYLE

A country on the move

Mobility specialists share their insight into how the Grand Duchy is preparing for the future.

**34 LUXEMBOURG RENMINBI FORUM:
CONNECTING STRATEGIES TO
FOSTER THE BELT AND ROAD
INITIATIVE**

China's transformation from an investment to a consumption-led economy.

36 UPCOMING EVENTS



ANY QUESTIONS?
GET IN TOUCH ON TWITTER - @LUXFINANCE

LUXEMBOURG IN TOP 3 EU FINANCIAL CENTRES, CLIMBS IN GLOBAL RANK



Luxembourg is one of the leading financial centres in the EU, together with London and Frankfurt. This was confirmed once again by the latest Global Financial Centres Index (GFCI 22). Climbing by four places, Luxembourg now ranks #14 out of 92 global financial centres overall.

CHINA EVERBRIGHT BANK: THE SEVENTH CHINESE BANK TO CHOOSE LUXEMBOURG AS EUROPEAN HUB

China Everbright Bank (CEB) has received approval to set up its subsidiary in Luxembourg. This strategic move will strengthen CEB's operations in Europe and confirms Luxembourg's position as the main gateway for Chinese banks into the European market.

1ST

LUXEMBOURG IS THE MOST OPEN ECONOMY IN EUROPE AND THE THIRD WORLDWIDE IN THE LATEST ICC OPEN MARKET INDEX PUBLISHED BY THE INTERNATIONAL CHAMBER OF COMMERCE (ICC). THE COUNTRY ALSO RANKED EXCELLENT IN TERMS OF ITS OVERALL MARKET OPENNESS.

LUXEMBOURG BIDS TO HOST THE EUROPEAN BANKING AUTHORITY

The Luxembourg government has officially submitted its bid to host the European Banking Authority (EBA). Thus Luxembourg follows a call for offers by the European Council published in June.

WORLDWIDE FIRST FUND TRANSACTION USING BLOCKCHAIN TECHNOLOGY COMPLETED

NATIXIS ASSET MANAGEMENT ANNOUNCED THAT INVESTORS HAVE SUCCESSFULLY PURCHASED SHARES IN ITS FUND THROUGH FUNDSDLT, THE LUXEMBOURG BLOCKCHAIN-POWERED FUND DISTRIBUTION PLATFORM FOR FUND MANAGERS. THIS IS THE FIRST REAL BLOCKCHAIN TRANSACTION IN THE GLOBAL INVESTMENT FUND INDUSTRY.

NEV EARTHFUND: TURNING PLASTIC WASTE INTO SUSTAINABLE HOUSING

A CHANCE MEETING WITH LYNNE FRANKS, THE LEGEND BEHIND ONE OF BRITAIN'S MOST ICONIC FASHION PR COMPANIES AND INSPIRATION FOR THE CULT TV SERIES "ABSOLUTELY FABULOUS," ENCOURAGED SURFING LEGEND NEV HYMAN TO SET UP A PHILANTHROCAPITALIST FUND IN LUXEMBOURG.

LAUNCHED IN MARCH 2017, THE NEV EARTHFUND, A LUXEMBOURG BASED RESERVED ALTERNATIVE INVESTMENT FUND (RAIF) AIMS TO RAISE SIGNIFICANT CAPITAL TO BUILD EFFICIENT PREFABRICATED HOUSES OUT OF RECYCLED PLASTIC WASTE TO FULFILL ITS MULTI-GENERATIONAL VISION OF "HOUSING HUMANITY." IT OFFERS FINANCIAL RETURNS TO INVESTORS WHILE MAKING A POSITIVE IMPACT ON THE ENVIRONMENT AND IN DEVELOPING COUNTRIES.

"Every day I turn on the TV and see a report on the need for affordable and robust housing," says Nev Hyman, philanthrocapitalist and Founding Partner, Nev EarthFund S.C.A SICAF-RAIF. "From the housing of displaced residents in Texas after Hurricane Harvey to supporting refugees in the developing world, the only way to solve this is to have a simple and rapidly deployed solution."

The NevHouse project began when Hyman, a renowned surfboard shaper, and founder of a global high-performance surfboard manufacturer, became increasingly concerned about waste in the ocean.

"NevHouse recycles plastic, aluminum, and other materials to create modular components, which can be used to assemble everything from homes to halls."

NEV HYMAN





NEV HYMAN,
FOUNDING PARTNER,
NEV EARTH FUND



NEVHOUSE PROJECT,
VANUATU

“The LuxFLAG endorsement means that we can now go to funds and investors with certainty and say that we have a highly regulated and responsible fund.”

NEV HYMAN

“Plastic is not evil, the improper disposal of it is,” adds Hyman whose company idea is to turn recycled plastic into affordable, resilient emergency housing.

DESIGNING A CYCLONE-RATED AFFORDABLE HOME FROM WASTE

With the support of award-winning Australian architect, Ken McBryde, the pair designed and piloted a solution called “NevHouse.”

“NevHouse recycles plastic, aluminum, and other materials to create modular components, which can be used to assemble everything from homes to halls. The aim is where volumes are sufficient, to manufacture the house in the country where they will be constructed and, because our plan is highly modular with no cement environment, the buildings can be rapidly deployed.” Each shelter which can be either a home, classroom, or medical clinic, is a permanent structure made from waste plastic and recycled wood. These low-cost flat pack cyclone proof homes can be built locally within five days and can function on or off the grid.

DELIVERING HOMES TO PEOPLE IN THE SOUTH PACIFIC

Two years ago, NevHouse had a successful trial run on the Pacific Island of Vanuatu. The team built 41 community structures to aid the recovery from Cyclone Pam, which devastated much of the island.

“I have been surfing all my life and have had incredible experiences in the ocean, but to see the joy on the kids faces in Vanuatu was just amazing. And that is what I am trying to impart to potential investors. I want them to partake in that, and they too can see the results of investments changing peoples lives.”

Shortly after PR guru Lynne Franks, contacted Hyman to offer her support. “Lynne loved what we were doing with NevHouse and is passionate about sustainability and looking after women in different communities around the world.” She said, “look it’s fantastic, how can we get involved and by the way, you must meet my friends in Luxembourg because they will love what you are doing.”

ACROSS TIMEZONES: FROM AUSTRALIA TO LUXEMBOURG

Having secured backing from NGOs, charities and governments across the world, Hyman was seeking financial backing so he could take his concept worldwide. He flew to Luxembourg to meet with Frank's contacts, the team from MC Square, a third-party management company and Alternative Investment Fund Manager, and Linari Law Firm.

"Luxembourg seems to be the centre of the universe when it comes to the funds industry. We had a fantastic meeting with the guys, but at that point, we weren't ready to launch a fund. They maintained their contact with us and then in November last year they invited me to meet with them again, and I laid all my cards on the table."

"Luxembourg seems to be the centre of the universe when it comes to the fund industry."

The task for Hyman was to choose where and how to originate an international fund that would satisfy NevHouse advocates - government, philanthrocapitalists and other types of investors and enable the company to expand.

"We were looking for a financial services centre of excellence that could provide a depth of scale of fund origination and a robust regulatory environment. Secondly, we wanted to use fund structures that were familiar, tried and trusted, and in which governments, financial regulators, and investors could have confidence. We also needed access to a broad range of professionals and support services that could support us in new emerging markets."

CHOOSING A FUND PRODUCT STRUCTURING SOLUTION IN LUXEMBOURG

In March 2017, with the support of the team in Luxembourg, NevHouse launched a Reserved Alternative Investment Fund (RAIF) - a game-changing innovation in the toolbox that has become a top pick with international investors, and one that will enable Hyman to deliver his vision of Housing Humanity.

"The RAIF is a new financial vehicle which allows for a much more streamlined, secure and quick way to invest in social and humanitarian causes or sustainable developments. I see the RAIF as a little bit like when you're looking for a great place to visit. You will go on "TripAdvisor," and it will offer you tailored hotel recommendations based on your preference. The RAIF acts similarly and will focus you on particular financial vehicles which concentrate on the avenues by which you might want to invest."

LAUNCHING A MULTIPURPOSE ALTERNATIVE INVESTMENT FUND THAT CAN BE MARKETING QUICKLY

The RAIF benefits from the same structured flexibility and tax regime as the SIF and SICAR but is regulated via the Alternative Investment Fund Manager and RAIF laws. One of the major attractions of the RAIF is the speed in which new funds can be launched: as soon as the manager has a license, the RAIF can be launched.

