

DECEMBER 2019

# LEO

THE FINANCIAL CENTRE'S MAG

THE BRAVE  
NEW WORLD  
OF PAYMENTS



**PSD2: SETTING THE  
STAGE FOR THE FUTURE  
OF OPEN BANKING**

**PAYPAL: THINKING  
BEYOND TRANSACTIONS**

**VIEWPOINT: FUTURE  
OF PAYMENTS**



NICOLAS MACKEL,  
CEO, LUXEMBOURG  
FOR FINANCE



Dear readers,

**C**hange in the payments sector is in overdrive and is only set to get faster. December's issue of LEO explains how this activity has been transformed by the dual impact of new technology and regulatory requirements. Payments have become a centre piece of the Fintech revolution. As consumers, we all want payments to become as instantaneous and as frictionless as possible, without ever compromising security. This requires technology and regulation to be updated constantly and thus raises important questions. I invite you to download our recent report on the "Amazonisation" of the financial industry using the QR code on page 3. Produced in collaboration with PwC, the report describes the phenomenon of industry platformisation across four sectors, amongst which the payment sector is where the big tech players are increasingly looking to penetrate the financial industry.

On the upside, Europe's PSD2 framework has created new opportunities with the emergence of a pan-European market, which will allow sector professionals to leverage upon the scale of the EU's Single

market. Experts interviewed in these pages discuss the prospect of a level playing field for banks and Fintechs, paving the way for greater collaboration to fulfil growing consumer expectations.

In this context, Luxembourg has become one of the leading hubs for payments activities in Europe. Major players such as PayPal, an early member of this cluster, share views on the future of the payments industry. More recent additions to our ecosystem, such as PPRO and Satispay, discuss Brexit and other reasons for having chosen the Grand Duchy.

Within our recurring "Why we chose Luxembourg" series, we feature J.P. Morgan which has been present in Luxembourg for nearly 50 years and has long had in Luxembourg its second largest EU presence, after London. It has been active within Luxembourg's fund industry (as a bank and as a management company) as well as in corporate finance and treasury activities. To continue to serve clients in the EU-27 markets, J.P. Morgan, along with other banks, have opted to establish their EU wealth management team in Luxembourg in order to be prepared for any political outcome ahead of Brexit. This choice underlines the role the country continues to play in Europe's wealth management market and the value it offers major players, through both the product range and the expertise available within the talent pool.

Finally, we take great pride in showcasing the Castle of Vianden, a jewel amongst Luxembourg's numerous historical sites. The castle was included in CNN's list of 21 most beautiful castles to visit in the world earlier this year. And this is not fake news!

Enjoy the read.

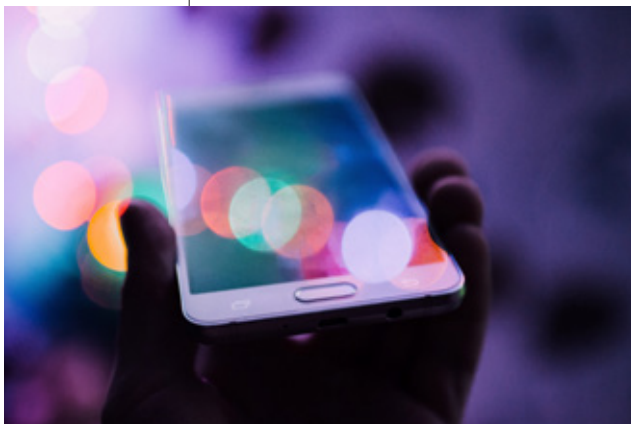
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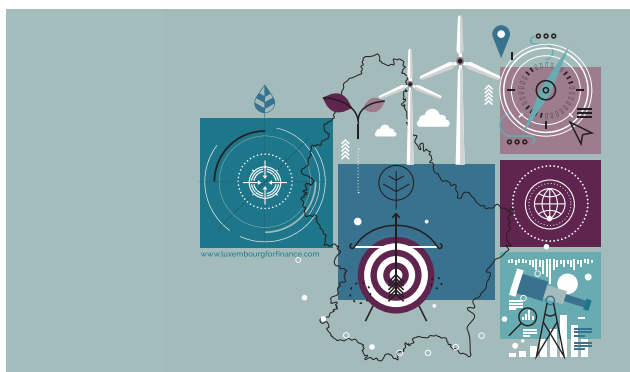


**ANY QUESTIONS?**

GET IN TOUCH ON TWITTER - @LUXFINANCE

## AMAZONISATION IS THE FUTURE OF EUROPEAN FINANCIAL SERVICES

**THREE TRENDS WILL DOMINATE AND DISRUPT EUROPEAN FINANCIAL SERVICES OVER THE NEXT FIVE YEARS, ACCORDING TO A NEW REPORT BY PWC AND LUXEMBOURG FOR FINANCE. THE SURVEY PREDICTS THAT AMAZONISATION WILL DISRUPT EVERY SECTOR OF EUROPE'S FINANCE INDUSTRY. COMPANIES MUST DISRUPT THEMSELVES USING DATA AND TECHNOLOGY TO STAY AHEAD OF THE GAME. BREXIT WILL ALSO LEAD TO A MULTI-POLARISED FINANCIAL SERVICES LANDSCAPE.**



SCAN THE QR CODE  
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THE BROCHURE AMAZONISATION



## LUXEMBOURG'S AAA RATING CONFIRMED BY MOODY'S

**THE CREDIT RATING AGENCY MOODY'S HAS CONFIRMED LUXEMBOURG'S AAA RATING WITH A STABLE OUTLOOK. LUXEMBOURG CONTINUES TO BENEFIT FROM THE BEST RATING FROM THE MAJOR RATING AGENCIES: S&P, MOODY'S AND FITCH. IT IS ONE OF ONLY 10 COUNTRIES WORLDWIDE WITH A AAA RATING.**

## 2<sup>ND</sup>

Luxembourg is ranked as the 2<sup>nd</sup> best country in Europe to attract talent in the latest IMD World Talent Ranking. The study scores countries worldwide across three factors of investment and development, readiness and appeal.

## AIRBNB EU PAYMENTS BASE OPENED IN LUXEMBOURG

As of 2020, the American private home rental platform, Airbnb, has officially announced that they are set to process EU payments through Luxembourg, as a result of Britain's departure from the European Union. The company opened a subsidiary in Luxembourg at the end of last year and has now been granted a payment institution license in the country.

## J.P. MORGAN: WHY WE CHOSE LUXEMBOURG

J.P. MORGAN, ESTABLISHED IN LUXEMBOURG SINCE 1973, HAS A LONGSTANDING AND SUBSTANTIAL FOOTPRINT IN LUXEMBOURG. OVER MORE THAN FOUR DECADES, THE BANK HAS BECOME ONE OF THE LARGEST CUSTODIANS AND FUND ADMINISTRATORS IN THE GRAND DUCHY. MORE RECENTLY IT HAS EXPANDED ITS LUXEMBOURG BASED ACTIVITIES BY OPENING ITS EUROPEAN WEALTH MANAGEMENT DIVISION IN THE GRAND DUCHY. WE MET WITH PABLO GARNICA, CEO OF J.P. MORGAN LUXEMBOURG & HEAD OF THE PRIVATE BANK EMEA, TO DISCOVER MORE ABOUT THE COMPANY'S RELATIONSHIP WITH THE GRAND DUCHY, THEIR MAIN ACTIVITIES AND THE IMPACT OF TECHNOLOGY ON THEIR BUSINESS.

