JUNE 2019

LEO

THE FINANCIAL CENTRE'S MAG

BRIDGING FOR SUCCESS: THE LUX-SINO RELATIONSHIP

A TALE OF TWO HUBS

SWISS RE: WHY WE CHOSE LUXEMBOURG

PARTNERSHIP IN THE ACADEMIC SPHERE

WORK, LIVE & LUXEMBOURG

LuxembourgforFinance
Agency for the Development of the Financial Centre

LUXEMBOURG
LET'S MAKE IT HAPPEN

NICOLAS MACKEL,
CEO, LUXEMBOURG
FOR FINANCE

Dear readers,

It gives me great pleasure to share with you this new edition of our LEO magazine which is dedicated to one of Luxembourg's true success stories, its relationship with China in financial services.

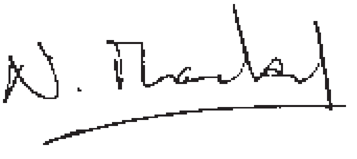
In the articles featured in this edition, we cover various activities in which Luxembourg has developed a very deep and strong relationship with the Middle Kingdom. Indeed, we reveal how the Finance Ministers of the past 40 years have worked to bring Chinese banks to set up their EU hubs in Luxembourg and how Luxembourg has managed to leverage its role as a leading investment fund hub in Europe to help international asset managers tap China's capital markets, as well as offer Renminbi exposure to our investor community. Today, Luxembourg has a leading market share globally in Dim Sum bond listings and in investment funds investing in Chinese equities or bonds.

This well-established partnership is being further enhanced by developments in the area of sustainable finance and digitalisation. Chinese payment firms chose to set up operations in Luxembourg in order to serve EU clients. The Luxembourg Stock Exchange sets up green bond channels with its counterparts in China to provide investors with information on the Chinese green bond market. These are the trends that point the way to the future.

The relationship between our countries is also one between our people and therefore the partnership between the University of Luxembourg (UniLU) and different Chinese universities is of utmost importance. It helps foster the cultural understanding which is so important to develop sound business relations.

We attribute the success of our industry to people and their individual talents. We recently launched the second edition of our #MoveToLux campaign aimed at attracting international talent by highlighting the stories of various financial services professionals, whom by choosing to move to Luxembourg and taking up a job in finances, demonstrate that you can have both a great career and a fulfilling life. We thus invite you to not only read about these professionals' stories, but more importantly, to spend a few minutes watching the inspiring videos on our dedicated website (www.movetolux.com).

In our "Why we chose Luxembourg series" we showcase the strong ties that bind Luxembourg to SwissRe. Indeed, like many other Swiss financial institutions, SwissRe set up its EU hub in Luxembourg many years ago and continues to develop its EU business from the Grand Duchy, including in the context of Brexit.



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ANY QUESTIONS?
GET IN TOUCH ON TWITTER - @LUXFINANCE

1ST

LUXEMBOURG CITY HAS BEEN NAMED THE SAFEST CITY IN THE WORLD IN A QUALITY OF LIFE RANKING BY CONSULTANTS, MERCER.

NORTHERN TRUST ESTABLISHES EU BANK IN LUXEMBOURG

Northern Trust announced that it has established its EU bank in Luxembourg. The announcement follows the company's 2017 acquisition of the fund administration servicing units of UBS Asset Management in Switzerland and Luxembourg. Today, Northern Trust is a top 10 fund administrator in Luxembourg.

COST OF LIVING

The Economist Intelligence Unit ranks the cost of living in Luxembourg at the 60th position worldwide, making it significantly less expensive than other European financial centers such as Paris (1), Frankfurt (16) and London (22).

JUPITER BRINGS EUROPEAN BRANCHES UNDER LUXEMBOURG ARM

JUPITER ASSET MANAGEMENT HAS BROUGHT ITS SIX EUROPEAN BRANCH OFFICES UNDER THE ROOF OF ITS LUXEMBOURG-DOMICILED ENTITY TO PROTECT ITS CONTINENTAL EUROPEAN BUSINESS AGAINST A NEGATIVE FALLOUT FROM BREXIT.

PPRO GRANTED E-MONEY LICENCE AHEAD OF BREXIT

PPRO, A CROSS-BORDER PAYMENT SPECIALIST, HAS BEEN GRANTED AN E-MONEY LICENCE TO OPERATE IN LUXEMBOURG AHEAD OF BRITAIN'S DEPARTURE FROM THE EUROPEAN UNION.

LIZE-MARI BARNES
CHIEF FINANCIAL OFFICER LUXEMBOURG,
SWISS RE

SWISS RE: WHY WE CHOSE LUXEMBOURG

SWISS RE HAS A STRONG PRESENCE IN EUROPE AND IS THE WORLD'S SECOND-LARGEST REINSURANCE COMPANY. ESTABLISHED IN LUXEMBOURG IN 2007, IT IS HOME TO ITS EUROPEAN ECONOMIC AREA (EEA) HEAD OFFICE, FROM WHERE SWISS RE CO-ORDINATES ITS REGIONAL BRANCH NETWORK. THE GLOBAL INSURER HAS MORE RECENTLY STARTED A NEW CAPITAL MARKETS UNIT IN LUXEMBOURG TO MAINTAIN ACCESS TO THE EU SINGLE MARKET AFTER BREXIT. WE SAT DOWN WITH LIZE-MARI BARNES, CHIEF FINANCIAL OFFICER LUXEMBOURG, TO FIND OUT HOW THE BUSINESS IS DEVELOPING.

"The open business culture and fluent language skills made Luxembourg a natural choice."

LIZE-MARI BARNES

LFF: WHAT ARE THE REASONS FOR CHOOSING LUXEMBOURG FOR YOUR EU HUB?

LMB: We used to have local companies in a number of European countries and came to the conclusion that having a base in one place would be much more efficient. EU regulation and the Freedom of Establishment allows us to work from a single base. The open business culture and fluent language skills made Luxembourg a natural choice. Luxembourg was not new to Swiss Re as we already had a small presence established in Luxembourg. We moved to Luxembourg with our first carriers in 2007. The European market contributes approximately one third of the Group's activities and Luxembourg is home to its EEA head office.

LFF: WHAT ARE YOUR ACTIVITIES IN LUXEMBOURG?

LMB: Within Swiss Re we have three different business units: Reinsurance, Corporate Solutions and Life Capital. Each of these business units have their main European Legal Entity based in Luxembourg. In total we have five Re (Insurance) carriers that are supervised by the Insurance regulator, CAA. In addition to that, Swiss Re has various other Treasury and Financing companies in Luxembourg as well as companies regulated by the CSSF.

LFF: HOW ARE YOUR ACTIVITIES EVOLVING?

LMB: We have implemented significant changes to Swiss Re's risk portfolio over recent years and have continually adapted the portfolio in line with current market developments based on our continuous and consistent monitoring of capital allocation. Swiss Re continues to explore new risk pools and new opportunities, in line with our purpose "to make the world more resilient" which leads to the need for new ventures, new entities and capital allocation accordingly. Luxembourg plays an important role in implementing Swiss Re's strategic decision-making at a European level. For example, our B2B2C risk-tech entity iptiQ is headquartered in Luxembourg. Luxembourg is at the forefront of certain geopolitical developments, such as Brexit. Our Luxembourg entities operate with branches in the UK and Swiss Re is actively engaging with various stakeholders and regulators on our post Brexit operating model.

"Luxembourg plays an important role in implementing Swiss Re's strategic decision-making at a European level."

LFF: WHERE DO THE EXPERTISE OF THE LUXEMBOURG TEAM LIE AND HOW DO THESE COMPLIMENT THE GROUP?

LMB: In Luxembourg we are close to 50 employees representing nearly 20 different nationalities and related different languages. The expertise of the Luxembourg team lies in managing large and small legal entities end to end, with very close relationships and interactions with other teams across the globe, including asset management, treasury, tax and various others. In Luxembourg we also manage important relationships with key stakeholders such as the various Board of Directors, Regulators etc. Furthermore, we manage large and complex carriers, with specialty in finance, legal, actuarial and tax. We focus on balance sheet and capital management, with capital allocation being an important topic for Swiss Re as a group. We also share our knowledge in specific areas, such as Solvency II or various accounting and legal frameworks, with our client management and other teams, to be used when they work on developing solutions for our clients.

"Having a separate Insurance regulator has been hugely beneficial for us."

LIZE-MARI BARNES

LFF: IN LUXEMBOURG, HOW DO YOU WORK ALONGSIDE THE INSURANCE REGULATOR?

LMB: Having a separate Insurance regulator has been hugely beneficial for us. Due to the in-depth knowledge and expertise on both sides, as well as accessibility of the Regulator, it allows for very strong interaction and communication on various industry and company specific topics. These topics are often very complex which emphasises the value of a dedicated regulator. This was an important differentiating factor when Swiss Re considered the location of its European headquarters some years ago and continues to be a differentiating factor.

LFF: CAN YOU ELABORATE ON THE INTERACTION OF THE LUXEMBOURG OFFICE AND THE TEAMS BASED IN OTHER COUNTRIES?

LMB: Colleagues in the Luxembourg office interact with various teams across the globe on a daily basis. Swiss Re's business model relies on certain centralised and other decentralised functions for optimal use of expertise and sharing of knowledge. The Luxembourg entities are also often pioneers for new initiatives and/or opportunities and again we work with teams across the globe to pull on relevant expertise and make it a success.

LFF: WHY HAS SWISS RE SET UP A NEW CAPITAL MARKETS UNIT IN LUXEMBOURG?

LMB: Swiss Re Capital Markets Europe Limited is a response to Brexit. That requires moving the European base of two businesses: weather protection and insurance-linked activities. Those involve regu-

> "Responsible investing makes economic sense. Our experience shows that investing sustainably is a win-win for the company and for society at large."
>
> LIZE-MARI BARNES

lated derivatives relating to weather and to natural catastrophes and other insurance and re-insurance risks. The company will now be trading those from Luxembourg, where formerly they were traded from London. The company is regulated by the CSSF.

LFF: HOW IMPORTANT IS SUSTAINABLE FINANCE AND RESPONSIBLE INVESTING TO YOUR STRATEGY?

LMB: Responsible investing makes economic sense. Our experience shows that investing sustainably is a win-win for the company (i.e. shareholders), and for society at large. Institutional investors can not only profit from this, but by redirecting their significant capital flows they can also play a decisive role in making the world more resilient. We are one of the first re-/insurers that switched to ESG benchmarks broadly. We continue to advocate and actively contribute to a joint effort of the public and private sector, thinking and acting globally to overcome the hurdles preventing many investors from investing responsibly and with a long-term focus. We are, as part of the European Commission Technical Expert Group (EC TEG) on Sustainable Finance, playing an active part in supporting the Commission in developing a category of low carbon indices and developing ESG disclosure standards for benchmarks. The Luxembourg Stock Exchange is supporting the work of the European Commission and Swiss Re very much appreciates the expertise they developed over many years leading to the creation of the Luxembourg Green Exchange.

LFF: TECHNOLOGY IS CHANGING BUSINESS MODELS RAPIDLY. HOW ARE YOU HARNESSING FINTECH AND INNOVATION TO DEVELOP YOUR BUSINESS ACTIVITIES?

LMB: Technology is our enabler and diversifier in these transformative times. We've invested significantly in technology over the past few years and we believe it will have a very positive impact on our business in the future. It will allow us to deliver better products to clients and help us build greater societal and financial resilience around the world. Insurance may never be an impulse buy, but I envisage a future not too far away where you can purchase almost any type of insurance as easy as you can book a hotel.

LFF: LUXEMBOURG SAW THE ARRIVAL OF 12 OTHER NEW GLOBAL INSURANCE AND REINSURANCE COMPANIES, WHICH DECIDED TO MOVE THEIR EUROPEAN HEADQUARTERS TO THE COUNTRY AHEAD OF THE UK'S DEPARTURE FROM THE EU. HAS THERE BEEN AN IMPACT ON THE INSURANCE ECOSYSTEM?

LMB: We have seen a significant number of insurance and reinsurance companies setting up new bases in Luxembourg. Although it is not clear when the UK will depart the EU, the additional focus and development of the insurance ecosystem in Luxembourg is to be welcomed. We believe that the fact that so many companies have made the choice to locate in Luxembourg highlights the quality of the available resources and regulatory framework. The growth in the ecosystem should further support this and provide further recognition of the strengths of the insurance environment in Luxembourg as a base for Europe.

LFF: WHAT DO YOU APPRECIATE MOST ABOUT LIVING AND WORKING IN LUXEMBOURG?

LMB: From a professional perspective, I enjoy the diversity and international orientation in Luxembourg, as well as the open-mindedness and business focus of the people here. I always say: Luxembourg feels like a fairytale village when the sun sets and over weekends, and like a large international city during the week working hours. This is due to all the professional opportunities it offers, which can compete strongly with any other large financial hub. From a personal perspective, with a recently expanded family, I appreciate the safe and secure environment from various perspectives, the good quality life as well as all the different and exciting opportunities that Luxembourg as a small country has to offer.