THE LUXFLAG LABEL: REASSURING INVESTORS

At NevHouse, capitalism and philanthropy work hand-in-hand with the company allocating a percentage of its profit for philanthropic use. The NevEarth Fund has been pre-qualified by LuxFLAG for labels: Environment and Environmental Social Governance (ESG).

"We are profitable and sustainable, and on top of that, we are delivering a viable product. When we do post disaster relief, and when we do shelter for the homeless, you don't have to go back in five years to replace it. That is a significant point for us in the use of investors funds, to demonstrate that the company is sustainable and the products are sustainable also."

The fund is currently waiting on final valuation, but has already received the Luxembourg Finance Labelling Agency (LuxFLAG) new applicant fund status. This is awarded to funds currently in their initial subscription phase, who showcase their commitment to responsible investing principles.

"As head of the company, I want to be able to tell our friends, family, partners, prospective partners and clients that we had gone to great lengths to make sure that we have a financial vehicle that is ethical and transparent. Now I can do that. The LuxFLAG endorsement means that we can now go to funds and investors with certainty and say that we have a highly regulated and responsible fund," concludes Hyman.

GM



MARCO HOUWEN,
INFRACHAIN PROJECT LEAD

Ideation to actualisation: how Luxembourg is harnessing Blockchain

THE POTENTIALLY DISRUPTIVE POWER OF BLOCKCHAIN - A DISTRIBUTED LEDGER TO RECORD ALL TRANSACTIONS IN A FORMAT THAT IS CHECKED AND AUTHENTICATED BY PARTICIPANTS - HAS BEEN THE HOTTEST DISCUSSION TOPIC IN FINANCIAL SERVICES IN RECENT YEARS.

LUXEMBOURG BENEFITS FROM PIONEERING PRIVATE SECTOR BLOCKCHAIN INITIATIVES AS WELL AS THE COUNTRY'S EFFORTS TO BUILD A NATIONAL BLOCKCHAIN INFRASTRUCTURE. AS THE LARGEST INVESTMENT FUNDS CENTRE IN EUROPE, LUXEMBOURG IS TAKING THE DRIVING SEAT TO BUILD A EUROPEAN BLOCKCHAIN INFRASTRUCTURE TO ENSURE THE SECTOR CAN LEVERAGE ITS FULL POTENTIAL.

LUXEMBOURG COMPLETES FIRST LIVE BLOCKCHAIN TRANSACTION

Last year FundsDLT, a collaboration between Fundsquare (a subsidiary of the Luxembourg Stock Exchange), InTech (a subsidiary of POST Group) and KPMG Luxembourg, launched a new blockchain-based digital fund distribution platform for asset managers. Natixis Asset Management, a leading affiliate of Natixis Global Asset Management, became the first company to test the platform when its investors successfully purchased shares in its funds through the FundsDLT platform. This transaction became the first real blockchain transaction in the history of investment funds.

BLOCKCHAIN POWERED PLATFORM FOR ASSET MANAGERS

The group decided early on in 2016 to develop the first prototype – a tool that can manage the entire process of fund distribution by bringing closer together and inter-

connecting the various actors of the fund industry: distributors, transfer agents, asset managers, custodians, cash clearers as well as functions such as shared KYC repository.

"The aim is to use Distributed Ledger Technology and SmartContracts to automate processes and thus reduce the need for reconciliations and increase transaction speed. Blockchain will also provide us with a toolbox to address certain issues in the fund industry," says Olivier Portenseigne, Managing Director, Fundsquare.

RESHAPING FUND DISTRIBUTION

FundsDLT believes blockchain will play a significant role as an enabler to create complementary and alternative distribution channels and ways of operating. The project is focusing on how to enhance delivery and ensure funds reach the mass market.

"We are streamlining a range of fund administration and order-routing tasks by using blockchain to automate several processes securely."

"We are setting up an environment which is close to a public chain environment but putting a governance layer on top."

MARCO HOUWEN

The model applies to a wide variety of funds and does not depend on the jurisdiction,” says Portenseigne.

“From an investor perspective, it's a mechanism to route order, settle and maintain a register. First, the investors use the FundsDLT mobile app to submit the standard subscription order for the shares. Via the API the order is transmitted to the FundsDLT platform, and the information is immediately and simultaneously transmitted using blockchain technology to the fund promoter and the other parties involved in the transaction, each one having its node on the FundsDLT blockchain.”

With the successful completion of the first transactions, the team plans to launch a blockchain engine for clearing and settlement by 2018.

“Having an app over an iPhone where you can easily buy funds will make a huge difference to the client experience,” adds Portenseigne. “This is a big opportunity for asset managers to distribute their funds directly to the customer. Currently, only 10% of people in Europe are investing into funds, so the potential is enormous.”

BUILDING A BLOCKCHAIN INFRASTRUCTURE FOR THE GLOBAL FUND INDUSTRY

FundsDLT has been working closely with all the actors from the public and private sector on building what they hope to be the European Fund Infrastructure for the global fund industry.

“Regulatory changes would be required to take full advantage of blockchain technology, so we involve almost all the ecosystem around the fund industry to find solutions and ensure regulation keeps up with the rapid technological change. Our vision is to have one single funds infrastructure in Europe on Blockchain. This evolution will require a shift in mindset, but we need to adapt quickly and to think differently,” concludes Portenseigne.

MANAGING YOUR ASSETS WITH BLOCKCHAIN

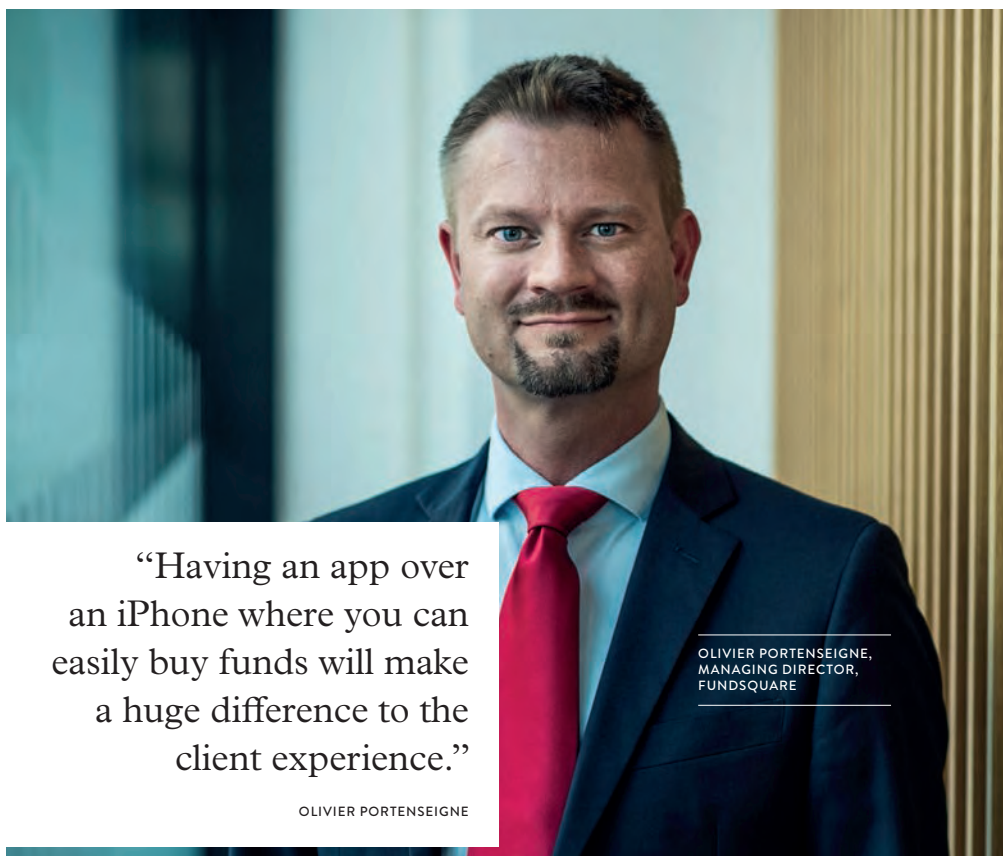
Fundchain is an initiative set up by Scorechain - as featured in the September 2016 edition of LEO - a Luxembourg-based start-up which is working alongside a consortium of key players from the fund industry. After rolling out a smart transfer agent proof of concept (PoC) in December, Fundchain aims to have a distributed ledger-based product ready to bring to market next year.