### **LFF: CAN YOU TELL US ABOUT J.P. MORGAN'S HISTORY IN LUXEMBOURG?**

**PG:** Going back to our roots in 1973, we started with our Securities Services business, including custody and then fund administration. This business grew in line with the success of the Luxembourg fund industry. Our Asset Management business established here in 1988, and then moving forward to 2016, we started the Treasury Services business, which is now what we call Wholesale Payments. In simple terms, that business enables clients to manage payments in different currencies all over the world, among other things. Most recently, we added the Private Bank in 2019 as a consequence of the expansion of the business across Europe. J.P. Morgan's ambition is to be able to provide solutions locally to clients while leveraging our global footprint

and knowledge. We may take our time to analyse new markets and their opportunities, but once we have made a decision, we tend to be very committed to the locations we enter. We continuously develop new products and services for our clients, and we regularly adapt to change and evolution.

### **LFF: WHAT ARE YOUR MAIN ACTIVITIES HERE AND IN WHAT WAY HAVE THEY DEVELOPED OVER THE PAST 40 YEARS?**

**PG:** We have three lines of business: Securities Services, the business that has been here the longest, including custody, fund accounting, transfer agency and collateral management; Wholesale Payments, where we help clients move money; Asset Management; and now the Private Bank, where we provide investment advisory, lending and wealth advisory services to our clients.

**“While finding talent is never easy, Luxembourg provides a very good foundation from which to source.”**

PABLO GARNICA

All of these are a reflection of what we do across the world. We try to apply global consistency while having the ability to adapt to local needs, both from a client as well as from a regulatory point of view.

We develop activities based on how we can solve issues for our clients. Tools and services, such as J.P. Morgan Markets, allow our clients to access their information so they can analyse it and make decisions based on facts. In general, our evolution is happening alongside our clients. In some cases, we are going to be innovative, in other cases they are going to help us innovate. For example, with the emergence of passive asset management, we had to ensure that we could adapt and provide the services suited to such client needs in that investment environment.





PABLO GARNICA,  
CEO,  
J.P. MORGAN LUXEMBOURG  
& HEAD OF THE PRIVATE BANK EMEA

**LFF: WHAT CAN YOU TELL US ABOUT NEW OR FUTURE ACTIVITIES?**

**PG:** We will continue to expand our Private Bank business. We now have 11 branches allowing us to accelerate our growth in the countries where we are present. To give you an idea, in Copenhagen, Stockholm and Amsterdam we hold a license to provide advisory services to private individuals. In the other two lines of business, growth will come through innovation, delivering new products and doing more with the clients than we already do. We will also be looking for new clients, driving organic growth and investing in people and innovation.

**LFF: WHAT ARE THE BENEFITS OF BEING LOCATED IN LUXEMBOURG?**

**PG:** When we look at the benefits of any location or business, we look at what are the differentiating factors and how we can scale the business further. Firstly, we were already established here for many years, so we know the Luxembourg ecosystem. Secondly, it is very sophisticated in terms of financial services, with a great geographical location within Europe. While finding talent is never easy, Luxembourg provides a very good foundation from which to source. People here are highly skilled and often speak more than three languages. Another important factor is that the Grand Duchy is very welcoming to new business. Our experience of launching new businesses here has always been very good.

**LFF: CAN YOU DESCRIBE THE J.P. MORGAN CULTURE AND GIVE US SOME INSIGHT ON HOW YOU BRING THIS CULTURE TO THE LUXEMBOURG OFFICE?**

**PG:** Over forty years our culture has flourished. We always want to do business in the best way possible for our clients while treating our employees with respect. We want to ensure that our people are proud to work for J.P. Morgan. And we also want to make sure that we live by example at all levels both inside and outside of the bank.

Within J.P. Morgan there is something that brings us all together: our principals. We like to be seen as culture carriers, that we are not only good at what we do but also at how we do it. What you should expect from others is to be treated as you treat them. I think that is the beauty of working for an organisation like ours. We see a lot of people that have been at the firm for a long time and that does not happen by accident. Our culture also facilitates mobility, and so we have people here that came from the US, Europe and Asia. It is easy to integrate our employees thanks to our shared culture. Take me as an example. I have been in four different countries with the bank and have grown my career here at J.P. Morgan.

Last but not least, we think it is very important to be active in the communities that we operate in, where we promote voluntary activities. The J.P. Morgan Foundation is active in partnership with local non-profit organisations to tackle challenges such as education, and development of skills and training. It is not just the company doing this, but also the employees who participate in voluntary initiatives.

**LFF: J.P. MORGAN HAS ANNOUNCED LARGE INVESTMENTS INTO TECHNOLOGY. HOW IS TECHNOLOGY IMPACTING A GLOBAL BANK SUCH AS YOURS?**

**PG:** In today's world you cannot escape the impact of technology. We are very committed to continually investing in technology and we focus on many areas. One particular focus is on how we can make the lives of our clients and our employees easier. Technology is developing very fast and as a big company we have a responsibility to keep up with the pace of change. For example, in Wholesale Payments, we are now able to move about 6 trillion dollars per day in payments and over a hundred million transactions per day. And at an individual level, the way in which our clients interact with us is also changing – most of them today use mobile applications and want to be able to work from wherever they are. So, you

“Technology is developing very fast and as a big company we have a responsibility to keep up with the pace of change.”

PABLO GARNICA

need to keep up to speed and be able to communicate using innovative technology. From the top down we make every effort to make sure that we invest consistently in technology so we can get better at what we do. For example, J.P. Morgan recently built an e-wallet that gives online marketplaces and gig economy players the ability to offer their customers virtual bank accounts.

**LFF: CAN YOU TELL US WHY J.P. MORGAN'S PRIVATE BANK SELECTED LUXEMBOURG AS ITS NEW EU HEADQUARTERS?**

**PG:** We had an existing bank in Luxembourg with the earlier mentioned lines of business that are very complementary. In the Private Bank, we advise ultra-high net-worth individuals on how to invest their assets. It was an easy decision since the bank was already here, and it had the infrastructure that we needed. It offered a good platform for our private clients and it will enable us to expand our business in the wider region. Luxembourg was also a natural fit because of its complete financial ecosystem. We can now offer the same services to our clients in the different legal branches in other European countries, with Luxembourg as the headquarters. This choice gave us the opportunity to



be ready for any kind of political outcome following Brexit. Our main objective was to make sure that we were ready to service our clients and reassure them, even in the event of the worst-case scenario, whatever that may look like.

**LFF: HOW DOES A GLOBAL BANK LIKE J.P. MORGAN PROVIDE BOUTIQUE WEALTH SERVICES FOR FAMILIES AND INDIVIDUALS WITH SOPHISTICATED BUSINESSES IN EUROPE?**

**PG:** The way we see the client relationship is through a team approach. We have a team of specialists who understand the needs of our clients and develop tailored solutions, such as how to manage their liquidity needs. We then structure the solution based on what suits the client's location, be it in Germany, in Spain, in London, or anywhere else. We are careful to consider the residency of the client, the relevant regulations and the personal circumstances. For these reasons, we believe that the footprint that we have is very important, the teams in all these branches live and breathe what our clients are experiencing every day. We combine our global products and the global intellectual capital our experts bring from around the world and deliver it to the client, wherever they are based.