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> "Luxembourg feels like a fairytale village when the sun sets and over weekends, and like a large international city during the week."
>
> LIZE-MARI BARNES

SCAN THE QR CODE TO WATCH THE VIDEO "SWISS RE: WHY WE CHOSE LUXEMBOURG"

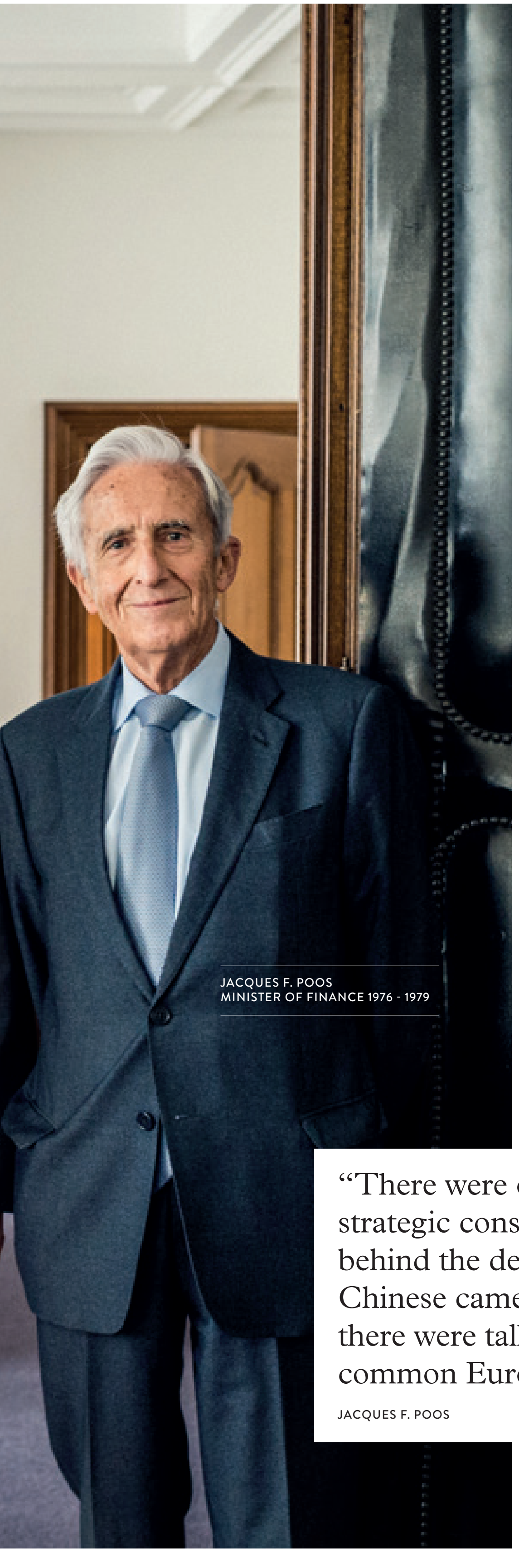
BRIDGING FOR SUCCESS: THE LUX-SINO RELATIONSHIP

CHINA'S FINANCIAL MARKETS ARE MORE INTERCONNECTED WITH THE REST OF THE WORLD THAN EVER BEFORE. LEADING PLAYERS IN THE WORLD OF FINANCE SHARE THEIR VIEWS ON THE LONG-STANDING COLLABORATION BETWEEN LUXEMBOURG AND CHINA, THE DIFFERENT WAYS OF ACCESSING THE CHINESE FINANCIAL MARKET AND ABOUT CHINESE INVESTORS' OPTIONS FOR INVESTING ABROAD.

JACQUES SANTER
MINISTER OF FINANCE 1979 - 1989
PRIME MINISTER 1984 - 1995

PIERRE GRAMEGNA
MINISTER OF FINANCE 2013 - CURRENT

LUC FRIEDEN
MINISTER OF FINANCE 2009-2013
MINISTER OF TREASURY 1998 – 2013



JACQUES F. POOS
MINISTER OF FINANCE 1976 - 1979

BUILDING BRIDGES TO EUROPE AND THE WORLD

OVER THE LAST 40 YEARS, SEVEN MAJOR CHINESE BANKS HAVE SET UP THEIR EU HUBS IN THE GRAND-DUCHY, ESTABLISHING LUXEMBOURG AS CHINA'S DE FACTO GATEWAY TO THE EUROPEAN UNION. THIS CHOICE WAS NOT HAPHAZARD. WE INVITED THE CURRENT LUXEMBOURG MINISTER OF FINANCE AND THREE OF HIS PREDECESSORS TO LOOK BACK AT HOW THE CHINA-LUXEMBOURG RELATIONSHIP WAS ESTABLISHED, THE EFFORTS MADE OVER FOUR DECADES TO SUSTAIN THAT RELATIONSHIP AND WHAT MAY LIE AHEAD.

LONG-STANDING FRIENDS AND ALLIES

Jacques F. Poos, Minister of Finance from 1976 to 1979, is impressed by the changes China went through over the past four decades. "*I still have that picture in my mind, when we were travelling by train in China, where we saw thousands of men and women working in the fields. Today, while travelling the same route, you drive by rows of skyscrapers.*"

> "There were objective strategic considerations behind the decision. The Chinese came to hear that there were talks about a common European currency."
>
> JACQUES F. POOS

In the mid nineteen-seventies, Luxembourg wasn't the same it is today. The financial centre was well established, but business was largely conducted with banks from neighbouring markets: Belgium, Germany, France and to some extent the United Kingdom.

China and Luxembourg were poised to break new ground. On the one hand, the Luxembourg government was eager to expand the reach of its financial industry into new regions such as Asia. China, on the other, was contemplating a new strategy: that of carefully opening up its economy to the global markets. As a consequence, trade between Europe and China was gradually growing, alongside mutual investment.

One man played a crucial role in connecting Luxembourg to China. Adolphe Franck, a Luxembourg railway employee and as a convinced communist, also a fan of Mao Zedong. He visited China multiple times and met frequently with the leadership of the Chinese Communist Party, including with Chairman Mao. He held some patents on technical improvements for steam locomotives, which he donated to communist China. Mr. Franck rose to become something of a national hero in China, even beyond Mao's death in 1976.

"The Chinese were very grateful and always rolled out the red carpet for Mr. Franck. He was even received by Mao several times for a personal meeting. This was the best business card to establish a good economic relationship between China and Luxembourg," recalls Jacques Poos.

The decision in 1979 by the Bank of China to open its very first overseas representation since the creation of the People's Republic in 1949 in Luxembourg, can thus be largely be attributed to the goodwill Mr Franck had earned Luxembourg.

This was a major international event and a strategic move by both sides, Jacques Poos admits: *"There were objective strategic considerations behind the decision. The Chinese came to hear that there were talks about a common European currency and this helped Luxembourg to attract banks. A decade later, Deng Xiaoping declared Europe to be China's objective ally."*

SMALL COUNTRIES NEED GREAT FRIENDS

"Personal relations are crucial in politics and they were particularly important in attracting the Bank of China," underlines Jacques Santer, referring to the merit of Adolphe Franck whose high esteem and influence in China were crucial to the decision. Jacques Santer held the Ministry of Finance for 20 years, during 11 of which he was also

> "As a small country you always have to be the first. And we accomplished that."
>
> JACQUES SANTER


MAO ZEDONG

ADOLPHE FRANCK

PICTURE KINDLY PROVIDED BY THE FRANCK FAMILY prime minister. Freshly arrived in office, he inaugurated the Bank of China subsidiary in 1979. *"Bank of China was the starting point for the financial relationship with China,"* he adds. It was moreover the 100th bank to operate in Luxembourg.

The Luxembourg government took further action to enhance the country's general attractiveness as a financial hub. In 1988, the Grand Duchy was the first member state of the European Community to implement the UCITS Directive that created a cross-border market for retail investment funds. As a first-mover it now had a clear competitive advantage over other European cities. *"As a small country you always have to be the first. And we accomplished that. I also believe that a small country needs great friends; a strategy Luxembourg has always pursed - in the financial sector, the steel industry and with our Embassy in Beijing".*

Jacques Santer held this mindset after his appointment as President of the EU Commission in 1995. Despite efforts, the Chinese financial sector was still not open enough, causing difficulties within the World Trade Organisation. The European Union strove hard to enhance trade relations. For his engagement, Jacques Santer was awarded an honorary doctorate from the China Europe International Business School (CEIB), which was founded in 1994 and co-financed by the European Commission.

AN OFFENSIVE PROMOTIONAL STRATEGY

Jean-Claude Juncker took over responsibility as prime minister and minister of finance in 1995. Three years later he appointed Luc Frieden Minister of the Treasury in charge of financial services and in 2009 Minister of Finance.

In the late 'nineties Luxembourg adopted an even more focused approach towards China, and Asia in general, as part of a strategy to internationalise and diversify the financial centre. *"I saw that we needed intensive marketing efforts towards China,"* says Luc Frieden, *"that's why I visited China regularly to build a relationship of trust with the Chinese authorities and with the leaders of the main Chinese banks".*

Luxembourg was well-known in Hong Kong, thanks to a vigorous investment fund business, but it was equally important to establish strong relationships with Beijing. With the support of the Luxembourg financial industry and the private sector to create the necessary "political push", the Grand Duchy succeeded in attracting further Chinese banks. *"China had a very strong growth rate at that time and the Chinese wanted to internationalise their currency. I was able to tell them that Luxembourg would be the ideal place from which to do this,"* continues Frieden.

In 1999 the Industrial and Commercial Bank of China (ICBC), the world's largest Bank, set up in Luxembourg and made it into its EU headquarter in 2009. Luc Frieden remembers very well the decisive meeting that took place in a huge boardroom in Beijing: *"I explained to the chairman how he could use Luxembourg as a gateway to the European market. I listed the benefits of the Grand Duchy: our stable, business-friendly environment, our multicultural and multilingual workforce and our cross-border, friendly mentality. Shortly after this meeting, he called me back and he said: „We chose Luxembourg!","* quotes Luc Frieden proudly.

> "I visited regularly China to build a relationship of trust with the Chinese authorities and with the leaders of the main Chinese banks."
>
> LUC FRIEDEN

It was also under Luc Frieden's term in office that Luxembourg sought to position itself more broadly as a Renminbi hub, building on the activities of the two large banks that already operated in the Grand Duchy. This included for instance the first Dim Sum Bond listing outside Greater China in May 2011 at the Luxembourg Stock Exchange, as well as the authorisation in November 2013 of the first UCITS fund investing through the RQFII scheme.

Another feather in his cap was then the decision of China Construction Bank to chose Luxembourg as well for its EU hub in 2013, following a ministerial visit to the group's headquarters in Shenzhen.

MAIN PRIORITIES: CHINA, GREEN FINANCE AND FINTECH

Pierre Gramegna became Finance Minister in December 2013 and made China into one of his top priorities, likely breaking all records of ministerial visits to China with 4 visits in one year alone. He set out to take Luxembourg's relations with China in the financial services area to a new level and the strategy worked out with several other Chinese banks setting up operations in Luxembourg: Agricultural Bank of China in 2015, China Merchants Bank and Bank of Communications in 2016 and, last but not least, China Everbright in 2017.

"The influx can be explained by the fact that China, like all Asian countries, prefers to focus on long-term relationships. The Grand Duchy's triple-A rating, its openness to trade, investment and services were additional elements," explains the Minister Gramegna.

The relationship was also built out in capital markets and asset management to the point that Luxembourg today has a worldwide leading market share in Dim Sum Bond listings as well as in investment funds investing in Chinese equities or debt.

More generally, Pierre Gramegna promoted the diversification of the financial centre by setting green finance and FinTech as further top priorities and this plays well into Luxembourg's connection with China.

China is the second largest issuer of green bonds after the United States and a key player in this field. The Luxembourg Stock Exchange has intensified its cooperation with its Chinese counterparts and taken different initiatives to create a Green Bond Channel (see also interview with Robert Scharfe in this LEO magazine) through which it displays information on the Chinese green bond offer in English to global investors and lists itself also a large number of green bonds from Chinese issuers directly.

"That has attracted a lot of attention and will help us also for the future, because in terms of green bonds "we ain't seen nothing yet" – as the songs says. Only 2% of the bonds issued worldwide last year were green bonds, so that leaves 98% that are not. The potential is huge and Luxembourg is extremely well positioned in this area," the Finance Minister explains.

In 2015 Luxembourg joined the Asian Infrastructure and Investment Bank (AIIB) as the first non-Asian founding member and the Grand Duchy will host the Bank's fourth annual meeting in July, the first to be held outside Asia. The event should put Luxembourg firmly on the map in terms of green investment.

Regarding FinTech, another top priority, Luxembourg is home to a number of global payment companies such as Paypal, Amazon and Rakuten. In this field, again, China has proven to be a strong and reliable partner. Together with PingPong and, more recently, Alipay, both of which have set up European headquarters in the Grand Duchy, Luxembourg has established itself as the world's e-payment capital in just a few years.

"We've been able to create a framework in the field of e-payments where we are very well positioned. This is due to the fact that we have a very efficient, business-friendly Regulator, that is keen to understand the needs of companies while at the same time strictly complying with all applicable regulation, notably the EU Payment Services Directive," Minister Gramegna explains.