“Our goal at Fundchain is to work collaboratively with major players in the financial center to put up the network effect Blockchain needs to be effective and powerful,” says Pierre Gérard CEO & Co-founder Scorechain.

OPENING NEW MARKETS TO NEW PLAYERS

“Last year we released a successful prototype which reduces processes and complexity dramatically for all stakeholders regarding funds management, including subscription, redemption, transfer and regulatory assessments. Now we enter into a new phase of Fundchain, and new players are joining the initiative with the goal to build the basis of an MVP - a minimum viable product.”

“Our role at Scorechain is not only to bring more efficiency and to build a new technical infrastructure; it's more about the new opportunities offered by the Blockchain: how we can target new joiners, open new markets and in a longer term manage the new type of assets. In this context, the role of the actors will evolve,” concludes Gérard.



“Having an app over an iPhone where you can easily buy funds will make a huge difference to the client experience.”

OLIVIER PORTENSEIGNE

OLIVIER PORTENSEIGNE,
MANAGING DIRECTOR,
FUNDSQUARE

CREATING A EUROPEAN BLOCKCHAIN INFRASTRUCTURE

“What we are creating is a first mover advantage for Luxembourg and Europe, and the government is supporting the development of our initiative very strongly,” says Marco Houwen, Infrachain project lead, who is creating a European blockchain infrastructure in Luxembourg.

The Infrachain initiative is a non-profit, public-private project, which aims to build the first trusted cooperative blockchain environment worldwide. It is supported by the government, together with the chief technology and financial players in the Grand Duchy. The University of Luxembourg’s Interdisciplinary Centre for Security, Reliability, and Trust (SnT) acts as a research partner.



PIERRE GÉRARD,
CEO & CO-FOUNDER,
SCORECHAIN

“Our unique selling point is that we are creating a pan European community of independent host operators operating blockchain nodes,” says Houwen. *“We are building a blockchain-node environment with an extra governance level allowing blockchain applications to become operational quickly.”*

NEXT GENERATION BLOCKCHAIN PLATFORMS

Infrachain focuses on the blockchain-as-a-service model and will enable the creation of “smart contracts” – a piece of computer code that is capable of monitoring, executing and to enforce an agreement – to be verified through its extensive European node network. This process will simplify and improve upon traditional legal contracts by validating conditions of a contract and enforcing outcomes through code.

“We are setting up an environment which is close to a public chain environment but putting a governance layer on top. This compliance layer has in essence two major parts. The first one is that we are certifying every single host operator which allows us to mitigate the counterparty challenge. We are also creating a “last man standing mechanism” which allows every certified host operator to deliver a Service Level Agreement (SLA) to Infrachain and comply to that. Explained from another angle, Infrachain creates a private chain-like environment and adds 3rd party distributed trust to the mix.”

LOWERING TRANSACTION COSTS AND IMPROVING TRANSPARENCY

Infrachain will provide a mutualised infrastructure and operations, with the aim of lowering the cost of each blockchain instance, thus reducing costly technology and investment which is often an entry barrier for service providers and start-ups.

“Infrachain is a cross-industry effort targeting FinTech, healthcare, public services and the supply chain,” says Houwen. *“The vision is that you go into a portal, then you decide on the blockchain technology you want to use, then you decide on what country you want to have your blockchain nodes running. For example, you might decide that you want to have five nodes in France, five in Germany, two in Luxembourg, and three in Belgium. What is very important is that the only thing Infrachain operates is the orchestration platform. Infrachain never has authority on the nodes or host operator. That is why it is so important that Infrachain is a non-profit organisation,”* concludes Houwen.


These initiatives all aim to support existing businesses as well as to strengthen the blockchain ecosystem, making Luxembourg more attractive for start-ups and blockchain experts from abroad.

GM

INSURANCE

WATCH HOW LUXEMBOURG
HAS BECOME A GLOBAL HUB
FOR MAJOR INTERNATIONAL
FINANCIAL INSTITUTIONS.





OVER THE PAST MONTHS, SEVEN INSURANCE COMPANIES HAVE ANNOUNCED THEY WILL SET UP THEIR EUROPEAN SUBSIDIARIES IN LUXEMBOURG, FOLLOWING THE UK'S DECISION TO LEAVE THE EUROPEAN UNION.

NOW, WITH 88 INSURANCE COMPANIES USING LUXEMBOURG AS THEIR HUB TO SELL THEIR INSURANCE POLICIES ACROSS EUROPE, THE GRAND DUCHY HAS FIRMLY ESTABLISHED ITSELF AS THE PREMIER CENTRE FOR THE CROSS-BORDER DISTRIBUTION OF INSURANCE PRODUCTS IN THE EUROPEAN UNION.

IN THIS EDITION, THE WELL-RESPECTED INSURANCE REGULATOR EXPLAINS WHY DEDICATED SUPERVISION IS KEY TO THE SECTOR. WE ALSO HEAR FROM THE LEADING INSURERS AIG, SWISS RE, FM GLOBAL, LIBERTY SPECIALTY MARKETS, AND AXA WEALTH EUROPE WHO SHARE THEIR REASONS FOR CHOOSING LUXEMBOURG FOR THEIR EU BASE TO SERVE THEIR EUROPEAN CLIENTS.



RÉJEAN BESNER,
MANAGING DIRECTOR,
SWISS RE (LUXEMBOURG)

UNDERSTANDING THE FUTURE

INSURERS AIM TO UNDERSTAND THE FUTURE. WITH GREAT PASSION, THEY ANALYSE EVERY DETAIL AND LOOK TO THE NEXT TEN YEARS AND BEYOND. THEY KNOW THAT THE FUTURE MAY BE HARD TO PREDICT BUT IT NEEDS TO BE PLANNED FOR. ONLY THOSE WHO ARE ABLE TO CAREFULLY ANTICIPATE, MITIGATE AND CALCULATE RISK CAN PROVIDE PROTECTION OVER THE LONG-TERM.

STABILITY IS THE CORNERSTONE OF ANY LEADING INSURER'S BUSINESS STRATEGY. IN EUROPE, FOR EXAMPLE, INSURERS NEED A COUNTRY THAT IS COMMITTED TO WORK WITH THEM OVER DECADES. A COUNTRY THAT HELPS THEM TO KEEP THEIR PROMISE, NO MATTER WHERE THEIR CLIENTS ARE BASED OR OPERATE FROM.

ONCE UPON A TIME, PRE-BREXIT

Today, Luxembourg is home to the operations of 88 insurance and 216 reinsurance companies. Similar to banks and investment funds, most of these insurers have developed parts of their cross-border activities in the Grand Duchy. Along the way, non-EU insurance companies also started to consider Luxembourg for setting up their EU-hub. Swiss Re, one of the world's largest reinsurance groups with headquarters in Zurich, decided to bring its re/insurance activities in the European Economic Area (EEA) under one roof in 2007.

"We used to have local companies in a number of European countries and came to the conclusion it was not the most efficient way to operate. EU regulation and the Freedom of Establishment allowed us to work from a single base," explains Réjean Besner, General Manager of Swiss Re in Luxembourg.

Luxembourg was not totally new to Swiss Re as the company already had a small presence in the country. *"Coming from Switzerland, Luxembourg's open business culture, as well as the fluent language skills of its financial professionals, made us feel at home."*

For the last decade, Swiss Re has maintained its strong presence in Europe and operates through a network of branches to serve its clients. The European market counts for a third of Swiss Re's group activities. Luxembourg is home to its EEA head office, from where it co-ordinates the regional branch network.

The Swiss reinsurer did a lot of heavy lifting to establish a single base and had to go through a process of bringing all the different legal structures into the Luxembourg entity.

"Considering the complexity of our EEA legal structure, we felt it was more efficient to centralise in Luxembourg. We believe we made the right choice and are very pleased with the result. If we have new ideas that would require additional legal structures in the EEA, the preference

is to build from what we have in Luxembourg and include Luxembourg in any formal assessments," concludes Mr. Besner.