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

**PG:** Luxembourg is a very diverse country, both in terms of population and thinking. We operate a global business with global clients, and I think you cannot live without diversity. It helps us connect better with our clients and our people. Luxembourg is in the heart of Europe and it provides us with a very interesting platform to continue to grow.

One of the biggest challenges in this industry is to find the right talent. We are making a big effort to make sure that not only do we attract talent but that we also retain people.

We believe that the value of a country or an industry lies within their people. That is one of the reasons why we want to increase our visibility. We want to be the employer of choice. We have to have a talented and diverse workforce to be truly connected to our international clients.

Being a globe trotter, I have lived in the U.K, Switzerland, Mexico, the US and Spain. I experience Luxembourg as very welcoming; you meet people who have travelled the world and tend to share a similar mindset. The Grand Duchy offers the opportunity to interact within an international community. That is a very attractive aspect. Given the mix of cultures and the diversity, you are always going to find somebody who has similar views to your own and also those that help you think differently. From that point of view, it is an interesting place to be and integrate.

Finally, as mentioned we want to be a significant participant in the community, whether it is through non-profit or voluntary organisations. We want to make sure that not only the firm but also our employees participate in giving back to the community. Luxembourg offers us the opportunity to do so.

MvH

**“Luxembourg was also a natural fit because of its complete financial ecosystem.”**

PABLO GARNICA





# THE BRAVE NEW WORLD OF PAYMENTS

THE GLOBAL PAYMENTS LANDSCAPE IS UNDERGOING SIGNIFICANT CHANGE WITH NEW PLAYERS, CHANGING REGULATIONS AND EVOLVING CUSTOMER EXPECTATIONS DEMANDING A FASTER AND MORE CONVENIENT PAYMENT EXPERIENCE.

IN THIS EDITION, WE HEAR FROM LEADING EXPERTS INVOLVED IN THIS SHIFT, WHO SHARE THEIR VIEWS ON THE FUTURE OF PAYMENTS AND HOW IT IMPACTS THEIR BUSINESS.





NADIA MANZARI,  
PARTNER,  
SCHILTZ & SCHILTZ

# PSD2: SETTING THE STAGE FOR THE FUTURE OF OPEN BANKING

EUROPEAN BANKS, MERCHANTS AND NEW PAYMENTS PROVIDERS HAVE BEEN HARD AT WORK TO MEET THE 14<sup>TH</sup> OF SEPTEMBER 2019 DEADLINE IMPOSED BY THE UPDATED PAYMENT SERVICES DIRECTIVE (PSD2). THE REVISED AND UPDATED DIRECTIVE CREATES A LEGAL FRAMEWORK FOR SIMPLER, FASTER, AND MORE SECURE PAYMENTS IN THE EU. WITH IT, THE WORLD OF ONLINE PAYMENTS IS ABOUT TO UNDERGO MAJOR CHANGES, LEADING THE WAY TOWARDS OPEN BANKING. BUT WHAT DOES THAT MEAN IN PRACTICE? WE MET WITH MAJOR PLAYERS FROM THE INDUSTRY TO LEARN MORE ABOUT THE IMPACT ON THEIR BUSINESS AND THE FUTURE OF PAYMENTS.

*“PSD2 has the potential to change and significantly improve the banking and financial services experience. It is a tremendous opportunity for banks to modernise their products and a catalyst for them to get on the digitalisation train. Ultimately, it sets the scene for a completely new business model,”* says Nadia Manzari, Partner at Schiltz & Schiltz, who has been active in the Luxembourg finance industry for twenty years.

The drivers behind the Directive are clear: innovation, pan-European competition and consumer protection.

PSD2 is the revised version of PSD1, implemented in Luxembourg by the law of 10 November 2009 on payment services, as the first step towards a more integrated and efficient European payments market by opening up the payments industry to non-banks. Since then, the fast-paced evolution of the market spearheaded by

Fintech companies required updates to the Directive to regulate these new players.

*“Since PSD1, I’ve seen a lot of new providers and a variety of business models coming up, including crypto exchanges and digital currency service providers, and this has all been favored by this new trend of having new actors coming in. PSD2 is the next step to a digitised financial market. The banking sector is one of the last sectors to be impacted by the digitalisation of our daily lives because it is highly regulated, but PSD2 is aimed at getting banks there,”* she adds.

Above all, Manzari sees the new Directive as an opportunity to give consumers more and better choices when it comes to retail payments.

*“PSD2 regulates all the active members of the payments value chain, which in turn affects competition and increases the variety of pay-*

*“The banking sector is one of the last sectors to be impacted by the digitalisation of our daily lives because it is highly regulated, but PSD2 is aimed at getting banks there.”*

NADIA MANZARI

*ment services available, all for the benefit of the end consumer.”*

## WHAT DOES IT MEAN IN PRACTICE?

At its core, PSD2 will impact two things: the flow of payments and how customers access their finances. Simply put, banking as we know it will soon be radically transformed. Banks or other account-holding PSPs are now required to grant third-party providers (TPPs) secure access to their retail and corporate customers’ accounts and data via APIs, as long as the account holder provides consent.

*“PSD2 enables customers to directly use directly their bank accounts in a variety of situations. Clients of European banks have the opportunity to grant access to their bank information to third-party providers, removing the need to interact with the bank directly. Payment initiation service providers offer*



*their users a possibility to shop online even if they do not possess payment cards,” explains Manzari.*

These new kids on the block will be able to connect to customer accounts and provide payments or information aggregation services. In addition, every customer will benefit from safer and more reliable payment services, thanks to the implementation of new enhanced security measures, such as Strong Customer Authentication (SCA).

*“For banks and non-banks alike, this means thinking not only of transactions and liquidity management but looking broadly at customer journeys.”*

### **BANKS AS TECHNOLOGY INNOVATORS**

*“As banks, we are made to expose our APIs which will allow third parties to see payments history, balances from accounts and to execute payments. While opening APIs to a further extent is not mandatory, banks willing to provide greater access will be in a better position to implement new regulations and reap more benefits of PSD2 compliance,” explains David Marongiu, Chief Operating Officer at Indosuez Wealth Management Europe.*

Indosuez Wealth Management is the global wealth management brand of Crédit Agricole group. With €130 billion in assets under management as at June 2019, the group is one of the global leaders in wealth management.

At its core, PSD2 is typically designed towards the retail banks. However, private and corporate banks fall under the scope of the Directive for their payment accounts.

*“At this stage PSD2 doesn’t include securities accounts. While this seems to be a natural extension of the various payment services offered by retail banks, it is a major change for private banks who often provide payments as an ancillary service. Therefore, PSD2 will probably have a slower adoption rate among*

**“PSD2 regulates all the active members of the payments value chain, which in turn affects competition and increases the variety of payment services available, all for the benefit of the end consumer.”**


NADIA MANZARI

*private banks. I think the question most pure players Private banks are asking themselves is whether our clients will use these services and give consent to TPP to access their wealth management accounts.”*

Marongiu sees PSD2 as an opportunity for the banking sector to compete as technology innovators.

*“Like it or not, Open Banking is the future of banking. It will accelerate our acculturation to “digital” and will be another learning tool for private banks. The key is to capture these opportunities quickly and effectively. Technological development will require us to streamline our services and upgrade client experience in order to provide them with added-value services. Fortunately, we have an historic advantage – a deep knowledge of financial products, a large customer base and a supporting balance sheet. Our expertise paired with innovation is what’s needed to stay ahead of the game. Slow adopters like Private banks should have a clear strategy and make sure they are not left too far behind, even if they surely do not need to be the trendsetters.”*

To fully benefit from digitalisation, Marongiu highlights the importance of building partnerships with Fintechs to deliver the best results for customers.