A few weeks ago, Tuspark, a Chinese investment fund, chose Luxembourg as the EU hub for its innovation investment fund. A visit made by Pierre Gramegna two years ago is bearing fruit. *"One can observe that Luxembourg is not only attracting attention from China, but also direct investment,"* states the Minister of Finance and promises:

"We're just at the beginning. More investment funds are being set up in Luxembourg through Chinese banks and Chinese asset managers. Green finance and Fintech, combined, will allow us to grow quite nicely in the future."

MS

"Green finance and Fintech, combined, will allow us to grow quite nicely in the future."

PIERRE GRAMEGNA

JON GRIFFIN
MANAGING DIRECTOR AND CEO,
J.P. MORGAN ASSET MANAGEMENT EUROPE S.À R.L.

> "Our ongoing investments in the country reflect our long-term commitment to one of the largest, fastest-growing and most exciting markets in the world."
>
> JON GRIFFIN

CHINA: THE NEW FRONTIER FOR FOREIGN ASSET MANAGERS

MORE THAN EVER, CHINA'S MARKETS ARE OPENING UP TO FOREIGN PLAYERS. WE TALKED TO SOME OF THE LEADING ASSET MANAGERS WORLDWIDE TO KNOW MORE ON THE IMPORTANCE OF CHINA TO THEIR BUSINESS AND ON WHAT MAKES LUXEMBOURG A LEADING DOMICILE WHEN IT COMES TO INTERNATIONAL FUNDS INVESTING IN CHINA.

AN EMERGING MARKET TOO BIG TO IGNORE

"We strongly believe in the future prospects of China. Our ongoing investments in the country reflect our long-term commitment to one of the largest, fastest-growing and most exciting markets in the world," notes Jon Griffin, CEO of the Luxembourg branch of the US asset manager J.P. Morgan.

Extraordinary growth has been transforming China's economy into a major middle-class income economy in the last two decades. Liberalisation of the country's domestic capital markets over the past few years has provided an unprecedented opportunity for international investors to participate through local investment in Asia's largest economy and to invest in the Chinese onshore market through a growing range of access points including the QFII and RQFII scheme, CIBM, and Connect programs.

"China is the second largest global economy and one of the largest and fastest growing bond markets globally with over USD 12 trillion of issued debt. The market is becoming too large for investors to ignore," adds Griffin for whom China represents one the largest opportunities for many of the asset manager's clients and a critical component of its growth plans, globally and in Asia.

"We have a long-standing presence in Greater China and onshore, both in our business operations and in our investment strategies offered to international clients through our Luxembourg-domiciled UCITS range." More than USD 2 billion in Greater China Equities are currently managed across its Luxembourg domiciled SICAV range, as of March 2019.

The Chinese market has a number of attractive characteristics. It is both broad and liquid. The A-share market contained more stocks which had over USD 10 million of daily liquidity than all other emerging markets combined at the end of 2017.

"The A-share market is rich with opportunities for investors focused on companies demonstrating improving profitability, return on capital, capital discipline and valuations."

JOHAN SCHREUDER

JOHAN SCHREUDER
LUXEMBOURG MANAGING DIRECTOR,
INVESTEC ASSET MANAGEMENT

"Azimut was one of the first asset managers in Europe to offer investment funds dedicated to invest in RMB fixed income assets and is currently still one of the largest in its class."

STEFANO CHAO

STEFANO CHAO
GENERAL MANAGER,
AZ INVESTMENT MANAGEMENT

While the country's expanding middle-class is both supporting and demanding an increasingly sophisticated set of consumers, the power of domestic brands is increasing, making China home to quality companies offering high earnings and cash flow growth opportunities.

"The A-share market is rich with opportunities for investors focused on companies demonstrating improving profitability, return on capital, capital discipline and valuations," notes Johan Schreuder, Luxembourg Managing Director of Investec Asset Management, a global asset manager that has been at the forefront of UCITS managers providing investors access to the Chinese market through a broad variety of onshore access schemes across both equity and fixed income.

"The globalisation of the Renminbi and growing maturity of the Chinese fixed income market offers a significant opportunity for investors looking to allocate long term capital," he adds.

ACCESS TO THE CHINESE CAPITAL MARKET THROUGH INVESTMENT QUOTAS

China started to open up its capital markets to the outside world in 2002 by setting up the Qualified Foreign Institutional Investor (QFII) program for international investors, allowing on a selective basis, global institutional investors to invest in its RMB-denominated capital market and beyond traded securities.

The approved quota by the State Administration of Foreign Exchanges (SAFE) has continuously been increasing since 2004, indicating a larger demand for investment funds with allocations in Chinese assets.

Azimut Holding, Italy's largest independent asset manager, has been the first and only Italian independent asset manager company to be granted a QFII licence by the local regulators.

"Azimut was one of the first asset managers in Europe to offer investment funds dedicated to invest in RMB fixed income assets and is currently still one of the largest in its class," notes Stefano Chao, General Manager of AZ Investment Management in Shanghai, for which China represents significant opportunities.

In 2011, the second wave of capital markets' openings came with the RQFII program, the yuan-denominated sibling of QFII. It was aimed at widening investment channels for overseas yuan funds on the Chinese mainland, allowing qualified investors to invest yuan-based funds raised in Hong Kong and in other markets in the mainland securities market within a permitted quota.

Investec Asset Management was one of the first asset managers to receive an RQFII licence from the CSRC in 2014 and was then allocated its first RQFII investment quota in 2015.

"These licences and quotas allowed us to build upon our strong investment track record on the Asian continent, by accessing the mainland Chinese equity and bond markets directly across our existing global and regional products, including within our flagship Luxembourg-domiciled UCITS range of daily dealing funds," notes Johan Schreuder.

> "Stock Connect Programs can help managers to increase their exposure to these markets without an RQFII license and quota."
>
> JON GRIFFIN

BING LI
MANAGING DIRECTOR,
PRODUCT INNOVATION & MANAGEMENT,
ICBC ASSET MANAGEMENT (GLOBAL)

ADVANTAGES OF SETTING UP AN RQFII FUND IN LUXEMBOURG

Luxembourg was the first European jurisdiction to authorise the use of an RQFII quota in the context of a UCITS fund back in 2013. Two years later, the People's Bank of China granted Luxembourg a 50 billion RMB RQFII quota, confirming the country's role as a major renminbi hub.

ICBC (Europe) is one of the Chinese asset managers that has opted for Luxembourg as a location for the launch of their international investment fund platform and that has laid the foundations for its international development in Luxembourg UCITS. In December 2014, the asset manager launched an RQFII UCITS fund enabling it to tap the European investment fund industry through its European arm. It also marked the first of its kind that could invest up to 100% of its assets into CIBM as a regulated market by Luxembourg-domiciled UCITS funds.

"UCITS funds can invest up to 100% of their net assets in China A-shares, giving investors in such UCITS funds unparalleled access to the A share market," explains Bing Li, Managing Director, Product Innovation & Management at ICBC Asset Management (Global) in Hong Kong.

"Setting up an RQFII fund in Luxembourg will not only benefit the fund promoter from the attractive legal framework and friendly business environment, it will also facilitate the fund to access the EU market through Luxembourg as the gateway and distribute around the world based on the reputation of Luxembourg UCITS recognised by local regulators and investors," he adds.

Luxembourg UCITS are marketed in over 70 different countries, allowing UCITS investing in China and Asia through RQFII, access to not only an asset class, but to an investor base which is extremely large and beneficial regarding distribution.

"Using the structure of a UCITS undertaking to offer new investment opportunities to a broad spectrum of investors is a natural consequence as the UCTS brand is recognised and sought by retail as well as professional investors worldwide," notes Marco Zwick, Director of the CSSF, Luxembourg's financial regulator.

THE HONG KONG CONNECTION

The Stock Connect programs mark a significant milestone towards capital market opening and offer an alternative to QFII and RQFII, allowing foreign institutional and retail investors direct and efficient

> "UCITS funds can invest up to 100% of their net assets in China A-shares, giving investors in such UCITS funds unparalleled access to the A share market."
>
> BING LI

access to China's A-shares by trading securities in the Chinese market through the trading and clearing facilities of their home exchange. Initiated by the Hong Kong Stock Exchange and the Shanghai Stock Exchange in November 2014, it was later extended to the Schenzhen Stock Exchange in late 2016, and is today one of the main China A-share access schemes among asset managers around the world.

In 2014, Luxembourg's financial regulator, the CSSF, made a pioneering move in granting the first authorisation allowing a Luxembourg UCITS to trade through Stock Connect. This opportunity was quickly grasped by the industry.

Harnessing its experience gained first from QFII and RQFII, Investec Asset Management started investing in the Chinese equity market through the Shanghai–Hong Kong Stock Connect in January 2015 via funds within its Luxembourg-domiciled UCITS fund range, becoming the first ever global asset manager to receive approval for this.

"The Connect programmes have often provided investors the simplest and fastest way to access the onshore opportunity and eliminated the need to deal with specialised service providers," notes Johan Schreuder.

UCITS has been key for Investec.

"Using the structure of a UCITS undertaking to offer new investment opportunities to a broad spectrum of investors is a natural consequence as the UCITS brand is recognised and sought by retail as well as professional investors worldwide."

MARCO ZWICK

MARCO ZWICK
DIRECTOR,
CSSF

> "For the first time, it enables foreign investors to trade in China's interbank bond market through Hong Kong accounts under a streamlined process."
>
> BING LI

"The UCITS regime provides investors with further comfort that they are investing in a diversified portfolio of eligible assets and this is no less the case than when investing in China than any other global market," he adds.

"Stock Connect programme is particularly useful to access the A-shares listed on Shanghai and Shenzhen exchanges. It can help managers to increase their exposure to these markets without an RQFII license and quota," says Jon Griffin.

For Bing Li, the main advantage is the time to market.

"For the first time, it enables foreign investors to trade in China's interbank bond market through Hong Kong accounts under a streamlined process rather than taking months to open an onshore account under CIBM direct investment scheme."

ICBC adopted the Bond connect scheme for investments into the Chinese Interbank Bond Market (CIBM) on the first day when the Bond Connect scheme was available to the market in 2017. As for Luxembourg, the regulator CSSF accepts since 2018 investments via Bond Connect as one of the alternative investment channels for UCITS.

"It allows the front office and traders to just use their existing TradeWeb account to access the Chinese interbank bond market," adds Jon Griffin.

HOW WILL MUTUAL RECOGNITION FIT INTO THE RANGE OF SCHEMES

With approximatively fifty Luxembourg umbrella funds and a total of almost one thousand sub-funds currently distributed in Hong Kong, the Luxembourg and Hong Kong fund investment sectors are already well and truly connected.

The signing of the Mutual Recognition of Funds agreement between the CSSF and the Hong Kong SFC in January of this year is a key step in further improving cross-border distribution of retail funds to the public in the two jurisdictions.

"It opens a new channel for foreign asset management firms, enabling Hong Kong-domiciled funds and Luxembourg UCITS funds to be distributed to retail investors in their respective markets after a streamlined mutual retail fund recognition process," explains Marco Zwick.

"Both jurisdictions have committed to fast track standard applications from eligible funds. Processing and authorizing applications from eligible funds in a more efficient and streamlined manner, will create new opportunities for fund management companies," he adds.

An added-value confirmed by Azimut. *"UCITS funds can go through a streamlined authorisation process in many jurisdictions worldwide. For example, a UCITS fund domiciled in Luxembourg can get a fast-track access in 1-2 months to the Hong Kong market thanks to the Mutual Recognition of Funds between the two countries,"* says Stefano Chao.

With Hong Kong being the gateway to China, the new MRF program provides opportunities to Luxembourg based fund management companies willing to access a market of, beside others, high net-worth investors.

COMBINING SCHEMES TO MAXIMISE VALUE

Despite the growing popularity of the Connect programmes, Johan Schreuder believes holding an RQFII quota still has merit.

"It gives access to a broader range of securities, and we retain access to A-shares through the RQFII scheme in our Luxembourg UCITS fund range. Our dealers are able to trade as long as it is a trading day in the PRC whereas under Stock Connect, dealers can only trade

> "UCITS funds can go through a streamlined authorisation process in many jurisdictions worldwide."
>
> STEFANO CHAO

on Eligible Stock Connect PRC A-shares when both the Hong Kong and China markets are open for trading. And the RQFII scheme is not subject to the overall daily trading limit, which applies to all investors under Stock Connect."

The same applies to J.P. Morgan for which a large number of its Luxembourg UCITS funds has access to the market either via Stock Connect, Bond Connect and CIBM Direct.

As to whether a deeper opening is to be expected in the future, Azimut foresees a further opening of existing schemes rather than new access points.

"We don't believe there will be new China access schemes in the future as the current existing ones largely meet foreign investors' requirements but do foresee further relaxation of existing schemes to expend their investable universe, such as allowing foreign investors to purchase ETFs through the Stock Connect or allowing foreign investors to purchase private funds through QFII," explains Stefano Chao.

INCLUSION OF A-SHARES IN INTERNATIONAL INDICES

While A-shares is the second largest equity market worldwide with a market capitalisation of approximately USD 7.8 trillion, foreign ownership is still estimated at just 3%.

For Johan Schreuder, this is likely to change in the coming years as global index providers gradually include A-shares in regional and global benchmarks.

"Increasing foreign investors' participation should help reduce market volatility and improve price discovery in the A-share market."