EU HUB FOR STABILITY AND GROWTH

And yet, even insurers with the best analytical skills would not have dared to predict in 2007 that the UK would vote to leave the EU just 10 years later. The UK's upcoming split from the European Union has caused a lot of uncertainty, and long-term commitment to the EU has become more important than ever for many financial firms. Hence, the insurance companies that have decided for Luxembourg highlighted that the country's stability was one of the decisive factors during their assessment. As such, Swiss Re's strategic choice for Luxembourg, has become a trailblazer for other non-EU insurance companies seeking a central hub within the EU and the EEA.

Global insurer AIG is one of them. In Europe, AIG offers commercial and personal insurance products and services in 20 countries.

"Once there was the decision for Brexit, we had to put our customers first. Many of them are multinationals. We need to be able to serve them in the EU because they all have activities here," explains Anthony Baldwin, CEO of AIG Europe.

AIG set up a Brexit working group to assess future locations for its domicile. The choice for Luxembourg was guided by 4 principles: proximity to customers, access to talent, sustainability and long-term commitment to the EU, as well as efficient contact with teams and business lines abroad.

Insurance firms work across borders and need to be able to rely on the right international expertise. Mr Baldwin says: *"With multinational clients, you have interconnected risk. Whilst the risk may start in country A, it could impact country B, C, and D. Disruption of the supply chain can delay the delivery of the product in another country. Therefore, having*

"Considering the complexity of our EEA legal structure, we felt it was more efficient to centralise in Luxembourg. We believe we made the right choice and are very pleased with the result."

RÉJEAN BESNER, GENERAL MANAGER,
SWISS RE (LUXEMBOURG)



“One thing I learnt while I visited Luxembourg was the whole commitment to FinTech and innovation. We see Luxembourg as a place that could help us to become even more innovative.”

ANTHONY BALDWIN

ANTHONY BALDWIN,
CEO, AIG EUROPE

the appropriate insurance program covering these global exposures, while having the right local policies in place, can be complex.”

Mr Baldwin explains that, in addition to the international insurance professionals, Luxembourg’s investment fund management community has world-class skills in risk selection, underwriting and analytics that are valuable to the insurance sector.

“You don’t have to drive too far to get access to a large range of globally renowned legal and accountancy firms that can help AIG to provide its products and services more effectively,” adds Mr. Baldwin.

AIG is still going through the final stages of the planning process to set up its hub in Luxembourg. The full legal entity split from the UK - including leadership and personnel - is expected to happen (subject to all necessary approvals) in Q1 2019.

“We are excited about the opportunity that it could represent for us to expand our European business by being even more present in continental Europe today,” says Mr. Baldwin.

Liberty Specialty Markets also had to find a sustainable solution for its clients in Europe. The company offers insurance and reinsurance.

“Already prior to Brexit, we had started to reinforce our presence in continental Europe. For over 18 months, we have been investing in people and our product range. Our growth in Europe is a crucial part of our strategy,” says Kadidja Sinz, head of Europe of Liberty Specialty Markets.

“We are facing the possibility of a hard Brexit and, given the importance of Europe to our growth strategy, we could not risk losing the ability to operate in Europe.”

Liberty Specialty Markets already has branch operations in Ireland, Spain, Italy, Switzerland, France, Germany and the Netherlands. The company aims to expand in other EU countries as well.

“For our EU headquarters, we wanted to look for a country close to our key locations, that could provide solid and professional regulation as well as a business approach to determine the best European structure for us and our policyholders.”

Ms Sinz adds: *“Our clients look at who regulates us because they place long term insurance with us. It was crucial for us to find a solution that would avoid disruption to our clients and our staff. The country needs to provide a stable environment to enable us to work across Europe. Our clients need to be able to count on us when they need us.”*

Another U.S. insurer, FM Global, which insures one in three of the Fortune 1000 list of largest U.S. companies, also opted for Luxembourg. *"The majority of our clients are based in multiple countries. 70-75% of our business is directly or indirectly linked with Europe. Without Europe, we would not be FM Global, we would not be a global company,"* explains Chris Johnson, Executive Vice-President in charge of FM Global's European operations.

A DEDICATED REGULATOR THAT PUTS INSURANCE FIRST

Banking and insurance are not the same. They both involve finance and services, but fundamentally, a promise to pay at a point in the future is not the same as servicing a bank loan where you've already got the money. Furthermore, in insurance there is no interconnection like in banks. If a bank goes bankrupt it can have a domino-effect on multiple actors. Therefore, given the distinctions in systemic risk, it would be wrong to use *"out of ease"* banking supervision techniques on insurance companies. This is also the reason why many insurance companies appreciate working with a separate and dedicated regulator.

"If you deal with a regulator who has little insurance experience, it can be frustrating trying to work your way through why you use capital differently. Luxembourg punches well above its weight when it comes to insurance expertise," continues Mr. Johnson.

Following Brexit, FM Global's analysts combed through an all-encompassing evaluation of every EEA member state against 100 individual criteria. They ended up with a short-list of countries.

"It was very important to us to find a regulator that understands not only insurance but also our rather unusual business proposition. We are the only insurance company with no actuaries, which is very uncommon. Another difference is that we have a private balance sheet," explains Mr Johnson.



KADIDJA SINZ,
HEAD OF EUROPE,
LIBERTY SPECIALTY MARKETS

"The country needs to provide a stable environment to enable us to work across Europe. Our clients need to be able to count on us when they need us."

KADIDJA SINZ, HEAD OF EUROPE, LIBERTY SPECIALTY MARKETS

"We are owned by our policy holders. We have no conflict between our external stakeholders and our insured. They are one and the same. Everything we do is in service of our owners who happen to be our policy holders."

Unlike other insurers, FM Global does not have any actuarial tables. The company had to explain to the Luxembourg insurance regulator, the Commissariat aux Assurances (CAA), how it goes about underwriting, how it evaluates risk from an engineering perspective, and how the risk is turned into capacity and pricing.

"That takes some pretty engaged people to work through that with you. The questions of the CAA were focused, they had done their homework, they listened and it was crystal clear to us that there was a lot of expertise."

Instead of relying on actuaries and past loss history, FM Global employs a large team of

engineers, research scientists and statisticians to provide a forward looking view of risk and to support its underwriting processes and capacity allocation. With almost two centuries of claims history and an exceedingly deep data set, the company takes a deterministic approach to both its engineering and underwriting. Also, with its constant acquisition of client based data, comprising almost a thousand individual and distinct elements at each of the 60,000 locations visited annually, FM Global can provide clients with site and account specific engineering and underwriting solutions. To ensure compliance and to verify its assumptions, FM Global supplements its internal modeling with expert third party actuarial services.

"It really was a first-class experience. I manage all the business outside the Americas. This is not the only regulator I deal with. In terms of expertise, dedication, speed, and professionalism, it doesn't get any better," says Mr. Johnson.

There were many other attractions, including being able to hold all conversations and file all documents in English. *“How much simpler that made it! English is our corporate language, used by our interconnected computer systems and technical data. To find a regulator who can read all our internal documents is a huge plus.”*

Mr Baldwin from AIG agrees: *“We found the CAA to be extremely responsive and to have a real rigour around their approach. That was really important to us. We are accustomed to dealing with a sophisticated regulator. Luxembourg’s regulator was very impressive and an important part in our decision making.”*

The same is true for Liberty Specialty Markets. *“The people at the CAA are pro-active and very knowledgeable, which makes it interesting to interact with them. I also like the fact that we can work within a timeframe. When you have no visibility on timing, things can get difficult. But here the schedule is very reliable,”* comments Ms. Sinz.

STABILITY – THE CORNERSTONE

Insurance companies need to be able to plan over the medium to long-term and therefore require a stable host country to work from.

“There is no stop-and-go in Luxembourg in order to create the best environment for business development,” says Marie-Hélène Massard, CEO of AXA Wealth Europe and President of the Luxembourg Insurers Association ACA.

Luxembourg’s excellence in cross-border insurance has matured over more than three

“If you deal with a regulator who has little insurance experience, it can be frustrating trying to work your way through why you use capital differently. Luxembourg punches well above its weight when it comes to insurance expertise.”

CHRIS JOHNSON, EXECUTIVE VICE-PRESIDENT,
FM GLOBAL’S EUROPEAN OPERATIONS

“The insurance regulatory framework has changed very quickly and profoundly. You need access to experts that are not only knowledgeable but also pragmatic thanks to their experience in the sector.”