DAVID MARONGIU,  
COO,  
INDOSUEZ WEALTH MANAGEMENT EUROPE

“Like it or not, Open Banking is the future of banking. It will accelerate our acculturation to “digital” and will be another learning tool for private banks.”

*“Our integrated core banking system (Azqore) has APIs that allow for the customisation of digital solutions. Therefore, we decided to look for a specialised provider to accelerate our time to market.”*

#### THE RISE OF ENABLERS IN OPEN BANKING

PSD2 and Open Banking has sparked the rise of PSFs (Professionals of the Financial Sector) acting as enablers for banks

in providing the necessary PSD2 compliance-related services, such as strong customer authentication, secure communication and APIs as a gateway for receiving and granting access to payment accounts for third-party providers. These providers aim at going beyond PSD2 and delivering services helping banks for other challenges such as digital onboarding, AML, KYC and any type of new services ensuring a better user experience.



JONATHAN PRINCE,  
CO-FOUNDER,  
FINOLOGEE

“For banks, the challenge is seizing opportunities arising from digitalisation but also remaining cost efficient and coping with the increase of regulations.”

*“Banks can either develop their own PSD2 APIs or rely on an external provider. Building themselves requires time and resources, especially considering the heavy legacy IT systems and processes of banks. PSD2 is now fully into play so they probably don’t have this time,”* says Jonathan Prince, Co-founder of Finologiee, a Luxembourg-based Fintech and Regtech specialist focusing on building digital ecosystems for the financial

industry. In January 2019, it was the first Fintech firm to get a double “PSF de Support” licence.

*“For banks, the challenge is seizing opportunities arising from digitalisation but also remaining cost efficient and coping with the increase of regulations. We consider this as a key asset as we are at the crossroads between compliance and technology,”* he adds.



The company's "PSD2 for Banks" application enables any financial institutions holding payment accounts that are accessible via online channels to meet full PSD2 regulatory requirements via a single connection to their core systems.

*"We give financial institutions the power to cherry-pick the services and APIs they need through our Trusted Fintech Platform in order to easily access third-party providers' best in-class products and services. We work on providing each bank with its own white-labelled PSD2 Access to Account portal. Institutions are not buying the API and implementing them on their own. We provide the software as a service so they can rely on us to fully operate the solution. PSD2 also requires them to maintain and make sure that the API is still up-to-date. We do that for them."*

Finologee is the operator of several critical infrastructure platforms that provide Fintech and payment APIs to thousands of institutions all over Europe since 2006. These systems handle hundreds of millions of transactions a year using a highly secure infrastructure. More specifically, its 'PSD2 for Banks' product currently serves 32 financial institutions. It is the preferred choice of private and commercial banks, specifically meeting their low exposure, high quality and customisation expectations, but also e-money and payment institutions with their high-performance needs. Besides PSD2 APIs, the company's Trusted Platform offers a catalogue of compliant building blocks for KYC, e-signature, communications and storage.

### INNOVATION IN MUTUALISATION

*"Open Banking is seen as a true game-changer in the banking industry as it redistributes the roles and forces traditional actors to get rid of silos. Financial innovation will come from collaboration with Fintechs. As a result, banks will increasingly become IT companies with huge banking knowledge. It is a real culture change,"* highlights Jacques Pütz, CEO of LUXHUB, a common Open Banking API platform founded in 2018 by four retail Luxembourg banks, with the aim

of leveraging the challenges and opportunities of PSD2 and beyond. As of today, LUXHUB ensures PSD2 compliance, cybersecurity and stability of more than 2.5 million payment accounts through its centralised API platform.

*"We are a company founded by banks so we're really aware of their challenges and needs. We want to create a new platform ecosystem for the future of banking and put Luxembourg on the map of open banking,"* adds the CEO of LUXHUB, ranked last June as the 2<sup>nd</sup> largest European Open Banking Hub.

Pütz sees great benefits in the mutualisation of services.

*"From a technical perspective, all the banks have to fill the same checkboxes, so why not mutualise the parts that can be mutualised? That's our main aim: mutualise efforts with the impacted players and respond together to the mandatory legal obligations, in order to significantly decrease costs and act faster. When a Fintech connects to LUXHUB, the APIs will be available for all the different banks that are our customers. In addition, when you're talking about collaboration and APIs, the security aspect is important, so we are mutualising for a security benefit to guarantee a higher security standard for all our customers."*

The ambitions of LUXHUB far exceed the sole Luxembourg market. As of today, 36 European financial institutions from 10 different countries onboarded on its Open Banking platform.

### ACCOUNT AGGREGATION FOR A BETTER USER EXPERIENCE

PSD2 provides the opportunity for users to consolidate all of their bank accounts in a single interface via account aggregation, no matter which bank they are held with.

*"PSD2 has played the role of innovation catalyst in the banking industry and end-customers are eager to access the new products and services emerging from the Fintech world."*

*Asset aggregators means that you're going to shift from a limited banking product to a set of additional services. The banking part might even become a sort of commodity. It is not so much the bank that is key but the banking experience,"* says Jonathan Prince.

With PSD2, retail banks progress towards an extended ecosystem centered on the 'Everyday Bank', meaning that banks go beyond their native products and play a deeper role in the digital and commercial lives of their customers. Beyond the directive, Open Banking could lead to the rise of platform models for banking services where banks act as market intermediaries connecting customers, manufacturers and distributors.

**"From a technical perspective, all the banks have to fill the same checkboxes, so why not mutualise the parts that can be mutualised? "**

JACQUES PÜTZ

*“To us, PSD2 is a trigger driving banks into the era of Open Banking. Our role now is to accompany all the actors of the sector in their digital journey. The bank of tomorrow will undoubtedly take more the shape of an assemblage of diversity of micro-services carried by a wide variety of actors. This is the image of Lego, built from different blocks,”* highlights Jacques Pütz.

### MOBILE PAYMENTS MADE EASY FOR EVERYONE

The Luxembourg-based mobile payments company Payconiq is the perfect example of the benefits arising from the collaboration between banks and Fintechs. Born in Amsterdam as a strategic initiative of ING’s incubator in 2014, its establishment coincides with the talks for a revised PSD, what we know today as PSD2.

*“At the time, European banks were starting to understand that their competitive position was about to change. Some of them, ING included, were looking for a new edge to keep them on top of the game. Open Banking has clearly helped us making sure that banks remain relevant in the digital mobile payments space,”* says Michael Pechner, COO of Payconiq International.

In 2017, it acquired Luxembourg’s mobile payments Digicash to expand its footprint across Benelux. Today, it operates as a fully independent Fintech with Headquarters in Luxembourg and the support



JACQUES PÜTZ  
CEO,  
LUXHUB

of 12 European banks across three countries and aims to lead the transformation of the payment industry in Europe.

*“At Payconiq, we believe that every person owning a bank account and a smartphone is entitled to be part of the digital journey – no need of a credit card for that. We want to*





MICHAEL PECHNER,  
COO,  
PAYCONIQ INTERNATIONAL

*provide a seamless payment experience to the consumer. We're actually using banks' secure infrastructure to provide everyone in Europe with a simple, mobile solution for payments. Our partner banks ensure users of a secure registration process and merchants of a trustworthy re-seller," he adds.*

The company has built a pan-European and multi-channel ecosystem focusing on consumers, merchants, and banks.