Global index provider MCSI has responded to the growth in China's market by announcing it will quadruple the China A-share inclusion factor in its major benchmark indices to 20% in 2019, a move it said might draw more than EUR 80 billion of fresh foreign inflows. A key milestone for both A-shares and for investing in China's domestically listed companies.

"More than impact, it was a validation of our long-term strategy to increase the weighting of Chinese equities and fixed income in our global funds. That said, UCITS funds domiciled in Luxembourg cannot access the Chinese fixed income market via the Bond Connect yet, but we are sure it will happen soon," says Stefano Chao.

For Jon Griffin, the presence of a large but still relatively inefficient equity market is a more important factor for investors than index composition alone, particularly for global institutional investors who allocate holistically.

"The key is the increasing accessibility of A-shares. International investors accessing China will become increasingly agnostic on the mechanisms as access options evolve."

ONSHORE ASSET MANAGEMENT

As the complexity of the Chinese domestic market increases, so does the local need for sophisticated asset management products. ICBC launched its onshore wealth management product investing into the Hong Kong Stock market through stock connect in 2017, and in 2018, Azimut group became the 11th foreign asset manager, and the only one in the Eurozone, so far, to have received a Private Fund Management license in China. The licence, assigned to a limited and selected number of international asset managers, will allow Azimut's subsidiary to launch, manage and offer onshore investment products to institutional and high net worth investors (HNWIs) in Mainland China.

"This licence represents an important step towards the opening of China's large asset management industry to foreign players," notes Stefano Chao.

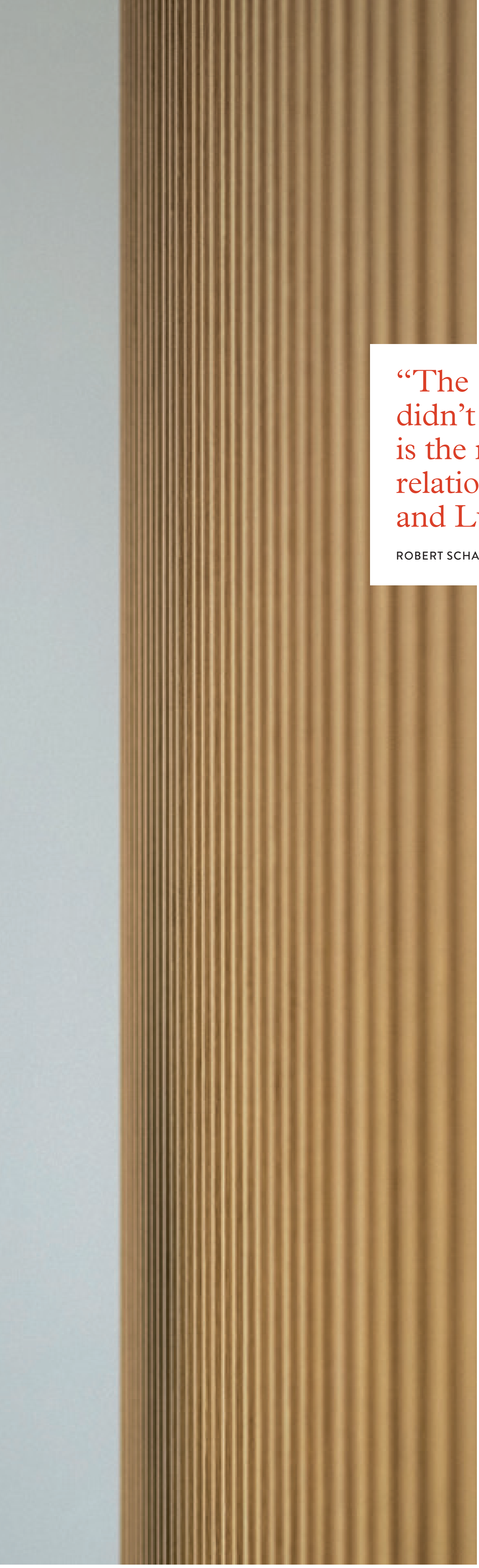
A trend likely to increase in the future.

"We expect future liberalisations in Chinese financial markets to include increasing foreign participation in the Chinese asset management and securities industries by foreign firms," he concludes.

OB

> "The key is the increasing accessibility of A-shares."
>
> JON GRIFFIN

ROBERT SCHARFE
CEO,
THE LUXEMBOURG STOCK EXCHANGE



“The Green Bond Channel didn’t happen overnight. It is the result of a long-term relationship between China and Luxembourg.”

ROBERT SCHARFE

GREEN BOND CHANNEL: A BRIDGE BETWEEN CHINA AND EUROPE

THE LUXEMBOURG STOCK EXCHANGE LAUNCHED ITS FIRST GREEN BOND CHANNEL IN PARTNERSHIP WITH THE SHANGHAI STOCK EXCHANGE TWO YEARS AGO. WITH THE ESTABLISHMENT OF THE GREEN BOND CHANNEL, OPPORTUNITIES WERE CREATED FOR INVESTORS OUTSIDE CHINA. THE COOPERATION BETWEEN THE TWO EXCHANGES FOCUSES ON PROVIDING IMPORTANT INFORMATION IN ENGLISH ABOUT CHINESE GREEN BONDS TO INTERNATIONAL INVESTORS, BRIDGING THE GAP BETWEEN THE CHINESE BOND MARKET AND POTENTIAL INTERNATIONAL INVESTORS.

THE RESULT OF A LONG-TERM RELATIONSHIP

“The Green Bond Channel didn’t happen overnight. It is the result of a long-term relationship between China and Luxembourg,” says Robert Scharfe, CEO of the Luxembourg Stock Exchange.

The first contact between the Luxembourg Stock Exchange (LuxSE) and the Chinese financial industry date back to 1986, when the Bank of China listed its first international bond on the Luxembourg Stock Exchange. The People’s Republic of China subsequently listed its international bonds on the LuxSE in 1994.

The next major development happened in 2011 when China decided to open up its currency market. This meant that the RMB could now be used for international financial deals outside of China. That same year the LuxSE listed the first so-called Dim

Sum bond outside greater China. This led to frequent interactions which developed over the following six or seven years, especially in the Green Bond market.

"Unknown to many people is that the Chinese Green Bond Market is very developed. That is where our bilateral relations have developed too. In 2016, we set up the Luxembourg Green Exchange, a platform entirely dedicated to green financial instruments that started with Green Bonds. We concluded that a major part of the market, which is Chinese, had to be made accessible to international investors too. We believed in the progressive opening up of the Chinese capital markets to the international investors which initially lead to the stock connect and then to the Bond connect. In this context, we said why don't we focus specifically on the green aspect of that part of capital markets?"

The LuxSE therefore turned to the green bond market in China and looked at the various counterparties that might be interested in developing this market. Clearly, setting up such a channel would present a number of challenges.

THE GREEN BOND CHANNEL: A CHALLENGE

The Chinese market functions completely differently to the international market. There is significant variance in market practice in comparison to what an international investor might be used to, and language barriers and local knowledge can result in information asymmetry. Talking to investors, it became clear that they had an interest in investing in the Chinese green bond market but would need some help in doing so.

"Firstly, we had the language hurdle to overcome. International investors can buy Chinese bonds through different mechanisms which have a certain degree of complexity. But above all, there was a need to educate the international investor as to what Chinese securities are. While we know that they are green bonds, the documentation only existed in Chinese. The challenge was to convince not only the exchanges with whom we have started to develop this Green Bond Channel, but also the issuers that it would be in their interest to helping translate the key documentation and make it available to the international investor," he says.

> "We don't judge the greenness of a bond, but we require the information to be made available to the investor."
>
> ROBERT SCHARFE

On the website of LuxSE, all data is available without restrictions and free of charge. That has stimulated additional demand from foreign investors to buy Chinese securities. Transparency is the key to all investments, especially green investments. For conventional instruments, there are all kinds of regulatory requirements that need to be fulfilled. The green part of a green security is purely voluntary as there are no mandatory disclosure requirements. When it comes to China, where the standards are different, the definitions are likewise different. This makes it even more important to have access to the information and make clear in which way they differ from one another.

"We don't judge the greenness of a bond, but we require the information to be made available to the investor. We're just making sure that all the documentation is available to the investor who then, on that basis, can make his or her own investment decision."

BIG STEPS

Through the introduction of the Green Bond Channel, Chinese issuers are now more visible to the international investor. By coming to Europe, they have taken a big step in the direction of the investor, for whom Europe remains the platform for international securities trading. Having this information available on the LuxSE platform also promotes Chinese domestic products and brand names. Many of these issuers are in the meantime also raising funds directly in the international markets. By adopting international green standards, the international and domestic Chinese standards became not only comparable with each other but they are also progressively converging.

MORE CHOICE, MORE DIVERSITY FOR THE INTERNATIONAL INVESTOR

For European and international investors, these initiatives provide access to a very important market. To be complete, one should add that the Green Bond Channel has been initiated with the Shanghai Exchange.

"We recently signed an agreement to also extend the Channel to green bonds listed on the Shenzhen Exchange and, just as important, we have also displayed in the meantime the first bonds to be traded on the China Interbank Bond Market. The Chinese Interbank Market (CIBM) represents more than 75% of the overall market. That means the international investor gets information access to bonds coming from various different segments and thus get a much wider choice of investment opportunities than if they were restricted only to the international part."

It is above all a question of having more choice, enabling investors to diversify their sustainable investment portfolios getting access to securities denominated in RMB and gain exposure to the Chinese currency.

EAST MEETS WEST

Currently, the Exchanges have established the Eastbound connection: international investors accessing the Chinese market. In the future, the aim is also to make international securities, including in the green domain, available on the platforms of the exchange in Shanghai to Chinese investors - in other words, creating a link which ideally works in both directions. Currently there are still restrictions for Chinese investors in what products they can buy, so this is work in progress.

"The Connect project is creating visibility for Chinese companies, making their securities widely available and by opening them up to global markets, introducing them to international standards. Looking at last year, 74% of the Chinese Green bonds already conformed with international standards. We believe that the number will continue to rise, which would be a very positive development. At the end of last year ADBC displayed 85 domestic bonds on our platform for the counter value of more than 500 billion Euro. To put this in perspective we typically list some 11.000 new bonds annually for a counter value of 1 to 1.2 trillion Euros."

Of course, the trend towards sustainable investing benefits the green bond market. It is becoming more and more important for investors to understand where their money is going and what purposes it is being used for. Where conventional instruments are concerned, you do not always know what impact the cash generated through a bond issuance has. You know who the borrower is, but you do not know what is happening with the money. Green bonds provide clarity. That is the key motivation and a key trend in the market.

GREEN BONDS - THE FUTURE

There is a clear understanding at a political level that responsible investments and sustainable finance needs to be promoted further. Investors are interested in understanding what impact their money is having, even more so for the younger generations. We have seen the initiatives from the EU on its Action plan for sustainable finance and the work that is currently being done, not only in Europe but across the world. This starts with the taxonomy, defining what green activities and assets are and then agreeing which standard should be adopted – the more universal the better. These standardisations create clarity and certainty for the investor and will help push the market forward.

"Trends such as the TCFD (Task Force on Climate-related Financial Disclosures) in the banking sector are progressively pushing in the right direction. I think that the private sector still has a long way to go on climate and green initiatives. Corporates and banks could use the green bond market much more intensively, so I believe very much that we are just at the beginning of a tremendous phase of development. In five or ten years from now green bonds will not be the exception but the standard. The future of finance will be and has to be green."

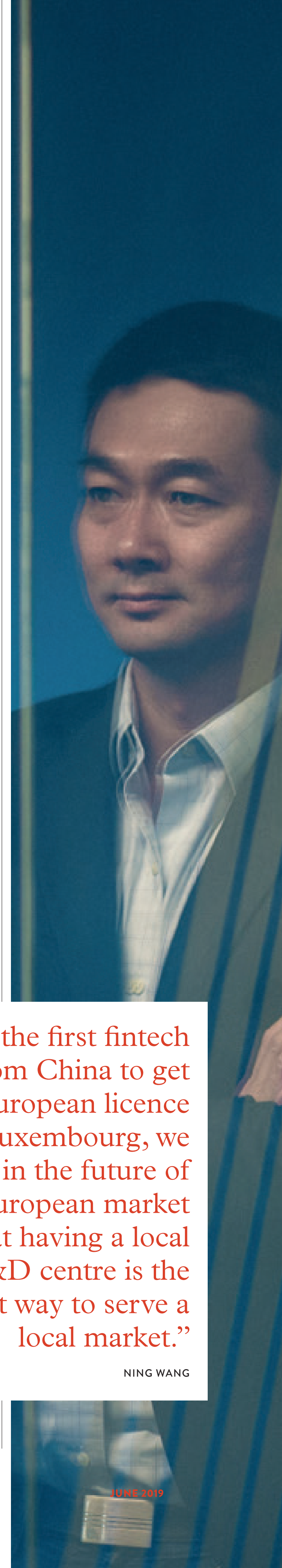
MvH

"In five or ten years from now green bonds will not be the exception but the standard. The future of finance will be and has to be green."