MARIE-HÉLÈNE MASSARD



MARIE-HÉLÈNE MASSARD,
CEO, AXA WEALTH EUROPE AND
PRESIDENT OF THE LUXEMBOURG
INSURERS ASSOCIATION ACA



CHRIS JOHNSON,
EXECUTIVE VICE-PRESIDENT,
FM GLOBAL'S EUROPEAN OPERATIONS

decades. Today, 78% of written premiums in Luxembourg are for international life insurance. The success is due to the international portability of the product as well as the flexibility of investments, namely the choice of contract currency, choice of products and possibility to combine the contracts with different types of financial vehicles.

When asked about Luxembourg's dedicated insurance regulator, she continues: *"The insurance regulatory framework has changed very quickly and profoundly. You need access to experts that are not only knowledgeable but also pragmatic thanks to their experience in the sector."*

Unlike the U.S. insurers, AXA, as a European insurer with headquarters in Paris, did not need to change domicile following Brexit. The leading French insurer has had a long historical presence in the European insurance market. However, in 2016, in response to demand for a more mobile and international service, AXA implemented a new initiative in Luxembourg, AXA Wealth Europe. The service offers custom-made saving solutions for AXA's international client base.

"The presence in Luxembourg started last year in order to broaden the offer in wealth management. We wanted to make full use of the international expertise that Luxembourg offers. We already had the teams in Luxembourg and with the additional support from AXA Group experts the activity has taken off very well," adds Ms. Massard.

THE FUTURE

The world is getting riskier: there has been an increase of interconnected risk, an increase of new exposures emerging from new business models, IT ransomware, as well as an ever-changing geo-political environment. The interconnectedness of business is a double-edged sword.

"Sometimes interconnectedness makes business more robust, but sometimes it can make it rather less resilient. A PC system can be attacked globally by the same virus. My sense is that we are

seeing more and more clients that are interested in truly understanding risk and knowing how to prevent the losses," says Mr. Johnson of FM Global.

At AIG, cyber security is one of the top priorities as well. The company has seen an increase in demand for better solutions. *"The insurance industry has moved incredibly quickly. The good thing is that we have access to better data. With a traditional insurance line you might see a new product being developed every 2-3 years, but with cyber security, we see new products developing every 4 months or so,"* says Mr. Baldwin.

Technology is changing business models rapidly. *"We see great opportunity in Europe more broadly. We have to adapt and shift our products and solutions to new exposures driven by the technology revolution. To achieve this we need to embrace new technologies and new ways of thinking."*

"One thing I learnt while I visited Luxembourg was the whole commitment to FinTech and innovation. We see Luxembourg as a place that could help us to become even more innovative," he adds.

Ultimately, risk has become more difficult to calculate. Services constantly need to be broadened to tackle new risks.

"The magnitude of some of the losses can potentially be significant. As an insurer, we must take new approaches to keep helping our clients the way we have been doing for decades. Our job has always been to understand the future; that has not changed," says Ms. Sinz.

Mr. Johnson senses an excitement in Luxembourg about the future. *"People look at things with a very optimistic lens. How enchanting that you can sit in a 17th century square talking about the next 50 years, not waiting to see what happens next, but to have a chance to take action and write the future together. That is pretty good fun."*

LR

GIVING INSURANCE THE ATTENTION IT DESERVES

MANY PEOPLE STUDY ECONOMICS AND LAW, BUT ONLY A FEW CAN SAY THEY HAVE A DEGREE IN MATHEMATICS AND LAW. CLAUDE WIRION, IS ONE OF THEM. THE KNOWLEDGE HE ACQUIRED BY COMBINING THESE TWO FIELDS OF EXPERTISE HAS PROVEN EXTREMELY USEFUL FOR LEADING THE COMMISSARIAT AUX ASSURANCES (CAA), LUXEMBOURG'S DEDICATED INSURANCE REGULATOR.

LFF: SEVERAL LEADING INSURANCE COMPANIES HAVE CHOSEN LUXEMBOURG AS THEIR NEW EU-BASE FOLLOWING BREXIT. DID YOU EXPECT LUXEMBOURG WOULD GET THIS LEVEL OF INTEREST?

CW: Yes, to some extent, we did. Given Luxembourg's long-standing international expertise, we anticipated that we would be shortlisted by many insurance companies. When analyzing the options of insurance companies domiciled in London, it was clear that companies which only operated in the UK would be able to continue working out of London. However, those which have a large part of business activities in the EU would need to find other solutions. For instance, large American insurance companies that have a dense network of branches across the EU, would not be able to fall back on the

UK as this would halt their activities in the European Union.

LFF: WHICH INSURANCE COMPANIES ARE PLANNING TO ESTABLISH THEIR EU HUB IN LUXEMBOURG?

CW: Leading companies such as AIG, FM Global, CNA Hardy, Hiscox, Liberty, RSA Insurance Group and Tokio Marine have announced their intention to come to Luxembourg. I expect other announcements to be made. Luxembourg is also on the shortlist for many P&I clubs given that they too need to find a new domicile to serve the European market. Two of them, West of England Shipowners Mutual Insurance Association and Shipowners' Mutual Protection & Indemnity Association, are already present in Luxembourg.





CLAUDE WIRION,
GENERAL DIRECTOR,
COMMISSARIAT AUX ASSURANCES

“For many years we have closely co-operated with regulators in other financial centres such as London and Frankfurt. Through these common international projects, we have developed a profound expertise in cross-border insurance.”

CLAUDE WIRION

LFF: WHERE DID THE CAA'S EXPERTISE COME IN?

CW: We have been able to provide examples of large companies, such as Swiss Re, that for many years have operated out of Luxembourg to serve the EU market. Our expertise to analyse and approve their internal models and monitor their functioning on an on-going basis has been important for the likes of AIG and others. Also, for many years we have closely co-operated with regulators in other financial centres such as London and Frankfurt. Through these common international projects, we have developed a profound expertise in cross-border insurance.

LFF: YOU ARE ENTIRELY DEDICATED TO THE INSURANCE SECTOR. HAS THIS BEEN OF ANY HELP?

CW: Yes, absolutely. We don't have a long queue of insurers waiting to be served after the banks.

Although insurance has certain contact points with other financial services, the overall regulatory framework and standards are different.

If regulators need to manage all banking issues as well, there is always a risk that the work isn't done as well as it can be.

Many countries have integrated regulators. They often have specialised departments for insurance, but they can only take decisions

up to a certain level. They then need to pass it on to a general management committee. Unfortunately, when dealing with multiple files from banks and other financial institutions, insurance is not always their priority.

At the CAA, from top to bottom, we provide a dedicated service. The expertise is available on all decision levels, and that is precisely what the insurance sector appreciates. I hope we can maintain this model.

LFF: WHAT IS YOUR VIEW ON DEDICATED INSURANCE SUPERVISION ON EUROPEAN LEVEL IN CONTEXT OF POSSIBLE TRANSFERRING OF SOME RESPONSIBILITIES AWAY FROM THE EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA) OR MERGING IT WITH ANOTHER OF THE EUROPEAN SUPERVISORY AUTHORITIES (ESAS)?

CW: There are talks at a European level to merge, but not everyone supports the idea. I can only observe that this debate is not always serene and very much influenced by Brexit. EIOPA firmly believes that the maintenance of distinct bodies will be required. Such moves would not lead to better EU-level supervision or increased convergence in the way national authorities supervise insurance. Conduct of business and prudential issues are interlinked and changes would dilute the insurance expertise that EIOPA has built since it was created. There is also no evidence that another EU supervisory structure would work better and justify the costs, risks and years of uncertainty that would accompany any significant structural changes.

Many European countries have an integrated regulator but, outside Europe, not all countries have opted for this model. Large countries such as the U.S. or China have dedicated regulators for the insurance sector.

“We don’t have
a long queue
of insurers waiting
to be served after
the banks.”

CLAUDE WIRION

LFF: EU REGULATORS ARE INTENSIFYING A DRIVE TO PREVENT FINANCIAL GROUPS FROM SETTING UP SHELL COMPANIES IN CONTINENTAL EUROPE TO SIDESTEP THE EFFECTS OF BREXIT. WHAT’S YOUR VIEW ABOUT THIS?