*"We offer banks an ecosystem through an open-API approach and flexible microservices. To merchants, we offer a scalable, secure plug and play payments platform and an*

*independent hardware for simple onboarding, integration, and app development. They reduce check-out times and pay smaller fees. Last but not least, consumers benefit from quick and secure payments through their smartphone which can be used for omnichannel payments: in-store, online and between friends. They don't have to go through the difficulties of either getting cash out, logging in to their e-banking or going to a branch. They only need a bank account and a smartphone."*


In 2019, Payconiq was the first payment company to receive a new Payment Initiation Service authorisation in Luxembourg under PSD2, allowing it to act either as a technical service provider or payment initiation provider. For Pechner, we haven't seen the end of all the opportunities that PSD2 can provide.

*"We are at the beginning of that journey. PSD2 provides the opportunity of harmonisation in a fragmented European market. Mobile payments are just one step towards a frictionless payment. People increasingly want a frictionless experience."*

OB

**"We believe that every person owning a bank account and a smartphone is entitled to be part of the digital journey."**

MICHAEL PECHNER

A portrait of Joachim Goyvaerts, a man with short brown hair and a friendly smile, wearing a light blue and white striped button-down shirt. He is standing in front of a blurred background that appears to be an office or library with bookshelves.

“The world of money will change dramatically in the next 10 years. PayPal will be there to help consumers and businesses make the most of the opportunities this presents.”

JOACHIM GOYVAERTS

JOACHIM GOYVAERTS  
DIRECTOR,  
PAYPAL BENELUX & IRELAND

# PAYPAL: THINKING BEYOND TRANSACTIONS

PAYPAL'S MISSION SINCE ITS CREATION IN PAOLO ALTO IN 1998 HAS BEEN TO FACILITATE ACCESS TO MONEY AND PROVIDING MULTIPLE, SAFE AND SEAMLESS PAYMENT METHODS. THE INNOVATIVE CULTURAL MINDSET OF THE PAYMENTS COMPANY HAS LED TO A BASE OF 295 MILLION ACTIVE PAYPAL ACCOUNTS WORLDWIDE AS OF THE THIRD QUARTER OF 2019, REPRESENTING A 16 PER CENT YEAR-ON-YEAR GROWTH. WHAT ARE THE DRIVERS BEHIND PAYPAL'S GLOBAL SUCCESS? WE CAUGHT UP WITH JOACHIM GOYVAERTS, DIRECTOR AT PAYPAL BENELUX & IRELAND, TO LEARN MORE ABOUT WHAT THE FUTURE HOLDS FOR PAYMENTS.

*"The world of money will change dramatically in the next 10 years. PayPal will be there to help consumers and businesses make the most of the opportunities this presents,"* explains Joachim Goyvaerts, Director at PayPal Benelux & Ireland.

PayPal joined the Luxembourg Financial ecosystem in 2007. From there, it operates a range of important executive functions including the CEO and CFO of PayPal Europe, finance and compliance. Since establishing in Luxembourg, the payments company has established a multi-cultural team and now employs around one hundred people from more than twenty countries.

*"Luxembourg is a strategically important hub for PayPal's European operations – we are registered as a bank here, enabling us to provide PayPal services seamlessly across the European Union under single market banking regulations."*

## THE FUTURE IS MOBILE

Mobile payments have been gaining popularity, setting expectations for a bright future across the globe. According to the Global Mobile Payment Market report, the market is projected to grow at an annual rate of 33 per cent between 2019 and 2026, reaching 457 billion dollars in 2026.

*"PayPal is contributing to the future of money by giving people the power to manage and move their money easily, quickly and securely, especially through smartphones and other mobile devices. We were one of the very first companies to see the potential of the smartphone to transform commerce."*

Mobile is helping to satisfy fast-changing customer expectations with easy, seamless payment experiences.

*"Paying should be as seamless an experience as possible. The payment process is a means to an end, and in an ideal world should be*

*"Paying should be as seamless an experience as possible. The payment process is a means to an end, and in an ideal world should be invisible to the consumer."*

JOACHIM GOYVAERTS



*invisible to the consumer. PayPal has long enabled such seamless payments: for example, when you arrange a vacation stay with Airbnb or hail a ride through Uber, your payment will happen behind the scenes without you having to do anything. We expect these invisible payments to grow in scale in the coming years."*

For Joachim Goyvaerts, the very nature of money is changing due to the way people consume goods and services.

*"We are in a period of transformation. Money is going digital, much as music and movies have gone. The old ways to pay, such as cheques are fading in importance as people and business see the benefits of paying and being paid digitally, especially for trading across borders."*

Does it open doors for a cashless society? *"Cash will have a role for some years to come, and it's important to respect customer choice, but the future is digital."*

## INNOVATION IN ITS DNA

*"We're always looking for ways we can apply new technologies to help make money work better for people and businesses. Yet there are a host of questions to be answered when applying technology to financial services. Does it genuinely improve on what we currently have? Are there any regulatory concerns?"*

At PayPal, new technologies often help behind the scenes, for example improving risk management and fraud prevention.

*"PayPal has developed these capabilities for many years to protect its customers. For example, we use machine learning models to leverage data science and AI algorithms and transaction history information to predict payment trends. This can help us approve more transactions without increasing losses, creating an even better customer experience."*

With more social platforms looking to integrate direct, on-platform selling tools, social commerce looks to be the next

major retail shift. The capacity to guide shoppers from their feeds to the checkout holds major potential - and while we still have a way to go before this becomes a major shopping trend - it is gradually evolving.

*"One trend that we're already seeing is the rise of social commerce. People who see something they want on their favorite social media site increasingly want to be able to buy it right there, rather than hunt for it on a company website. As the pioneer of mobile payments, PayPal is well placed to help."*

According to the latest PayPal mCommerce Index, 33 per cent of consumers and businesses surveyed have engaged in social commerce.

## CONQUERING THE CHINESE MARKET

In China, paying with your phone has become a daily gesture, leading the country to become a mobile-first nation. While the Chinese financial market was untouched by foreign payment providers up until now, PayPal became the first payment platform to get a payment licence in the country in 2019, giving the company an opportunity to leave a significant footprint in this rapidly growing financial market.

*"We look forward to partnering with China's financial institutions and technology platforms, providing a more comprehensive set of payment solutions to businesses and consumers, both in China and globally."*

## DIGITAL REGULATION REQUIRES FRESH THINKING

The payments company is partnering with the Luxembourg National Research Fund's (FNR) PEARL programme, to establish the first public private FinTech Chair at the University of Luxembourg, with the aim of recruiting internationally recognised scientists to develop and strengthen thinking on financial services regulation.

This partnership contributes to expand further the global brand of Luxembourg as an innovative and dynamic market; attract world-class researchers from around the world and spark interest from other innovative firms to bring their projects to Luxembourg to be tested under the umbrella of this new research facility.


*"The PayPal-FNRA Pearl Fintech Chair enables us to support the Luxembourg government's ambition to make Luxembourg a world leader in innovative digital financial services. We are partnering with governments, regulators and academic experts to increase understanding of how technology can transform financial services for the benefit of all."*

The newly created research group will explore the future of financial services in a data driven environment, considering a broad range of angles, from usability, onboarding and operational efficiency to regulatory supervision.