ROBERT SCHARFE

PINGPONG SERVES UP OPPORTUNITIES FOR ITS CUSTOMERS

PINGPONG JOINED THE LUXEMBOURG FINANCIAL ECOSYSTEM IN SEPTEMBER 2017, BEING THE FIRST CHINESE FINTECH TO SET UP A EUROPEAN SUBSIDIARY IN THE COUNTRY. WHAT ARE THE DRIVING FORCES BEHIND THE COMPANY AND ITS CROSS-BORDER PAYMENTS MARKET? WE CAUGHT UP WITH NING WANG, CHIEF BUSINESS OFFICER AT PINGPONG TO FIND OUT...



The smart looking table tennis in the middle of the office is a fun nod to history, welcoming friendly matches. Ning Wang tells us about the layers of meaning behind the name gracing the wall. PingPong prides itself on staying nimble (to make an impact), meaningful (echoes of the famous match which led to the thawing of Sino-American relations under Nixon in the early 1970s) and global (the sport originated in Victorian England where it became a popular after-dinner parlour game, and was later adopted by Chairman Mao as a national sport in the 1950s). As the payments company looks to the future, it values the role of communication to break down barriers and seeks what it describes as true global citizens to match and champion its upcoming challenges in e-commerce. Game on.

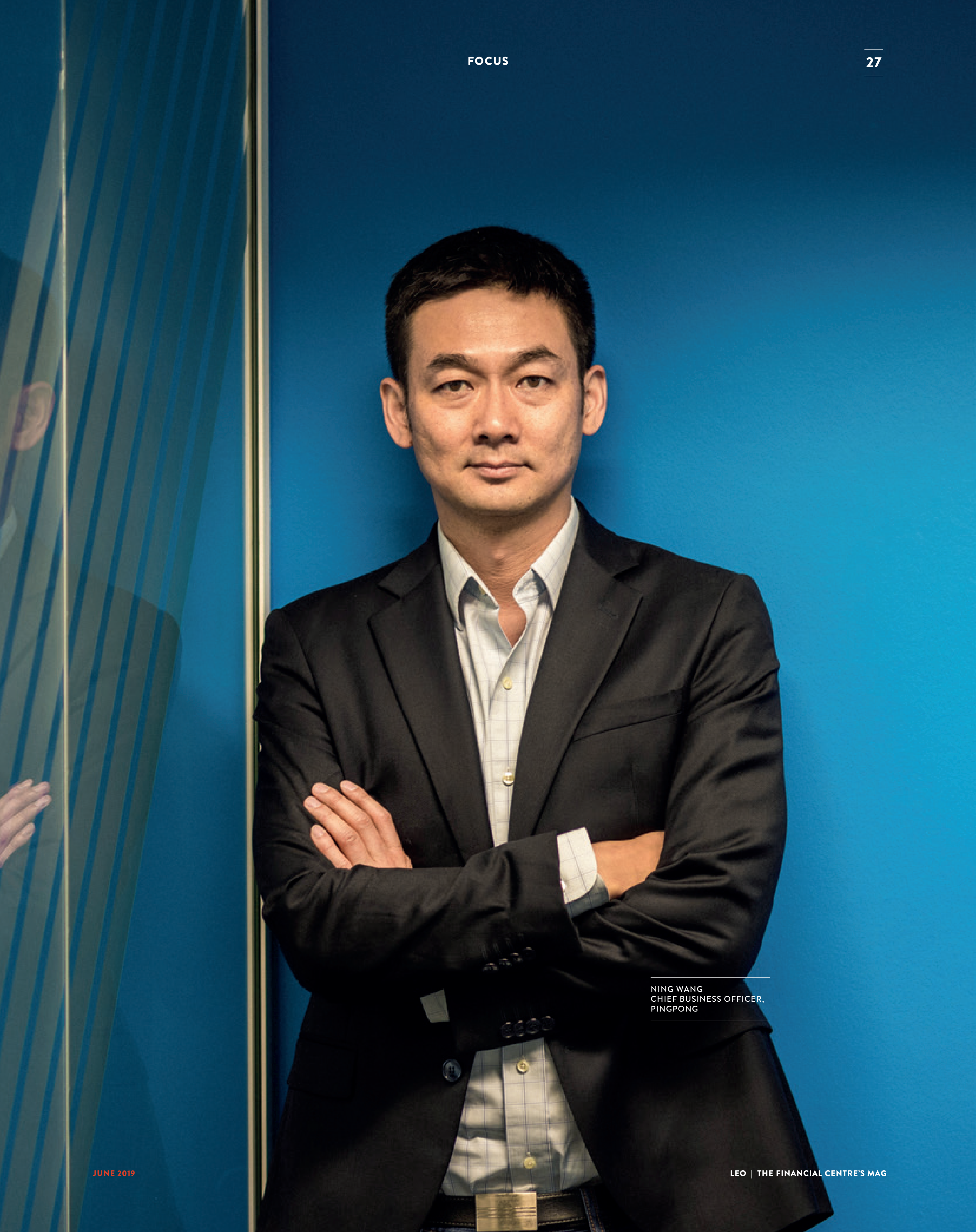
LFF: CONGRATULATIONS ON BEING ADDED TO THE LIST OF THE WORLD'S FASTEST GROWING FINTECHS... TELL US ABOUT YOUR BACKGROUND AND ROLE AT PINGPONG.

NW: I've always been in the payments industry, but sort of 'bumped into' it. After getting my MBA in the US, I joined PayPal and spent five and a half years there across multiple roles. It was growing fast and was able to accommodate me through different roles, from providing financial analysis for the senior management team, to being given the opportunity to oversee high growth markets and then to help scale them to become independent and local.

During my last role at PayPal, I was sent to Shanghai to be the Head of Finance for

"As the first fintech from China to get a European licence in Luxembourg, we believe in the future of the European market and that having a local R&D centre is the best way to serve a local market."

NING WANG



NING WANG
CHIEF BUSINESS OFFICER,
PINGPONG

the PayPal China operations and spent my last two years there. It was a great experience. I then very quickly joined Alipay, and became the first employee in the US tasked with building up its operations in the States for two and a half years.

My know-how of opening a new market and building partnerships put me in good stead to build PingPong. It's helpful to have experienced large foreign enterprises which had struggled somehow to do business in China and also a Chinese giant trying to expand overseas. I was also lucky that the timing was right to start and grow the business with my partners; and we've been going since February 2016.

LFF: WHAT HAS BEEN YOUR EXPERIENCE OF THE LUXEMBOURG MARKET AND THE BROADER REGULATORY ENVIRONMENT?

NW: I was familiar with it before I physically got here - even before PayPal Europe existed - which I think is testament to how consistently Luxembourg has been working to attract global fintech players. My first exposure to it was when I was analytical support for senior management at PayPal. They were deciding which country to land in in Europe, and which licence to get. Eventually they decided upon a banking licence in Luxembourg in 2010. Some colleagues that I knew back then got sent over here, and one of them is still here. After that first wave, Alipay decided to get a licence as well, while I was a part of the US team. In a similar pattern some of my co-workers were sent over here and which helped me to stay connected and receive updates.

PingPong is effectively my third touchpoint with Luxembourg, and also happened to be the first time I came here physically, hence it's a mixture of new and the familiar for me. During my career I sometimes find that while I am experiencing something new, there are recognisable connection points and overlaps. You could say that the connection to Luxembourg was pre-destined in a way.

In terms of getting our licence, and if we take out preparation time, it took around 7 months from end to end. We drew up the final application package in January 2017 and received approval in August 2017. We realised that we were faster than average, even during the traditional European holiday month of August and were happy with the speed of the timeline.

"After we got our licence in 2018, we spent time proving ourselves and were able to turn a profit towards the end of the year, on a standalone basis. 2019 is now about scaling the team."

LFF: WE READ THAT PINGPONG HAS THE INTENTION TO ESTABLISH AN R&D CENTRE FOR EUROPE, WHY ARE YOU DOING THIS?

NW: This has always been in our plan and the timing is right. As the first fintech from China to get a European licence in Luxembourg, we believe in the future of the European market and that having a local R&D centre is the best way to serve a local market. Our first wave of activity was to set up a presence over here to get the licence, and the second wave is to hire many local people (defined as people with local market knowledge, rather than those identified by their passport or nationality); i.e. in sales and marketing, product and technology. Luxembourg has a smooth support system to encourage R&D, including intellectual property regime, etc.

The R&D team will work on implementing new services depending on the needs of our customers and to ensure further optimisation of our costs and operations. Since we are now 420 people around the world, we never hesitate to fund an investment to get a local office despite the fact that in financial services you can also do this with partners remotely. However, putting a foot in the door, starting to talk to partners, and particularly the regulators, helps us to prove ourselves over time and offer stability.

LFF: WHAT OTHER ACTIVITIES DO YOU HAVE IN THE PIPELINE?

NW: On the business side we are foremost a payment company, but we are different from other payment companies in the way that we do not think that the payment service per se will give us the edge, so we do everything we can to ensure our customers become successful. Our customers are 100% in the ecommerce space and 100% in the cross-border space, which is why there are a lot of opportunities we can pinpoint and address. Firstly, we provide data-driven advertising facilitation for our merchants. There are China-based merchants whom are spending money on Facebook and Google to advertise but yet are not that knowledgeable about local consumer trends. Although they can pick the tags and the demographics, it's not as efficient as someone who really knows the area. Those people don't exist on this side of the world. We are able to help them to aggregate some of the performance data from others and feed it back. Sometimes we hire consultants to look at the data to give us feedback on how to improve efficiency and we provide it for free.

In Europe, VAT collection for cross-border transactions is a big thing. We work really closely with regulators to make sure our customers are compliant. We also built an end-to-end white label solution for our merchants. It's a free service and takes up a lot of resource, but we believe that is the right thing to invest in because it solves a pain point for our customers. Although there is no immediate fee related to that, we believe that over time we will prove our worth and strengthen the relationship. Here in Luxembourg we have also partnered with a local Luxembourgish bank and are sponsoring local events and participating fairly actively in the community.

LFF: TALKING ABOUT YOUR PLANS TO BUILD AND SCALE, WHAT'S THE VISION?

NW: PingPong is an innovative payment facilitator for China-based eCommerce sellers. Our mission is to empower our customers to sell anywhere in the world with a simple and streamlined experience to grow their businesses.

The bigger vision is that we believe the world is hyper-connected but also hyper-local. Payments could be one of those rare business scenarios which can be both - because we can facilitate and serve local people who have their own payments habits in their local currency and also benefit from cross border opportunity with our product.

2019 is now about scaling the team. We ended 2018 with about 11 people, only a year after opening our operations in Luxembourg, and now we are almost double that. There are three international individuals relocating from the UK soon: with UK, Dutch and Taiwanese backgrounds. That's very representative of our pan-European reach and search for talent.

LFF: HAVE YOU ALREADY RECRUITED A TEAM? WHAT DIGITAL PROFILE ARE YOUR SEEKING?

NW: We invest in our growth and rely on local referrals or by word of mouth. We seek out creative energy, perseverance when it comes to problem-solving, and to finding a sense of accomplishment from within themselves. We welcome talent that is curious by nature, fearless, and results-driven. We want people that hold themselves to the highest ethical standards and who try to overcommunicate. We look for people who love a challenge, dislike repetitive jobs and have aspirations which fit our growth goals. We then incentivise and encourage them to use their global outlook to take the company to the next stage of growth.

LFF: ARE YOU ATTRACTING INTEREST FROM OTHER CHINESE FINTECHS?

NW: Yes. Although we have taken a nimble approach, it takes co-ordination. A slew of newer and smaller fintechs are willing to venture into Luxembourg, some are either potential competitors or collaborators, but some of them are unable to match our advantage. Either way we are happy with that because we truly believe in the strength and rigour of the regulation here. Our way of looking at the market is that you invest first and after the tipping point you can start reaping the rewards.

LFF: WE KNOW DIGITAL TRANSFORMATION IS A TOP PRIORITY FOR THE LUXEMBOURGISH FINANCIAL CENTRE... AS A CHINESE ENTITY, DO YOU SEE LUXEMBOURG AS PUSHING THE DIGITAL AGENDA?

NW: I can see very visible effort and very visible result. They need to play on the global scene to make that visible to the world. Coming from my benchmark, of being Chinese and having also been around the world, there are some drawbacks in terms of the depth of the market. But despite the market not being that big, the infrastructure is in place to test out new things. It is a solid platform from which to achieve global scale; and with that kind of foresight into digitisation I think that there should be great case studies. We want to be one of those, but we are in the making. We'll see.

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"The infrastructure is solid and it's a jumping point to achieve global scale; and with that kind of foresight into digitisation I think that there should be great case studies. We want to be one of those, but we are in the making. We'll see."

NING WANG

A TALE OF TWO HUBS: THE SINO-LUX INVESTMENT CASE

LFF SPOKE TO KEY DECISION-MAKERS FROM THE WORLDS OF BANKING, LOGISTICS AND INDUSTRY TO UNDERSTAND THE APPEAL BEHIND MAJOR CHINESE INVESTMENTS INTO LUXEMBOURG, AND WHAT THE FUTURE MIGHT HOLD…

SWATHES OF POSSIBILITY

"Everyone asks what is the key success factor in Luxembourg? But there is not just one." Hugues Delcourt, tells us, fresh from penning his farewell note after five years at the helm as CEO of BIL, having overseen the integration of Legend Holdings as shareholder.