CW: The guidelines by EIOPA are very clear and we fully support them. We deal with large groups that already have a substantial presence in the EU. There is no reason to needlessly remove people from other EU countries, but we make sure that each of the groups have the management based in Luxembourg and that these teams have the skills and capacity to control all the activities of the company.

LFF: OTHER EUROPEAN REGULATORS SEEM TO HAVE PROBLEMS HIRING STAFF. ARE YOU IN THE PROCESS OF GROWING YOUR TEAMS?

CW: We take the recruitment of new people seriously but have never strengthened our teams to simply meet quantitative targets. Our search for talent is solely focused on our own needs and driven by adding quality.

We have been hiring additional staff throughout 2017. We provide training to junior staff and build their skills by introducing them to files with a high degree of routine and then gradually increase the level of complexity. The most senior and experienced people work on Brexit-related applications. We have been very fortunate that we have been able to attract brilliant people with fantastic expertise to work for us.

LFF: YOU HAVE BEEN WORKING FOR THE COMMISSARIAT AUX ASSURANCES FOR NEARLY 25 YEARS. AS WELL AS GRADUATING FROM THE ECOLE POLYTECHNIQUE AND THE ECOLE NATIONALE D’ADMINISTRATION, YOU ALSO HOLD A MASTERS DEGREE IN LAW FROM THE UNIVERSITY OF PARIS 1. WAS IT YOUR GOAL TO DEVELOP A CAREER IN INSURANCE SUPERVISION? WHAT DO YOU LIKE ABOUT YOUR WORK?

CW: I started my career at the Luxembourg Ministry of Finance, which was located opposite the offices of the insurance regulator. At one point in time, they were looking for an actuary and convinced me to join them.

Although it was a coincidence that I had a degree in both mathematics and law, the combination of these two areas turned out to be very useful for my work as a regulator. I have always loved the diversity of the work. Insurance supervision requires technical and mathematical skills as well as a deep understanding of multiple legal sectors: company law, accountancy law, inheritance law, etc.

LFF: BASED ON THE RECENT RESULTS PUBLISHED BY THE CAA, ARE YOU CONFIDENT ABOUT THE FUTURE GROWTH AND GLOBAL IMPORTANCE OF THE INSURANCE SECTOR IN LUXEMBOURG?

CW: Absolutely. The first six months of this year have been encouraging overall. Growth in the insurance market activity increased in the second quarter of 2017, with insurance premiums increasing by 26.94% compared to the same period last year.

Total inflows increased by 16.28%, with premiums up by 17.81% in life insurance and by 6.98% in the non-life insurance sectors.

We are cautious about being too optimistic because the market is quite dynamic at the moment. But it is clear that there is long-term confidence in Luxembourg as a cross-border centre for insurance.

LR

“At the CAA, from top to bottom, we provide a dedicated service. The expertise is available on all decision levels, and that is precisely what the insurance sector appreciates.”

CLAUDE WIRION

THE EU CENTRE FOR CROSS-BORDER INSURANCE AND REINSURANCE

A CENTRE OF EXCELLENCE IN CROSS-BORDER INSURANCE

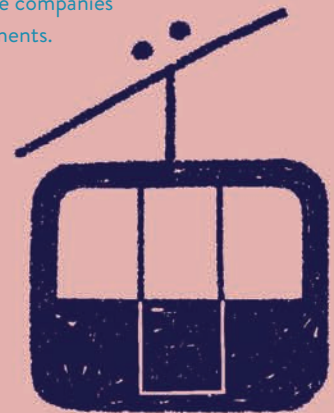
46 life assurance companies

42 non-life assurance companies

216 reinsurance companies
established in Luxembourg

INSURERS TO SET UP THEIR EU HUB IN LUXEMBOURG POST-BREXIT

AIG, FM Global, CNA Hardy, Hiscox, Liberty Specialty Markets, RSA Insurance Group and Tokio Marine. More insurance companies are expected to make announcements.



WHY LUXEMBOURG?

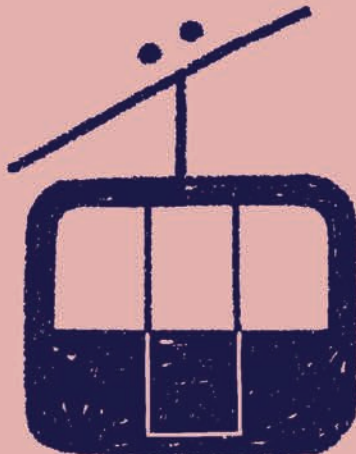
Cross-border expertise

Political, financial and social stability - Rated AAA by the three major credit rating agencies

Legal and regulatory framework fully compliant with EU Directives

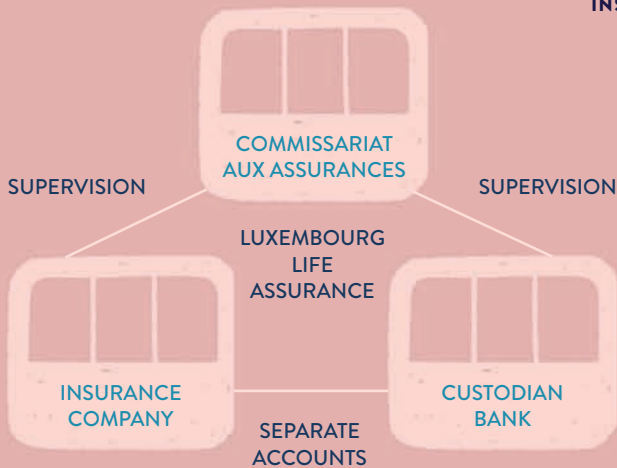
Leading centre for the cross-border distribution of life insurance in Europe

Luxembourg is the largest EU reinsurance hub and the preferred location for multinationals to cover their risks through a captive insurance company



78% OF LIFE INSURANCE PREMIUMS
ARE DISTRIBUTED ON A
CROSS-BORDER BASIS

INSURANCE



- The 'Triangle of security' offers an extra degree of investor protection that is unique in Europe, where the insurers need to select a custodian bank previously authorised by the regulator
- 'Super Privilege' guarantee, which establishes subscribers' preferred claim over all other involved parties in case of default

KEY SUCCESS FACTORS: LIFE INSURANCE

- International portability
- Flexibility of investments: choice of contract currency, choice of products and possibility to combine the contracts with different types of financial vehicles
- A unique level of protection for policyholders in Europe

INSURANCE SECTOR RESULTS

Growth in the insurance market activity increased in the second quarter of 2017, with insurance premiums increasing by 26.94% compared to the same period last year.

Total inflows increased by 16.28%, with premiums up by 17.81% in life insurance and by 6.98% in the non-life insurance sectors.





Luxembourg Art Week: Thriving on the perfect balance between business and pleasure

THE LUXEMBOURG ART WEEK IS SET TO OPEN ITS DOORS FOR THE THIRD TIME ON FRIDAY 3 NOVEMBER. LUXEMBOURG ART WEEK, EUROPE'S YOUNGEST ART FAIR, HAS SEEN A STRONG INCREASE IN INTERNATIONAL VISITORS AND PARTICIPATING GALLERIES.

“Luxembourg is central in Europe and has the potential to develop in some of the ways Basel did. Luxembourg’s situation is even better because we are in the European Union.”

LUC MULIER



LUC MULIER

“The number of galleries has increased from 19 to 45 in less than three years and visitor numbers have doubled,” explains Alex Reding, owner of Nosbaum Reding Gallery and organizer of Luxembourg Art Week.

“In addition to leading Luxembourg galleries, we also welcome galleries from Germany, France, Belgium, Italy and other countries.”

The layout of the presentation space has been redesigned to allow exhibitors greater flexibility and to ensure maximum visibility.

“It was a risky bet when we started the initiative in 2015, but we are delighted with the success,” he says.

Indeed, launching a new art fair can be a challenging venture. Since the turn of the century, the number of art fairs and museums has multiplied enormously. Today, there are about 275 art fairs globally while approximately 700 new museums open every year.

“In order to reinforce the synergy in the region, we also propose an ambitious program of conferences and performances in collaboration with MUDAM Luxembourg, Centre Pompidou-Metz, and Casino Luxembourg,” adds Mr. Reding.

Mulier Mulier Gallery, a specialist in contemporary art, has decided to participate for the third consecutive year.

“Luxembourg has its strengths and counts multiple collectors. I meet them regularly at international fairs such as Brussels, Cologne or Fiac. They know the international quality and references very well.”