OB

*"People who see something they want on their favorite social media site increasingly want to be able to buy it right there, rather than hunt for it on a company website."*

JOACHIM GOYVAERTS



NASIR ZUBAIRI,  
CEO,  
THE LHOFT

## VIEWPOINT: FUTURE OF PAYMENTS

NASIR ZUBAIRI, CEO OF THE LHOFT, JEAN DIEDERICH, PARTNER AT WAVESTONE AND BARTEK SWATKO, CEO OF MERCEDES PAY S.A., HAVE A UNIQUE SECTOR VANTAGE POINT AT THE HELM OF THEIR RESPECTIVE ORGANISATIONS. LEO ASKED THEM TO SHARE THEIR VIEWS ON THE EUROPEAN PAYMENTS LANDSCAPE AND TO LOOK INTO THE CRYSTAL BALL...



### AN ESTABLISHED SECTOR?

*"Fintechs are no longer made of start-ups and small companies, the sector has grown up. They are now seasoned, professionally managed companies with broad operational capabilities and are a fundamental part of our economy and society,"* says Bartek Swatko, the Polish CEO of Mercedes pay from their Kirchberg office.

*"In the past, payments have been seen as a critical enabler for growing economies and to boost sales. Today, payments go beyond a smooth and invisible transaction between omnichannels. They enable additional services such as identity, loyalty and commerce. Fintechs are often seen as a disruptive technology... But they do not necessarily always disrupt, they simply solve problems."*

He believes that being 'agile' makes fundamental sense when it can deliver a faster and better service and that future transformation will be boosted by the overall fusion of banks and Fintechs: *"Payments as a standalone have reached saturation point... and this is not because of banks. Historically, a payment was one of the main competencies of a bank. These days payments giants offer instalments, financial products, rewards or other services. It is centred around convenience and the effective use of data and its monetisation."*

Jean Diederich is a Partner at Wavestone supporting companies and organisations in delivering transformations through management and digital consulting. He shares his pragmatic perspective: *"There are too many players overall in the ecosystem, and too many are failing. E-commerce integrating e-payments were the big winners, they have grown the number of transactions tremendously, partnering with big players in order to make the experience smoother. What we see today are international cross-border, compliant, payment instruments to help payments grow. The option to enjoy EU single market access through the European Passport brought with it hype from a regulatory perspective. But it is limited. The sector has*

*not quite reached maturity yet, as it is still ironing out some legacy issues... the future of payments will evolve as the technology will be more linked in a chain of business steps."* The question remains whether innovation alone can help to overcome these obstacles.

Nasir Zubairi, the CEO of Luxembourg House of Financial Technology (LHoFT), is optimistic about the road ahead noting that *"Luxembourg is similar to a growth company in many ways, with close knit collaboration and accessibility of senior decision makers across both the private and public sector. Although Europe is innovating more slowly than most, Luxembourg has a lot of agility to be able to leverage innovation. Given its unique European location, business acumen for cross-border business and its role in servicing a European and increasingly global customer base, Luxembourg makes sense as a core hub for payment firms like Alipay, Amazon and Rakuten to deliver unified payments services across the EU."*

**"The sector has not quite reached maturity yet, as it is still ironing out some legacy issues... the future of payments will evolve as the technology will be more linked in a chain of business steps."**

JEAN DIEDERICH





BARTEK SWATKO,  
CEO,  
MERCEDES PAY S.A.



JEAN DIEDERICH,  
PARTNER,  
WAVESTONE

## SCOPE FOR GROWTH

Bartek Swatko shares the LHoFT CEO's view that *"Luxembourg is reminiscent of a Fintech in itself"* and that industry potential is within reach through openness, effective governance, infrastructure and talent. More broadly, he notes that the ability to thrive in a future context is about more than just adaptability, *"it's about being able to anticipate what comes next. I trust that Luxembourg will be successful with all these characteristics. It is not just about attracting the locals; its openness to other markets and international partnerships is key. If you are small you have to think big."* He describes his interaction with the regulator as parallel to his broader experience of Luxembourg: *"They approach things with an open mind and a willingness to engage in a dialogue. This is a great enabler for not only future business to grow, but for the country to grow."*

Diederich believes that Luxembourg is already performing well when it comes to regulation and legislation, due to *"a trans-European and multicultural set up of financial functions. If it is private banking, the fund industry or e-commerce payments... there is a lot that we can do, and we have a strong role to play."* He recalls that Luxembourg was a first mover with the Single European Payments Area (SEPA).

Regardless of Payment Services Directive 2 (PSD2) allowing *"room for interpretation"*, Swatko is confident that regulation is heading in the right direction, with the purpose of providing more choice, even if initial experience of Secure Customer Authentication (SCA) does not provide choice for the customer: *"What happens in Luxembourg is a good reflection of what happens in Europe overall."*

Zubairi thinks that PSD2 will yet be exploited more by the big techs than it will be by the start-ups, fearing that this will only give the big five of Google, Amazon, Facebook, Apple and Microsoft (GA-FAM) even more consolidated power to

make decisions and money from data: *"There don't appear to be controls on them, only controls on the banks..."* Jean Diedrich is a proponent of Payment Services Directive 3 (PSD3) to consolidate between directives or regulations which are not homogeneous, stressing that this is particularly important when thinking about data protection or GDPR, and that: *"legal certainty will be a huge boost to future digital thinking."*

Within the regulatory and broader context, Zubairi concludes that *"Luxembourg is a hub to house the European headquarters of subsidiaries, where you can expand, access Europe and the world thanks to its connectivity. We have credibility and ability in the payments space - and the Chinese and Americans have already realised this. This is set to continue."*

## AGE OF THE CONSUMER

The next stage of payment sector development is often said to be driven by behaviours and expectations as they evolve, dictated by our technology environment. Zubairi sees the *"world as trending towards a place where payments should become invisible, with less friction overall and more harmonisation on a global scale. There is always a tussle between usability and security, hence the constant arms race to ensure that payments become more sophisticated."*

Some countries are further ahead than others, *"the US for example is still using cheques and signatures. While peer-to-peer payments have taken off massively in the US, Germany is still a largely cash-based society. These are all shaped by cultural attitudes."* He points out that the Alibaba-owned Yu'e Bao (meaning leftover treasure) fund is the biggest mutual fund on the planet based upon the spare change in your pocket, *"Asia has innovated significantly faster than Europe and is now here; Alipay has amassed the marketing clout and resources to build a big presence."* This will be a significant factor to watch on the horizon.

Bartek Swatko envisions that cultural attitudes and a growing awareness of diversity are an opportunity: *"As a small team we speak 16 languages and come from 14 countries. This doesn't necessarily make us stronger as a team, but it does make us more sensitive to different perceptions and our different customer nations. We are big believers in diversity and inclusion - advocating respect and sensitivity for different viewpoints and respective backgrounds. The Passporting process in itself defines our European borders."*

Jean Diedrich sees a sophisticated user experience as critical to achieving potential maturity in the digital space. This is said to be closely tied to the younger generations, with millennials frequently cited as trendsetters on the global consumption stage. Bartek Swatko jokingly warns that we need to begin to look into newer demographics because *"Millennials are already getting old! On average the composition of our society is getting younger and younger. We need to focus on the new generations, as they don't know the world without a smartphone or GAFAM. This shift influences the way we create, offer and operate our services."*

However, Nasir Zubairi still considers the millennial segment as representing a *"massive opportunity to new market entrants, but you need to get them early."* He believes that banks have been successful at getting younger consumers on board and to locking them in (metaphorically), but he sees scope for innovation within gaming platforms on the horizon: *"I'm surprised that nobody has explored the potential of PS4, Xbox, or the related gaming platforms such as Steam and the chat application Discord. Payments and accounts are there already and this could move into cards, mobile payments, to loans, insurance... it would help to lock-in a new generation to these channels, growing with them as the core of their financial services."* He adds wryly, *"It would get many a boy anyway!"*

He challenges the view that innovation is just about creating something new, *"it's something new which adds value. If it adds*

**"We need to focus on the new generations, as they don't know the world without a smartphone or GAFAM. This shift influences the way we create, offer and operate our services."**

BARTEK SWATKO

*value, then people will start using it and that will hopefully continue to drive the industry and the market forward to catch up with the rest of the world in terms of innovation".* Another market segment where he hopes new market entrants will drive potential innovation, is B2B payments (specifically money remittances), where there is scope to enhance the user experience.