He elaborates: *"We have a combination of structuring capabilities with investment skills which is unique. This doesn't necessarily mean that success is guaranteed because it will be tough, and it is going to be competitive… but we have an opportunity and a unique combination of evidence to take forward. China is a big market and even if we only have a fraction of the market it is still important to take this forward."*

While China offers vast possibilities, the potential to get lost while navigating it, is of a similar scale. Delcourt frames this vividly: *"it's like a big forest where, if you are not careful, you can't find the exit any more. You have got to be very astute in what you want to do and how you do it over time."*

A BILATERAL LAUNCHPAD

Local knowledge of China and local knowledge of Luxembourg seems to be a winning formula for both these shareholders and their Luxembourgish companies. IEE, the producer of sensing solutions, was founded in Luxembourg in 1989 and welcomed HiWing Group as its owner in 2013. Michel Witte, President and CEO, believes that the Chinese like Luxembourg from the outset because *"it does a lot to make it easy for them to enter [the market]; to find all the documents needed to establish and run a business. It's very low profile, easy to fulfil and then you are in the Schengen area which is extremely helpful. This hub aspect makes sense, it becomes a launchpad for China to begin activities with other European countries."*

The location of Luxembourg as not only a founding member of the EU, but also providing access to the large Eurozone market that can be tapped into via passporting is a win for the Chinese in Delcourt's view and is the *"the root cause behind their decision. […] Luxembourg has been attractive and has*

"We are a Luxembourgish institution but are very proud of being owned by Legend Holdings."

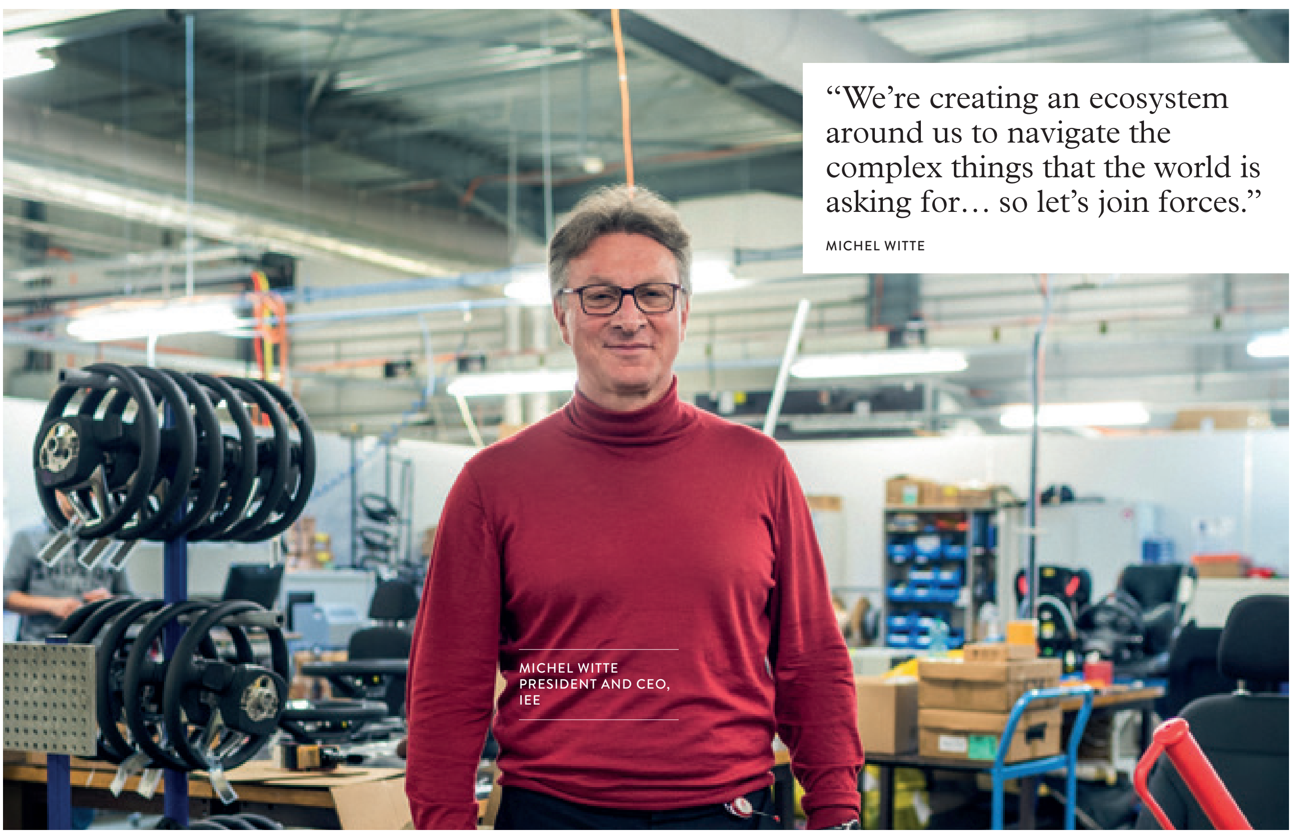
HUGUES DELCOURT

HUGUES DELCOURT
CEO, BIL
2014 - 2019

PAUL HELMINGER
CHAIRMAN,
CARGOLUX

"Our economy is gradually climbing up the technology ladder, so the fact that we have good relations and that we need each other, is only going to become a more effective partnership in the future."

PAUL HELMINGER



"We're creating an ecosystem around us to navigate the complex things that the world is asking for… so let's join forces."

MICHEL WITTE

MICHEL WITTE
PRESIDENT AND CEO,
IEE

marketed itself to Chinese banks, these banks are well represented here and are clients of BIL. It is a business-friendly environment and we get down to business."

Cargolux, the cargo airline, has had an international outlook since its inception. The global player in the field of logistics has previously had international shareholders. Its Chairman, Paul Helminger, draws parallels: *"the Chinese have a similar strategic approach to our previous shareholders… they looked for a hub in Europe and at that time we were also looking for a reciprocal hub. Similarly, the Chinese were looking for a hub in Europe and we were quite happy to look at a hub in China."*

Having had an industrial partner, Cargolux went onto to establish a strategic relationship with their Chinese shareholder. They have a 35% share and Henan is a strategic objective as a province in the heart of China. Helminger elaborates: *"we have benefitted from a period of significant growth in the Chinese economy. That is a reality. We have really been building up substantial operations in Zhengzhou and in the peak season we now have 17 movements in and out the area per week which is considerable [….]. We are one of the very few non-Chinese carriers that have the right to do that. In China they are very satisfied with our performance and the cooperation is working well. […] The Cargolux link is really the one tangible link of the Air Silk Road… they are satisfied, we are satisfied so it has been a win win situation."*

CHAMPIONING INDIVIDUAL STRENGTHS

The striking factor behind these Chinese investments is the strong sense of individual identity and mutual respect. Delcourt highlights the role of Fudan (which is best explained in the motto by the University of the same name: "to learn extensively and adhere to aspirations, to inquire earnestly and reflect with self-application") which is specific to Legend Holdings' approach. He describes it as a methodology that the Chairman himself has developed as a philosophy within the Company, which is very much in line with what BIL has, but they have taken it to the next level. Immediately after an important project or decision is carried out, they stop, look back and talk openly and frankly to say what went well and what didn't go well. *"There is a culture of evaluating learnings to inform improvements and although we have a lot to learn from one another, each is proud of its own culture, and proud of the ownership - building mutual respect, yet maintaining individuality as a partner. We are a national champion but are very proud of being owned by Legend Holdings."*

Buying into a commercial spirit is something Michel Witte understands well: *"we see ourselves as one of those hidden champions because we still have a huge market share of a product which we have been controlling since 1996. We have saved a lot of lives with our [seatbelt safety and airbag sensor] technology and because people are buckling up. After more than 20 years in the market, we continue to control a very significant part of it."* Witte highlights that their strategic Chinese investor was motivated by their ability to translate technologies into mass production, leading to an 100% Chinese ownership. It is difficult for them to get into this specific market, and we need strategic partners: *"We're creating an ecosystem around us to navigate the complex things that the world is asking for… so let's join forces."*

BIL, Cargolux and IEE are already attractive with their market spanning expertise, depth of knowledge and reputation, and these success stories are set to extract further value from their business development prospects. But what does the future hold?

A GLIMPSE INTO THE FUTURE

Luxembourg has long been a respected partner to China, dating back to the 1970s when it established diplomatic relations (with Paul Helminger in attendance) and the recent coverage of the Belt and Road Initiative demonstrates that this shows no sign of abating. Luxembourg's first-ever direct freight train departed from the Grand Duchy's logistics hub to Chengdu, capital of the blossoming Sichuan province in April this year.

It's not just logistics that are attractive. Hugues Delcourt offers an upbeat view from the banking sector, *"our [Chinese] shareholders bring long-term commitment, access to capital, affinity to technology as well as networks and reputation in China. These are strong assets to have in your backpack to face the banking challenges of tomorrow."*

And there's more to come. Paul Helminger sees these assets as having wider reaching implications such as technological innovation offering enormous value as a partner in the global economy: *"Our economy is gradually climbing up the technology ladder, so the fact that we have good relations and that we need each other, is only going to become a more effective partnership in the future."*

CC

DANNY ALEXANDER
VICE-PRESIDENT,
AIIB

PICTURE TAKEN AT THE EVENT "AIIB IN LUXEMBOURG:
INFRASCTRUCTURE AS A GLOBAL ASSET CLASS" ORGANISED IN MARCH.

> “We are focused solely on infrastructure, as we recognise it as important to lift living standards and support economic growth, as well as investing in the right infrastructure to tackle climate change.”
>
> DANNY ALEXANDER

THE POWER OF COLLABORATION

IN JULY 2019, LUXEMBOURG WILL BE THE FIRST NON-ASIAN COUNTRY TO HOST THE ANNUAL MEETING OF THE ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB), WITH SOME 500 DELEGATES AND UP TO 1 500 PARTICIPANTS EXPECTED FOR THE EVENT.

As a Chinese proverb goes, “Better roads lead to better life.” It’s been the aim of the AIIB since its establishment in 2016, founded with the aim of supporting sustainable economic and social development across Asia through a focus on sustainable infrastructure, cross-border connectivity and private capital mobilisation.

FINANCING ASIA’S SUSTAINABLE FUTURE

Asia is the fastest-growing part of the world economy, however its fast growth over the past decades has put pressure on its infrastructure. Asia’s infrastructure funding gap is estimated at USD 26 trillion through 2030, while USD 200 billions of this amount is needed per year for climate change resilience.

“We are focused solely on infrastructure, as we recognise it as important to lift living standards and support economic growth, as well as investing in the right infrastructure to tackle climate change. In the long term, the AIIB aims to be the go-to bank for providing infrastructure financing solutions to developing economies in Asia and beyond,” said Danny Alexander, Vice-President of the AIIB, at the conference *“AIIB in Luxembourg: infrastructure as a global asset class”* organised last March 14th by the Ministry of Finance, in collaboration with the AIIB.

By end-2018, the Beijing-based multilateral development bank had provided financing in loans and other lending modalities, with commitments totalling close to USD 7.5 billion, including a number of projects outside Asia such as India, Egypt

> "Our membership is global, with members in every continent."
>
> DANNY ALEXANDER

and Myanmar. Projects cover various infrastructure sectors such as transportation, renewable energy, sustainable cities, telecommunications and urban development.

"Through the projects it supports, the AIIB is improving cross-country connectivity, both within Asia to bring countries closer together, but also between Asia and the rest of the world," he adds.

This year marked the bank's first two projects in Sri Lanka for which loans of respectively USD200-million and USD80-million were approved to improve housing conditions for low-income communities by constructing affordable housing as well as reducing the risk and damage from landslides.

In 2019, the bank aims to finance projects worth about USD 4 billion in 15 to 20 countries, an average of 20 percent more than the USD 3.3 billion it financed in 2018.

A JOINT INTERNATIONAL EFFORT

Within three years of operation, the multilateral bank has grown from 57 to 93-member countries, with Luxembourg being the first European country to have joined the bank.

"Our membership is global, with members in every continent. This shows our member's commitment to multilateral cooperation and strengthens AIIB's role in the international financial community," explains Danny Alexander.

To date, the AIIB has the second largest membership among multilateral development banks. It is also the first time the major shareholders of such a bank are developing countries.

Co-financing partnerships have been key to the AIIB's early momentum and demonstrate the value of collaboration across the Multilateral Development Bank community. Early in its operations, the Bank signed a co-financing framework with the World Bank and MOUs with ADB, the European Bank for Reconstruction and Development and the European Investment Bank, respectively, to set the stage for jointly financing projects.

As of today, 40 percent of projects undertaken by the bank are stand-alone projects while 60 percent are developed in cooperation with other multilateral development banks.

PRIVATE CAPITAL MOBILISATION

Opportunities in investing in infrastructure projects are vital for long-term growth in Asia but are still largely untapped by investors. In this context, mobilising private capital is a major part of the AIIB's agenda.

"We cannot bridge Asia's funding gap without drawing in much greater amounts of private sector capital. Multilateral development banks like the AIIB are playing an important role to encourage more private sector investment by partnering with them on high-quality projects that will drive economic and social benefits for local communities," notes Dany Alexander.