ALEX REDING

The owner of the gallery, Luc Mulier, comments: *“Luxembourg is central in Europe and has the potential to develop in some of the ways Basel did. Luxembourg’s situation is even better because we are in the European Union. When you participate at an art fair and you want to buy or sell, exporting to Switzerland is more complicated.”*

“Furthermore, Luxembourg has to continue to invest in contemporary art. The MUDAM, with 100,000 visitors, can be even more ambitious. Everything starts with the country’s museums and, more importantly, its own collectors.”

Mr. Reding agrees: *“Luxembourg has its strengths and counts multiple collectors. I meet them regularly at international fairs such as Brussels, Cologne or Fiac. They know the international quality and references very well. The Luxembourg art scene is not as large as Paris or Basel, but we’ve got all the necessary elements to get the environment right.”*

Making predictions about the art market is a challenging task. Ultimately, one has to buy the art one loves. Also, finding the right artist in which to invest can be like finding a needle in a haystack.

“Years ago, we had the zero movement, now the prices of these artists have increased ten times. The next movement in the history of art after minimal art and zero is conceptual art. Conceptual art is even more interesting than zero, because it gives an image of our increasingly intellectual way of life,” explains Mr. Mulier.

Collectors often say that buying art gives them an adrenaline rush. Well, one thing is certain: whether you want to invest in art or simply spend a few hours in the presence of the world’s greatest art pieces, Luxembourg Art Week is guaranteed to give you a big “high”.

LR

“Everything starts with the country’s museums and, more importantly, its own collectors.”

MULIER MULIER GALLERY,
A SPECIALIST IN CONTEMPORARY ART



FÉLICIE WEYCKER,
GOVERNMENT ADVISOR TO
THE MINISTRY OF SUSTAINABLE
DEVELOPMENT AND INFRASTRUCTURE

“Mobility is required not only for developing efficient livable cities but also for attracting top talents and investments.”

FÉLICIE WEYCKER

Luxembourg: a country on the move

AN EVER-GROWING NUMBER OF URBAN CONSTRUCTION WORKS IS CURRENTLY CHANGING THE FACE OF LUXEMBOURG CITY. THERE IS NO DOUBT, LUXEMBOURG IS ON THE MOVE. WITH A POPULATION GROWTH OF 34% IN 15 YEARS LUXEMBOURG HAS MADE MOBILITY A KEY CHALLENGE. WE SPOKE WITH MOBILITY SPECIALISTS TO LEARN HOW THE COUNTRY IS PREPARING FOR THE FUTURE.

“The tram is the most suitable system capable of meeting the high transport demand on the key route through the center of the City of Luxembourg and will provide an important gain of time for employees heading to the major busy hubs of the city.”

ANDRÉ VON DER MARCK, CEO, LUXTRAM

“Mobility is required not only for developing efficient livable cities but also for attracting top talents and investments. It has become a key challenge for Luxembourg as its expansion is accompanied by a significant population growth and an increase in the number of commutes, in a context of strong cross-border development. An efficient and flexible transport system that offers intelligent and sustainable patterns of mobility is essential for the health of our economy and our standard of living,” explains Félicie Weycker, advisor to the Ministry of Sustainable Development and Infrastructure.

In order to provide assistance on the planning of roads and public transportation, the Ministry carried out a large-scale survey to gain insights into its residents’ mobility needs and create a flexible combination of transport modes based on the city’s commitment to environmental issues, putting multimodality at the core of Luxembourg’s mobility strategy.

“The aim is to diversify as much as possible the mode of transports available to citizens,” adds Weycker.



ANDRÉ VON DER MARCK,
CEO,
LUXTRAM

TRAMWAY: BACKBONE OF MULTIMODAL MOBILITY

Luxembourg's upcoming tramway network constitutes an important step in the development of an ever-growing sustainable public transport in Luxembourg.

"The tram is the most suitable system capable of meeting the high transport demand on the key route through the center of the City of Luxembourg and will provide an important gain of time for employees heading to the major busy hubs of the city," says André von der Marck, CEO of LuxTram.



One of the biggest assets of the tram is undoubtedly its transport capacity. With a passing frequency of every 3 to 6 minutes, the tram will be able to transport up to 10,000 people per hour and per direction. Each train measures 45 meters long and can accommodate up to 450 people.

The project is carried out in several stages. Commuters heading to the Kirchberg Plateau, one of Luxembourg's main business and financial district, will be the first able to ride on the tram as of December 2017 while full completion of the project is expected by 2020-2021. The 16-km line will count 24 tram stations running across Luxembourg city and its major development zones from the airport, central train station to the Cloche d'Or business district.

"The route of the tram is the result of a long process in order to best serve the needs of passengers. Access to major busy hubs of the city is direct. Urban buses will serve all city districts in combination and coordination with the tram and thus offer a tightly-knit network of public transportation," says von der Marck.

"The tramway will not only reduce road traffic congestion but it will also facilitate mobility in the heart of Luxembourg, contribute to reshaping the face of the city and boosting its development. It also encourages the use of public transport and soft mobility," adds Félicie Wecker.

With the introduction of the tramway, public spaces will be redesigned to include sidewalks, dedicated cycling paths along the tram lane as well as new green areas accessible to all as a logical step regarding urban development while secured space for bicycle storage, cycling stations and bicycle parking locations will also complement most of the interchange hubs.

REDESIGNING MOBILITY

Above all, the upcoming tram offers the opportunity to reorganise the entire transport offer at a national level for a more efficient mobility.

Well-designed interchange hubs will make it easy to connect with other modes of transport, such as buses, trains, cars or soft mobility. Dedicated car parks will be added allowing users to park their cars before riding on the tram while secure biking stations and bicycle parking locations will complement most of the hubs.

In addition, a new railway station, called Pfaffenthal-Kirchberg, will be added to create a multi-transport hub connecting the Kirchberg plateau to rail services, and will allow travellers to get to the centre of Luxembourg by tram. Served by trains coming from the north, south and west of the country, the Kirchberg-Pfaffenthal will allow national and cross-border passengers to reach the Kirchberg plateau easily and comfortably.

From there, a funicular railway will transport passengers between the Pfaffenthal valley to the Kirchberg plateau in around 63 seconds. As from its opening next December, it will transport an average of 1,200 passengers in ten minutes.

"The Kirchberg-Pfaffenthal railway station project integrates perfectly into our sustainable mobility strategy, answering to the needs of the growing number of public transport users. It will allow passengers to gain a huge amount of time on their commutes," explains Weycker.

SUSTAINABLE MOBILITY: DRIVEN BY INNOVATION

Sustainable mobility is key for the quality of life of urban dwellers. In addition to initiatives such as car-pooling, Luxembourg is committed to offer a diversity of solutions to reduce overall environmental impact and traffic volume. The country has a goal to cut overall carbon dioxide emissions by at least 20 percent by 2020.

"Sustainable urban mobility requires a mind shift: where transport in private cars give way to different modes of public transport," says Weycker.



Luxembourg was one of the first European countries to implement buses with hybrid technology and is aiming at a zero emission urban bus system in the near future for a cleaner environment, reduced noise levels and increased comfort during bus journeys.

Currently acting as the test arena for a leading sustainable transportation project with Volvo, the country introduced a fleet of Volvo Plug-in Hybrid buses, recharging from electricity grids via a collector installed on the roof. The plug-in buses have a large battery package, making it possible to drive quietly and free from emissions while the batteries are charged at the bus terminus between six and ten minutes.

Luxembourg's commitment to sustainable mobility is also exemplified in the upcoming tram that will offer a complete new concept of mobility combining cutting-edge technologies and sustainable criterias.

“What we have is a complete new generation of tram. The available technology will enable the tram to ride without overhead contact line in order to ensure a soft integration in the urban environment. It is not only a beautiful and sleek design but there is a real cutting-edge technology behind this project which makes it one of the best systems worldwide in terms of performances,” explains von der Marck.

Running entirely on electricity, the tram is highly energy efficient, does not emit pollutants and helps reduce noise pollution.

“Electricity will be entirely produced with wind turbines based in the North of Europe that will allow the tram to run entirely on green energy,” he adds.

LEADING CHARGE ON ELECTRIC MOBILITY

To fully prepare its transition to electrically powered transport, Luxembourg is currently working on the installation of a public infrastructure comprising 800 fast charging stations for 100% electric vehicles and for plug-in hybrid cars between now and 2020.