Each of our LEO interviewees agreed that trust takes a long time to build in the age of the consumer, and takes a fraction of that time to break. Banks have been perceived as stalwarts in this regard, *"no matter how inefficient or frustrating"* according to Zubairi. *"I came to the conclusion some years ago that it doesn't make sense to compete with traditional institutions, because it's very hard to build the key element of customer trust. We trust financial institutions to control our money and I feel it is a good strategy to work with them as a payment provider, rather than against them, to facilitate transactions."*



“I’m surprised that nobody has explored the potential of PS4, Xbox, or the related gaming platforms such as Steam and the chat application Discord. Payments and accounts are there already and this could move into cards, mobile payments, to loans, insurance... it would help to lock-in a new generation...”

NASIR ZUBAIRI

While the consumer may be in the driving seat, Jean Diederich talks about the fine balancing act between legal, compliance, tech development and between digitalisation supply and demand to fully develop the right competences to deliver a digital nation: *“Luxembourgers are very much pushing digitalisation and are strong consumers in this regard. Banks have woken up and are into digitalisation too, meaning that it is getting more competitive for Fintechs and Neobanks. It will be interesting to see how this dynamic plays out in the future.”*

### THRIVING IN PARTNERSHIP

When Open Banking arrived with a fanfare in 2016, the view from the experts was that this represented a big and bold future. A couple of years on, the perception remains. Swatko notes that *“Open Banking is not a threat to market share, it may well be an opportunity to boost collaboration between Banks, Fintechs and financial institutions. Through better use, exchange and monetisation of data this ultimately improves a product or service.”*

At Mercedes pay they are open to partnerships, particularly if that means that they can deliver a better service and thrive on the market. Payments are no longer just about the bilateral context between merchant and buyer, *“payments enable easily redeemable rewards, create loyalty*

*and become a unique differentiator between platforms.”*

Will partnerships replace agility, collaboration, or ‘coopetition’ as the new buzzword? Jean Diederich notes that *“although these are doubtless central concepts, new buzzwords are taking shape on the horizon.”* He foresees a future of *“‘24/7’, and of sector consolidation of everything that is instant taking place. Banks and financial institutions are now organising themselves to operate on this basis and shift the prior mindset.”*

Nasir Zubairi believes that the notion of coopetition or ‘mutualisation’ makes a lot of sense, particularly around the areas of regulation and infrastructure: *“In a world where banks have to be lean and mean in order to maintain healthy KPIs, you need to look at what is and what isn’t a source of competitive advantage. Sharing the cost of certain infrastructure for efficiency makes a lot of sense... i.e. why isn’t there one back office that all banks use? The banks have very sensibly pursued a mutualisation strategy in Luxembourg with the likes of LUXHUB, Finologee and Digicash... I think the trend will continue because it’s better to share the cost at a time where banks are having to downscale budgets to maintain margin, yet still need to be innovative and create new infrastructure.”*

Standardisation forms part of the fundamentals, and with future promise from ‘APIsation’ and Open Banking, Diederich predicts that we will see a lot of cross-collaboration on many additional financial products that offer consumers more choice beyond the basic Neobank packages, i.e. mortgages, savings, car loans: *“A frictionless user experience is an opportunity to win and retain client business - whether they be traditional banks, Fintechs or Neobanks - and there is a lot of added value to be had from working with partners.”*

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# MAKING IT HAPPEN

LEO CAUGHT UP WITH TWO EUROPEAN PAYMENTS INSTITUTIONS WHO CHOSE TO SECURE THEIR E-MONEY LICENCE TO OPERATE IN LUXEMBOURG, AHEAD OF BRITAIN'S DEPARTURE FROM THE EUROPEAN UNION.

SATISPAY, THE ITALIAN-BORN PAYMENT NETWORK, RECEIVED AUTHORISATION FROM THE LUXEMBOURG REGULATOR TO OPERATE AS AN ELECTRONIC MONEY INSTITUTION (EMI) IN MARCH 2019, AND PPRO, THE LONDON-BASED CROSS-BORDER PAYMENT SPECIALIST, WAS OFFICIALLY GRANTED ITS LICENCE A MONTH LATER. BOTH COMPANIES ARE AT AN EXCITING JUNCTURE IN THEIR GROWTH TRAJECTORY, SHIFTING QUICKLY FROM START-UP TO GROWTH MATURITY STATUS. THEY DISCUSS THE FACTORS WHICH BROUGHT THEM TO LUXEMBOURG AND WHY THIS PROVED TO BE NOT ONLY A STRATEGIC, BUT ALSO A CULTURALLY ENRICHING MOVE...

## KNOCKING ON OPEN DOORS

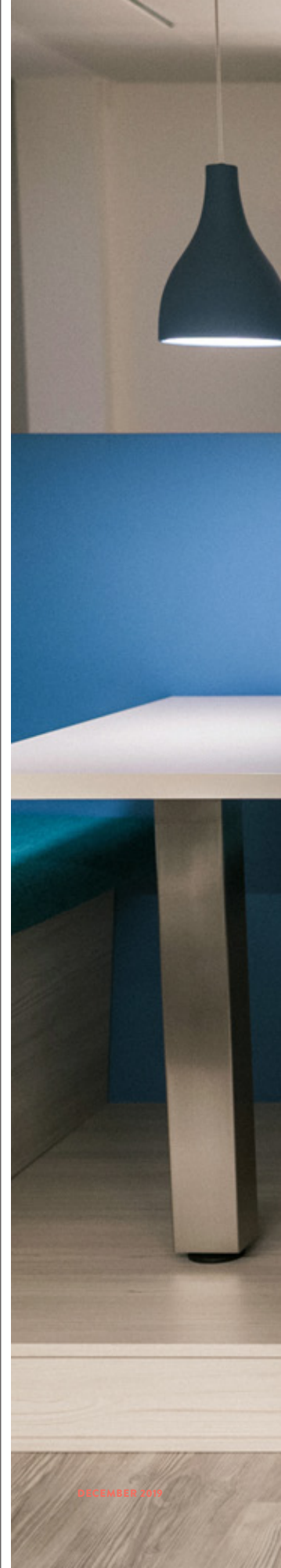
Samuele Pinta, Co-Founder and COO and Clemente Sardi, General Manager of Statipay Europe SA, greet us from their pristine and sunlit Kirchberg office where the atmosphere is palpably upbeat. It has been almost 6 months since they 'graduated' from their residency at the LHoFT, Luxembourg's dedicated Fintech platform.