In 2017, the total amount of private co-financing by the AIIB was USD 561 million.

The multilateral bank is developing strategies to help attract private sector investors to cross-border projects, mainly by issuing bonds in world financial markets and through interbank market transactions.

Earlier this year, the AIIB has approved a USD 500 million fund to be used for corporate bonds to finance infrastructure-related investments, in a bid to boost private capital into the sector. The aim is to help develop infrastructure as an asset class, grow debt capital markets for infrastructure and promote investments with a focus on ESG issues in Asia.

"We can unlock the greatest potential to mobilise private capital for infrastructure from institutional investors by developing infrastructure as an asset class and deepening the sustainable debt capital market in Asia. Integrating ESG standards into capital markets in Emerging Asia will help build capacity for and interest in responsible investing, which is necessary if we are going to build a sustainable future."

OB

> "We cannot bridge Asia's funding gap without drawing in much greater amounts of private sector capital."
>
> DANNY ALEXANDER

CHINA AND LUXEMBOURG: CLOSE PARTNERS

WE TALKED TO THE CHAIRMEN OF LUXEMBOURG'S INDUSTRY ASSOCIATIONS, DENISE VOSS (THE LUXEMBOURG FUNDS ASSOCIATION - ALFI), GUY HOFFMANN (THE LUXEMBOURG BANKERS' ASSOCIATION - ABBL) AND CHRISTIAN STRASSER (LUXEMBOURG'S INSURANCE AND REINSURANCE ASSOCIATION – ACA) TO DISCUSS THE IMPORTANCE OF CHINA TO THEIR RESPECTIVE BUSINESSES.

DENISE VOSS
CHAIRMAN
ALFI

LFF: WHAT RELATIONS DO YOU HAVE WITH YOUR RESPECTIVE SISTER ASSOCIATION?

ALFI: ALFI and AMAC (The Asset Management Association of China) are long-standing partners and decided to formalise this into an MoU in June 2014 to deepen the collaboration between the two associations. ALFI is also represented by Ms Ching Yng Choi, ALFI's Asia Representative Office, as a member of AMAC's International Partners Committee, which aims to foster cooperation between committee members and associations.

We have had frequent contacts over the past years to discuss technical subjects of mutual interest and, in particular, on different investment fund vehicles, the role of investment fund managers and distribution/market access. AMAC is a regular guest at events that Luxembourg For Finance and ALFI organise annually in Beijing and Shanghai to meet the local asset management and investment fund community.

ACA: ACA and IAC (the Insurance Association of China) have a young but strong relationship since 2014. We are both committed to maintaining regular contacts. In 2015, AIC came to Luxembourg upon our invitation to attend a General Assembly of Insurance Europe.

In 2016, we signed an MoU to strengthen the international exchange and cooperation in the insurance industry. The benefits of the MoU were exemplified in the first collaborative training organised in Beijing with the IAC this year. Such a close collaboration allows us to better understand the differences and similarities between the European and the Chinese markets, explain the functioning of the European insurance market to our Chinese counterparts and of course learn from their experiences.

"ALFI and AMAC are long-standing partners."

DENISE VOSS

ABBL: The ABBL and the CBA (The China Banking Association) signed an MoU in 2017 aimed at establishing a regular communication and information sharing on all aspects of the banking industry, including but not limited to the latest development of regular frameworks and sound practices for investor protection. Both associations also decided to provide mutual training support to their relevant members. These are topics of common interest where bridges can be made. To reinforce our relations, the ABBL also visits China twice a year.

LFF: LUXEMBOURG IS VERY ATTRACTIVE TO CHINESE BANKS, WITH SEVEN CHINESE BANKS ALREADY ESTABLISHED IN LUXEMBOURG. WHY HAVE THEY CHOSEN TO COME HERE AND WHAT SERVICES DO THEY PROVIDE HERE?

ABBL: Luxembourg has always been a long-standing European hub for Chinese banks. This is a recognition of Luxembourg's position as a unique platform for cross-border finance and its status as one of the leading financial centres in the EU. Our expertise in sustainable finance as exemplified in the initiatives undertaken by the Luxembourg Stock Exchange in issuing Dim Sum bonds and green bonds is also very valuable to the Chinese.

CHRISTIAN STRASSER
CHAIRMAN
ACA

"Such a close collaboration allows us to better understand the differences and similarities between the European and the Chinese markets."

CHRISTIAN STRASSER

In addition to corporate banking services, the Chinese banks based in Luxembourg have expanded into capital market activities in Europe, asset and wealth management as well as custodian activities, thereby serving as a bridge connecting Europe and China.

LFF: WHAT BENEFIT HAS THE PRESENCE OF A STRONG CORE OF CHINESE BANKS IN LUXEMBOURG HAD ON THE ACTIVITIES OF THE ABBL?

ABBL: Chinese banks are today actively involved in the ABBL working groups and clusters, especially in the field of corporate banking and sustainable finance. These are key areas for which we take advantage of the experience of Chinese banks.

Over the last 2 years, we have organised two ABBL events allowing our members to network with other members from Chinese banks. This is an excellent opportunity for the Chinese banks to promote their business and for the audience to learn more about the Chinese banking model. Last but not least, the Chinese banking community is represented at the ABBL Board of Directors and will influence the future strategy of the ABBL directly.

> "Luxembourg has always been a long-standing European hub for Chinese banks."
>
> GUY HOFFMANN

"The pace of change is unprecedented and is highly welcomed by the international community."

DENISE VOSS

LFF: WHAT FURTHER OPPORTUNITIES ARE THERE TO EXPLORE IN THE FUND INDUSTRY BETWEEN THE TWO COUNTRIES?

ALFI: Luxembourg and China both give market access to asset managers, who can set up a presence in each other's markets. It however requires that these asset managers set up domestic products. There is therefore a danger of market fragmentation.

Both jurisdictions should be exploring ways of granting some form of market access to the "products" as such; i.e. the investment funds that asset managers may establish.

Given, for instance, the reputation and the robustness of the UCITS brand, ALFI believes that it would make sense for the Chinese authorities to authorise target pension funds in the PRC to invest in UCITS in order to achieve a greater investment diversification in terms of asset classes and geographies.

LFF: WHAT HURDLES ARE THERE STILL TO OVERCOME FOR INTERNATIONAL ASSET MANAGERS LOOKING TO ACCESS THE CHINESE MARKET?

ALFI: Over the past years, the PRC authorities have embarked in major market reforms and opening of their capital markets. The pace of change is unprecedented and is highly welcomed by the international community.

Market access to China has been gradually granted to foreign investors through different channels (QFII, RQFII, Stock Connect, CIBM, Bond Connect, to name the most relevant) which all have their merits. However, navigating through all these different schemes is complex. Fungibility (selling one security acquired through one channel in another one) is not a given. In that sense, the recent consultation on a possible simplification or even a merger between the RQFII and QFII schemes is certainly an interesting development.

Access to reliable market data (e.g. on ratings and data on fixed income instruments) is also a point of concern for asset managers. Generally speaking, more transparency on the regulatory framework and availability of on-line, up-to-date legal texts and regulations in the English language would be welcome.

LFF: WHAT IS YOUR VIEW ON THE SIMILARITIES AND DIFFERENCES IN THE REGULATORY ENVIRONMENTS FOR EUROPEAN AND CHINESE INSURANCE COMPANIES?

ACA: There are more similarities than it would appear at first glance. Chinese insurers are subject to prudential regulation that is very close to what we have here in Europe with Solvency II. Just like us, Chinese insurers are overseen by a prudential supervisor.

The distribution model of insurances in China is also similar to ours. It is mainly offered to agent networks but more and more also through digital channels. One of the differences is that the local Chinese markets is huge and complex. In Luxembourg, we work mainly abroad while Chinese insurers work mainly on their local market. Of course, there are differences in the rules applicable in assets allocation. Another interesting feature of the Chinese insurance market is that despite of its size, it has gone from a traditional market to a more and more digital market at a very fast speed.

OB

"The Chinese insurance market is that despite of its size, it has gone from a traditional market to a more and more digital market at a very fast speed."

CHRISTIAN STRASSER

CHINA'S BRIDGE TO EUROPE AND THE WORLD

EU Hub for Chinese Banks

7 major Chinese banks have chosen Luxembourg as their EU hub (source: CSSF)

Main Global Domicile Of Investment Funds Investing Into Mainland China

Sources: PwC Market Research Centre, Lipper

79.5% **of European assets invested in Mainland China are Luxembourg funds.**

30.9% **of global investment funds investing in China are Luxembourg domiciled funds.**

RMB Pioneer

2011 Volkswagen launches first European RMB denominated bond at LuxSE in May 2011

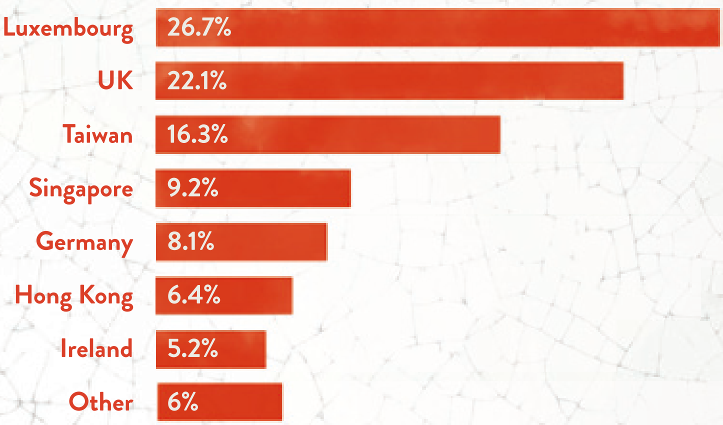
2013 Luxembourg regulator authorises first RQFII UCITS fund in November 2013

2019 Hong Kong and Luxembourg sign a memorandum of understanding on the mutual recognition of funds providing a framework for the mutual recognition of covered funds offered, marketed and distributed to the public in Hong Kong and to retail investors in Luxembourg.

Largest Listing Centre For Dim Sum Bonds Outside Asia

LUXEMBOURG'S MARKET SHARE IN DIM SUM BONDS

(% by number of bonds)



Largest Dim Sum Bond Issuers on the Luxembourg Stock Exchange

AIR LIQUIDE Creative Oxygen

中国银行 BANK OF CHINA

BRITISH COLUMBIA

Top 10 China-focused Asset Managers In Luxembourg

AB

AberdeenStandard Investments

华夏基金 CHINA ASSET MANAGEMENT

DWS

FULLERTON FUND MANAGEMENT

ICBC

Investec

J.P.Morgan Asset Management

PICTET 1805

Schroders

STÉPHANE PALLAGE
RECTOR,
UNIVERSITY OF LUXEMBOURG

Partnership in the academic sphere

THE UNIVERSITY OF LUXEMBOURG CURRENTLY HAS SEVEN ACADEMIC AGREEMENTS WITH CHINESE UNIVERSITIES. THESE PARTNERSHIPS OFFER STUDENTS THE OPPORTUNITY TO GAIN EXPERIENCE OF CHINA THROUGH A STUDENT EXCHANGE PROGRAMME. STÉPHANE PALLAGE IS THE RECTOR OF THE UNIVERSITY OF LUXEMBOURG. HIS PERSONAL CONNECTIONS WITH CHINA DATE BACK TO WHEN HE WAS DEAN OF THE BUSINESS SCHOOL OF THE UNIVERSITY OF QUEBEC IN MONTREAL.

“Some of the partners we had there are the same as I work with today. The Shanghai Normal University for example.”

STÉPHANE PALLAGE

A STRONG CONNECTION WITH CHINA

Working with Chinese Universities is familiar territory for Stéphane Pallage, who took up his position as the new Rector of the University of Luxembourg (University) in 2018. Before taking over in Belval, he travelled frequently to China as the former Dean of ESG UQAM, the Business school of the University of Quebec in Montreal. When he left Montreal, the School had 3 core partnerships: one in Shanghai, one in Beijing and one in Xuzhou.

“Back then we were the first North-American school that had an MBA program with a University in China that was recognised by the Chinese government,” recalls Pallage. *“Some of the partners we had there are the same as I work with today. The Shanghai Normal University for example. They became good friends of mine,”* says Stéphane Pallage, Rector of the University of Luxembourg.

PARTNERSHIPS

The University can still be considered as very young, however relations with Chinese counterparts date back to its founding years. First contact with Universities in China, such as Tongji University, Renmin University and Shangdong University were made in 2007. This led to a series of agreements and partnerships with other Chinese Uiversities. One such partnership is the joint venture between Fudan University and the University, resulting in the creation of the Confucius Institute here in Luxembourg. The Chinese staff working at the Confucius Institute foster cultural exchange. They teach Mandarin, calligraphy and meditation, but also business Chinese at an executive level.

Today, the University has partnerships with Peking University, Fudan University, Tongji University, Renmin University and Shandong University.

"You start discussions, you build a relationship, you meet many times and then you sign. Once you are ready to sign an agreement the partnership is at the level of friendship. It is very important for the Chinese to have this in an agreement. It goes beyond the actual text you have signed."