Spread throughout the Grand Duchy, 400 charging stations are being installed at Park and Ride car parks to encourage commuters to use public transport while 400 others are installed in public car parking spaces. In total, there will be 1,600 parking spaces devoted to charging cars.

“From an electro-mobility point of view, Luxembourg will be very well positioned in one or two years,” explains Weycker.

SOFT MOBILITY: POWER OF THE MUSCLE

"Journeys of less than 5km are very common in Luxembourg. Therefore, soft mobility is an important part of our strategy and we intend to increase its share," explains Félicie Weycker.

Awareness of the population for environmental issues and quality of life is increasing and people tend to be more open to use other mode of transport rather than their cars. However, this change is expected to take time.

"If we want to motivate people to change their habits, we need to build the right infrastructures and put the right measures in place. That is why we strive to make it as easy as possible for citizens to cycle to work or carry their bikes everywhere with them, whether it is on the bus or train," she adds.

The country's M-Box scheme, a free bike storage, offers 24/7 secure bike parking all across Luxembourg. Located in public transport hubs including train stations, it allows commuters to easily integrate cycling into their journeys and allow them to transfer to and from public transport to their personal bikes with ease. Cyclists can cycle to their local train station, take their bikes on trains free of charge, leave them at the train station before hoping on a bus or walking to work.

In addition, the country's bike sharing scheme "vel'oh!", available everywhere in the city, is constantly being extended. Since its introduction in 2008, the number of bikes and stations increased from 250 bikes and 25 stations, to about 770 bikes and 70 stations in 2015.

More importantly, soft mobility appears to be a key driver of quality of life.

"The goal is to rebalance the public space and create a city for people. There will be less pollution, less noise, less stress; it will be a more walkable city."

SELF-DRIVING CARS: MOBILITY OF TOMORROW

"We are constantly on the look-out for new and innovative ways of enhancing the mobility experience of our citizens," says Weycker. Self-driving cars is definitely one of them.

While in Silicon Valley, self-driving cars are already a reality, Luxembourg is up to the challenge and is very interested in playing a key role in the field in the future. The country recently announced that it has struck an agreement with its neighbours France and Germany to create a test zone for self-driving cars expected to begin in the first half of 2018.

"Self-driving cars will completely change our concept of mobility. In the long-term, the combination of electro-mobility and self-driving vehicles will lead to an efficient use of charging infrastructures and help reduce the carbon footprint of transport," says Weycker.

OB



FUNICULAR RAILWAY



Luxembourg Renminbi Forum: Connecting strategies to foster the Belt and Road initiative

FOR THE FOURTH CONSECUTIVE YEAR, THE LUXEMBOURG RENMINBI FORUM IN JUNE KICKED OFF DISCUSSIONS RELATED TO CHINESE FINANCIAL ACTIVITIES, AMONG INTERNATIONAL EXPERTS FROM THE INDUSTRY AND ACADEMIA GATHERED FOR THE ONE DAY CONFERENCE IN THE GRAND DUCHY. THE EVENT THIS YEAR WAS DOMINATED BY THE GEARING UP OF THE BELT AND ROAD INITIATIVE (BRI) SINCE THE BEIJING SUMMIT IN MAY BROUGHT NEW MOMENTUM TO THE POLICY.

“Luxembourg has not only become one of the main conduits for Chinese investments into Europe, but has also stood ready to share its longstanding expertise in international finance.”

PIERRE GRAMEGNA, LUXEMBOURG FINANCE MINISTER

Huang Changqing, the Ambassador of the People's Republic of China to Luxembourg set the tone of the one day Forum by declaring that the objective of the silk road was *“to connect the development strategies of different countries, use complementary advantages of each country and achieve common prosperity.”* Hence, BRI is also an ambitious effort to rebalance economic globalization.

In his response, Luxembourg's Finance Minister Pierre Gramegna welcomed the Belt and Road initiative as something that would not only enable huge economic opportunities, but also contribute to world peace. Luxembourg will play its role to accompany the initiative, the Minister said, just as it was already done in the recent past: “Luxembourg has accompanied China's financial opening-up. The Luxembourg financial centre has not only become one of the main conduits for Chinese investments into Europe, but has also stood ready to share its longstanding expertise in international finance.”

THE FUTURE OF SINO-EUROPEAN RELATIONS

The high-level speakers and industry practitioners raised and discussed topics ranging from the Chinese current economic situation, the reform of China's financial markets to China's internet finance revolution and its future effects on the European financial landscape.

Talking about the future development of the Sino-European relations, the panelists agreed that the challenges arising from the UK leaving the European Union would be manageable, but would also have an impact on how Chinese investments would flow into the European Union. Luxembourg would play its role in this context as the EU hub for Chinese financial activities, said Camille Thommes, director general of ALFI, all the while maintaining good relations with the financial centre of London.

NAVIGATING THE GREEN BONDS MARKET

In the general context of infrastructure investments, Green bonds play an increasing role on the world stage. While the People's Republic is already well engaged in tackling its environmental challenges, and thus well advanced in the financial aspects of the issue, the Chinese expertise and hunger for Green bonds will also have effects on policies like the BRI. *“Europe in general, and Luxembourg in particular have already instituted a strong dialogue with their Chinese counterparts to set common standards,”* according Yao Wang, Professor and Director General, International Institute of Green Finance, Beijing.

One of the newest developments discussed during the forum was the drive of Chinese payment companies to expand their business overseas and particularly to Europe. The industry practitioners agreed that due to their strength in data analytics, Chinese companies could particularly take advantage of the oncoming European PSD2 regulation.

THE RISE OF FINTECH IN CHINA

The forum was of course also the right place to reassess the situation of how Chinese financial actors could access overseas capital markets and vice versa. The panelists agreed that the recent launch of Shanghai-Hong Kong bond connect was a major step towards integration of the respective capital markets and that the inclusion of China A-shares in the MSCI emerging markets index would drive non-Chinese institutional investors towards increasing their Chinese positions.

SB

UPCOMING EVENTS

2017 **20.11**

MILAN 2017

Luxembourg for Finance will host a seminar in Milan on 20 November 2017 honoured by the presence of HRH the Crown Prince of Luxembourg and HE Pierre Gramegna, Minister of Finance.

Join the Luxembourg for Finance seminar organised in cooperation with the Italian-Luxembourg Chamber of Commerce (CCIL).

2018 **01.03**

FINTECHSTAGE LUXEMBOURG 2018

Following the success of the first and second edition of FinTechStage, Luxembourg for Finance is pleased to announce the third edition, which will be held on Thursday, 1 March 2018 at the Cercle Cité in Luxembourg. The conference is once more a partnership with FinTechStage and Digital Lëtzebuerg and will address key topics in the area of financial technology.



IMPRESSUM

EDITOR: LUXEMBOURG FOR FINANCE / 12, RUE ERASME / B.P. 904 / L-2019 LUXEMBOURG

TEL. (+352) 27 20 21 1 / FAX (+352) 27 20 21 399 / EMAIL LFF@LFF.LU

WWW.LUXEMBOURGFORFINANCE.COM

RESPONSIBLE FOR PUBLICATION: NICOLAS MACKEL, TOM THEOBALD.

EDITORIAL TEAM: OPHÉLIE BINET (OB), GILLY MATHIESON (GM), LYNN ROBBROECKX (LR), SASHA BREMER (SB).

CIRCULATION: 2,500 – QUARTERLY.

COVER ILLUSTRATION BY O STREET - WWW.OSTREET.CO.UK

PHOTOGRAPHY BY MIKE ZENARI - WWW.MIKEZENARI.COM

CHARLES CARATINI - WWW.CHARLESCARATINIPHOTO.COM

TYPESETTING BY INTERLIGNE - WWW.INTERLIGNE.LU

THE NEXT EDITION OF LEO, THE FINANCIAL CENTRE'S MAG WILL BE PUBLISHED
IN DECEMBER 2017.

my journey starts here



**POWERING YOU TO
75 DESTINATIONS.
EVERYTHING BECOMES
SUPER EASY!**

lux-airport.lu



P

7 500 parking
spaces as from
5€ per day



Numerous public
transport connections
in the Greater Region



Only 20 minutes
from FR-BE-DE



Luxury shops &
large variety of
restaurants