Signing framework agreements with new partners creates new possibilities such as launching a common study programme, exchanging students and staff or conducting joint research. Stéphane Pallage adds that joint programmes require substantial investment from both partners. They demand a very strategic partnership. Student exchange agreements are more common in partnerships worldwide: "that has always been very successful".

"I believe that student exchange is essential. We want our students to be mobile. It is a tradition in Luxembourg and we really insist on that. Bachelor students have to spend at least a semester abroad. We send students all over the planet and China becomes more and more a strategic place for them to go. The possibilities are enormous. Going there means that we give them access to a whole new network and completely different opportunities to what they can experience here in Europe which is of course always interesting for students when it comes to developing their careers."

CHINA: A LIFE CHANGING EXPERIENCE

Nicola Schreiner is a Law student at the University of Luxembourg. He is one of the exchange students who went to the Peking University in Beijing.

"Going to Beijing was one of the biggest challenges in my life. It was not only an academic exchange but also a culture exchange. The speed of everyday life in China is striking. It was one of the most rewarding and eye-opening experiences I ever had. I learned a lot working in a completely different cultural environment. Chinese people are more open than we think. It is an amazing country," says Nicola Schreiner, Law student at the University of Luxembourg.

Nicola is positive about his experience and his future. He considers China to be a partner that will hold a predominant place in the future. It is important to understand their culture in order to collaborate with them.

NICOLA SCHREINER
LAW STUDENT,
UNIVERSITY OF LUXEMBOURG

"Chinese people are more open than we think. It is an amazing country."

NICOLA SCHREINER

SUCCESSFUL FIELDS

The University was founded in 2003 and enrolled its first students in 2004. While it is still small in terms of student population it is one of the fastest growing Universities, offering a unique programme of multi-lingual instruction in English, German and French. In order to compete with its peers, it has focused on untapped niches, identifying new fields and becoming the best in those areas. An example is the growing space industry in Luxembourg.

"I was very curious about this tiny country where everybody speaks three languages or more."

GONG YI

"Examples of our focus areas are Biomedicine, Computer Science and Cyber security, Finance, International Law and Digital and Contemporary History. They all are very successful. Finance is clearly of strategic importance to Luxembourg and to the University. We recruit a lot at the moment in that field."

FOCUS ON FINANCE

The University is in constant evolution. That means that agreements and Master programs can change. An example is the degree in Finance that they have with the Renmin University in Beijing: that agreement has to be renewed.

"We recently had some interesting discussions with the financial sector about what would be appropriate for a Finance curriculum today. We started a working group with people from ABBL, the Luxembourg banking association, and representantives of big players in the financial sector. I can proudly say that in September this year we will be launching a new curriculum in Finance."

I FEEL AT HOME IN LUXEMBOURG

Gong Yi is a student at Renmin University in Beijing. He recently came to Luxembourg to do a Major in Space, Communication and Media Law.

"Before I applied to the University of Beijing, I was already thinking of visiting Luxembourg one day. I was very curious about this tiny country where everybody speaks three languages or more. Friends and family told me how different Europe is to China. So, I had all kinds of ideas in my head. I can tell you my experience has been quite different from my expectations. Life goes faster in China. I like the slower pace in Luxembourg, and people focus more on the quality of life," says Gong Yi, exchange student from the Renmin Universty in Beijing.

LOOKING AHEAD

"I consider China to be a very important partner, if not the strategic partner, of the University. I think we should develop joint degrees. The possibility to send our students to Shanghai or Beijing for an internship at Master level would be a great opportunity. This is only the beginning. Things have to grow, and I am confident that they will."

MS / MvH

ALEX LAWRENCE
MANAGING DIRECTOR,
CROSSLEND

WORK, LIVE & LUXEMBOURG: BALANCE A GREAT CAREER IN FINANCE WITH YOUR LIFE

LUXEMBOURG OFFERS A WORK-LIFE BALANCE THAT IS DIFFICULT TO FIND ANYWHERE ELSE IN THE WORLD. ITS CENTRAL LOCATION IN THE HEART OF EUROPE, QUALITY OF LIFE AND MERCER RANKING AS THE SAFEST CAPITAL IN THE WORLD, HELPS THE COUNTRY TO REMAIN A WORLD LEADER IN ATTRACTING AND RETAINING TALENT. WE MEET FOUR PEOPLE WHO MOVED TO LUXEMBOURG TO GROW THEIR CAREERS IN INTERNATIONAL FINANCIAL SERVICES TO ASK WHY IT'S A GREAT PLACE TO WORK AND LIVE.

WORK, LIVE & BOARD

"The whole ecosystem here is very much set up for business."

ALEX LAWRENCE

WORK, LIVE AND BOARD

Managing Director Alex Lawrence moved to Luxembourg from Berlin after a decade of experience in finance. He manages the Luxembourg subsidiary of CrossLend, a Berlin-based, FinTech company with a mission to reshape the European lending economy.

"CrossLend is a B2B FinTech founded in 2014. We have built a European market place for debt, and there is no better place to build that than in the heart of Europe, which is Luxembourg. In comparison to other FinTech centres, Luxembourg has a strong tradition of banking, which is paired with a very highly innovative technology sector. The whole ecosystem here is very much set up for business. We found that helpful in terms of growing the business and attracting talent."

Alex loves to go wakeboarding on the Moselle river, which cuts straight through Luxembourg and Germany. It's less than a 15-minute drive from his home in the city, and he finds it a great way to unwind after work.

"What's great about the Moselle is it's so close to the city. It cuts straight through Luxembourg and Germany. So you can be wakeboarding on the river and really be not quite sure which country you are in. Would I recommend living in Luxembourg? Absolutely. It's a place where business is very easy to do, the outdoors are right there on your doorstep. You can be in the office all day long and then in the evening time you can be out on the water, which is just fantastic. It's a great place to just have a well-balanced life."

WORK, LIVE & VOLLEY

> "People are very open to meeting you and talking about different backgrounds or cultures."
>
> TAONA MUPANDUKI

WORK, LIVE AND VOLLEY

"I did not know too much about Luxembourg before I came. I was actually quite surprised that it was quite dynamic. It is very international."

Zimbabwean born Taona Mupanduki completed an internship in Luxembourg during her degree in management and finance at the Berlin School of Economics and Law. Shortly after she was offered a position at Amazon Luxembourg which employs over 2,000 people from its offices in the city. *"I started with Amazon Pay. I come from a business background and the position I was applying for had a bit of a tech element, so I knew with joining the company that I would learn something new."*

Taona has been a manager for just over a year now and manages the small-medium business integration team. *"We support in the five EU countries. It's a very open and flexible work environment, and this is what I like about it and what has helped me to develop my career. Also, at Amazon, if you're pro-active and you realise which journey you want to take in the company, it's very supported."*

Taona loves the outdoors and enjoys wine tasting in the Moselle, home to picturesque wine villages facing a spectacular river which forms the border between the Grand Duchy and Germany. She also enjoys playing beach volleyball with her friends during the summer months. *"I started beach volleyball in the Spring of last year. It connects a lot of us from different companies as well. People are very open to meeting you and talking about different backgrounds or cultures, so that's a pretty unique experience I found here in Luxembourg."*

TAONA MUPANDUKI
TEAM MANAGER,
AMAZON PAY

FERNANDO PACHECO
EXECUTIVE DIRECTOR, TREASURY SERVICES,
J.P. MORGAN BANK LUXEMBOURG

WORK, LIVE & TRAIL

> "I moved to Luxembourg last year from Sydney, Australia, and have been enjoying every moment since."
>
> FERNANDO PACHECO

WORK, LIVE AND TRAIL

"I moved to Luxembourg last year from Sydney, Australia, and have been enjoying every moment since," explains Fernando Pacheco, Executive Director, Treasury Services, J.P. Morgan Bank Luxembourg.

J.P. Morgan already had a significant presence in Europe but was expanding its business in Luxembourg, making it one of its key regional treasury hubs. So professionally, it was a fantastic opportunity.

"Being part of J.P. Morgan has given me the opportunity to work with some of the largest global companies, supporting their cash management needs, while influencing the local industry in exciting areas like real-time payments."

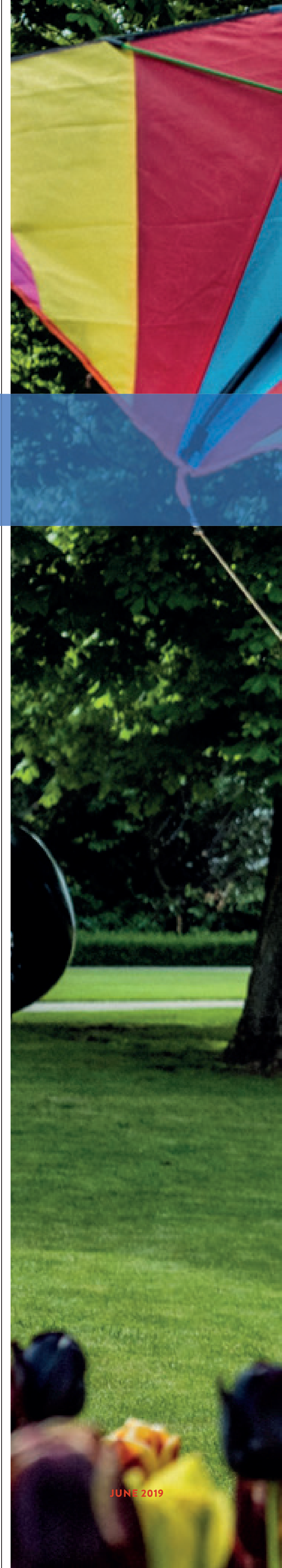
Luxembourg is Pacheco's fifth professional location in twenty years of working in financial services. *"Luxembourg's size and multi-cultural workforce have allowed me to quickly build a strong professional network, whether that's with clients, industry bodies, and business partners."*

Outside the office, Fernando's passion is adventure sports, and in particular mountain biking. He finds exploring the 500 kilometres of mountain bike trails an exciting way to discover the country. *"Being able to access the countryside so easily in Luxembourg is one of its great advantages. Mountain biking allows you to switch-off, be entirely in the moment while exploring this natural playground that Luxembourg has to offer."*

"I have never seen swimming pools, so close to the city while surrounded by forest and by a green environment."

SIJIA DUAN

WORK, LIVE & SWIM



WORK, LIVE AND SWIM

"Bejing is a big city with a multimillion population versus Luxembourg as a relatively small country. So yes for me at the beginning, it was a big cultural shock."

Sijia Duan moved to Luxembourg from Beijing in 2013 because her husband, who worked for a Chinese bank, was posted to Luxembourg.

"What we noticed when we first arrived was a clear blue sky. That is something we had been missing for years in Beijing, especially during winter."

A law graduate with substantial experience at Citigroup and Deutsche Bank in Beijing, she enrolled for the MA in Banking and Finance at the University of Luxembourg and took up the position of China Desk Manager at HSBC, Luxembourg shortly after an internship with the bank. Working on the front line in corporate banking, Sijia helps Chinese companies entering Europe, as well as European clients doing business in China.

"Luxembourg is one of the most popular destinations for Chinese investors to choose when they try to establish their European operation. For me, I'm very excited because I'm able to help my customers. Not only the Chinese customers doing business in Europe, but also helping the European corporate clients doing business in China. So I'm working as a bridge to connect both markets and both customers."

Now, with a young daughter, Sijia enjoys the family-friendly environment that Luxembourg offers, which enables her to develop her career and take care of her family.

"Here at HSBC, we have flexible working hours, which allows employees to work from home whenever you need to. This kind of flexibility is important to an expatriate family like us. I also like the creche daycare system in Luxembourg, which perfectly covers the working hours."

With an abundance of green spaces to choose from, Sijia enjoys taking her family to fly Chinese kites in the city's numerous parks and enjoys swimming in one of the many open-air pools across the country.

"I have never seen swimming pools, so close to the city while surrounded by forest and by a green environment. That's one of my daughter's favourite places and also where we like to go during weekends and holidays."

GM

WATCH THE VIDEO SERIES FEATURING EXPATS WHO MOVED TO LUXEMBOURG #MOVETOLUX

SIJIA DUAN
CHINA DESK MANAGER,
HSBC, LUXEMBOURG

UPCOMING EVENTS

2019
12-13.07

AIIB ANNUAL MEETING 2019

On 12-13 July 2019, Luxembourg will host AIIB's first Annual Meeting to be held outside Asia. The theme of the 2019 Annual Meeting is Cooperation and Connectivity in recognition of the economic and social benefits to be realised through better connectivity within and between countries and regions, including Europe and Asia.

2019
17-19.09

CHINA 2019

Luxembourg for Finance invites you to join the seminars in Beijing on Tuesday, 17 September and in Shanghai on Thursday, 19 September 2019. The seminars in the presence of HE Pierre Gramegna, Minister of Finance, are organised in collaboration with the Embassy of Luxembourg in Beijing and the Consulate General of Luxembourg in Shanghai.

2019
08.10

CHINA FINANCE FORUM 2019

The China Finance Forum, as for the previous editions of the Luxembourg Renminbi Forum, will aim to bring to Luxembourg again some of the best experts on the issue of financial services in relation to China. Topics will cover the recent economic developments in China, Chinese outbound investments in the EU, the different channels to access China's capital markets, China's green finance revolution and China's FinTech boom.

IMPRESSUM
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