Sardi explains: *"the fact that we left the LHoFT after almost a year (September 2018-July 2019), proves that it is doing exactly what it is supposed to do: be a launchpad to Fintech start-ups arriving in Luxembourg. With them we experienced what it is to be a part of a great fintech ecosystem. They were very supportive throughout our licence application process, providing us with every resource, including contacts which helped us to build the right network and a sense of community. Without them it would have been much harder to navigate this ever-evolving Luxembourgish Fintech ecosystem."* He notes

*that the other LHoFT residents were ultimately sharing the same experience and this was crucial to be able to exchange views on how to work with the same regulator, "we really value the open-minded vibe at the LHoFT and are now very happy to share our experience of it with others".*

Jack Ehlers, Director for Payment Networks, Product Management and Business Development at PPRO SA, who has overseen the licensing operation at what is one of the fastest growing fintech businesses in Europe, echoes these sentiments from the leafy Parc Merl neighbourhood, where his thriving team is based: *"there is an unequivocal open-door policy where you can talk about your projects and receive good advice. I have always felt that kind of access here."*

Both payments companies highlighted that the Finance Ministry, the Commission de Surveillance du Secteur Financier (CSSF), Luxembourg for Finance (LFF), LuxInnovation, and the Luxembourg





SAMUELE PINTA,  
CO-FOUNDER AND COO,  
STATISPAY EUROPE SA

CLEMENTE SARDI,  
GENERAL MANAGER,  
STATISPAY EUROPE SA





JACK EHLERS,  
DIRECTOR FOR PAYMENT NETWORKS, PRODUCT  
MANAGEMENT AND BUSINESS DEVELOPMENT,  
PPRO SA

“... there is an unequivocal open-door policy where you can talk about your projects and receive good advice. I have always felt that kind of access here.”

JACK EHLERS

Bankers' Association (ABBL) quickly formed part of their new network, supporting their efforts from different vantage points during what was a crucial process. Sardi recalls: “everyone wanted us onboard and took us very seriously. When you are young, this respect isn't always a given.”

#### **BREXIT: A SPRINGBOARD TO STABILITY**

The Brexit referendum of 2016 put both companies in a difficult situation.

Pinta explains: “We lost months of work due to Brexit.” The Italian company had in fact conducted a European benchmarking exercise back in 2014, where they identified Luxembourg, Ireland and the UK as the best

places to secure a licence. “In the end, we opted for the UK, mainly because there were already over a hundred payment/e-money institutions in existence and we thought that the environment would be a perfect fit for players like us.” Pinta elaborates “when in 2016 Brexit became a reality, we decided to wait and observe how things would unfold; taking advantage of the momentum we had gained by that stage. But by 2018 nothing was really progressing on the Brexit front, and the uncertainty was becoming an issue. We decided to move with the objective of protecting our users from any possible inconvenience derived from Brexit, particularly a no-deal scenario. Additionally, Luxembourg has a strategic geographical position and represents a door to other markets, which was extremely interesting to our international growth plans.”

At this juncture, the management team revisited their initial benchmarking document. Pinta pauses and smiles, *“we realised that Luxembourg had been the only real choice from the beginning. [...] Nowadays AAA status and political stability are critical factors.”* Satispay incorporated in Luxembourg and filed for its application on the 25<sup>th</sup> and 26<sup>th</sup> of October respectively, and by the 12<sup>th</sup> April 2019 they were able to migrate the company from London. Sardi tells us with pride that Satispay was one of the fastest recipients of a licence to be awarded in Luxembourg - over a period of almost 5 months: *“It was a great achievement: without the licence there would have been no service for our clients. Once again we secured access to the EU single market.”*

Jack Ehlers, formerly of PayPal and Ali-pay, initially joined PPRO SA as a consultant and then helped to steer them through a similar Brexit predicament, needing to secure the licence to continue operating in Europe. PPRO looked at 5 or 6 places before making the decision to relocate its headquarters to Luxembourg: *“none of us could believe it [the Referendum result] and it raised so many questions about our licence and the search for an alternative. Even though English is not a state language in Luxembourg, you can submit your formal licence application and work with the regulator in it. This type of flexibility, combined with the country’s harmonious regulatory and financial oversight, and stable outlook, gave us the right framework - and relief - to navigate away from the Brexit uncertainty.”*

Ehlers’ experience of Luxembourg has strengthened his views: *“when you work with people here, there is a strong base knowledge of the payments industry - you don’t have to explain what e-money is and how the rules apply to a new starter. They’ve learnt from the industry heavyweights, like the Am-*

*azons, the PayPals and Rakutens.”* He notes that the experience of going through the licencing process with the regulator was an empowering one: *“you’ve demonstrated that you really do have the right systems in place, that you know how your business is run... and that you’ve passed the test to a high standard. The adage ‘Make It Happen’ is true.”*

### PASSION AND INNOVATION: GROWING CULTURE

Satispay is drawn to talent that shares its growth mindset: *“Innovation means changing your way of doing things, to push boundaries and find the smartest way to get things done. You feel inspired to create change here. I would describe it as a positive competitive environment, where doing things the right way, means that you succeed,”* reflects Sardi.

Pinta believes that passion is critical to their objectives: *“We look for profiles that are keen to embrace the environment that we are in and our approach to look at things in a new way. We ultimately want to change cultural behaviour and the way people are used to handling their money.”*

At PPRO they are looking to develop and introduce more innovative products and services on top of the payments they already provide between the Local Payment Methods (LPMs) and the Payment Service Providers (PSPs). Ehlers highlights that his goal is to develop a centre of excellence around innovation with the team in Luxembourg: *“We are working to achieve this across the group, but being able to have people here that spend their time thinking about the kind of problem we want to solve, and the business that we want to build around that is fundamental. We’ve previously been very focused on the payment aspect itself, but now want to focus on strategy and new services. We also want to make*



a commitment to foster and attract talent... LuxInnovation and the University of Luxembourg (known for their R&D expertise) are great resources for those who are studying or are keen to get involved in various programs.”

Although the move from London was initially felt to be a difficult barrier, they were surprised on the upside. Sardi explains: *“When we started to look at hiring, we thought it might be tough, but our product is well known in Italy given our strong brand we were first able to attract a lot of Italians. We have now noticed that since we got our licence and entered the pilot phase of our Luxembourg product launch, people are increasingly curious about what we do here and are registering an increase in international applications.”* Their team has grown to around 15 people in Luxembourg, with a total of 870,000 consumers and 90,000 merchants in Italy, with expansion to Germany and Luxembourg next in the pipeline.

In the true collaborative spirit that is often touted in the Fintech sector, both companies describe how they crossed paths, leading to Satispay becoming one of PPRO’s payment suppliers. Sardi comments, *“Jack Ehlers was one of the first people we met in Luxembourg. We started talking about our business over a year ago, and now we are working with them - which goes to show what a symbiotic network we are in.”*

### HOME OF MANY FLAGS

Similar to the aims of the payment industry overall, theirs has been a frictionless living and working experience. They describe how the atmosphere of transparency, openness and responsiveness in business translates into everyday life.

On the home front, Sardi and his Argentinean wife are embracing family life in the city with their two daughters: *“we have all the perks of living in an international city like New York or London, because the people come from all over the world. It’s great*

*for families and there is always something going on over the weekends... We are really enjoying our time here!”* Ehlers extols the merits too, after migrating together with his wife and two children from Sausalito, California he notes that they *“were really committed to stay and make it work. We never expected to leave after just three years.”*

Ehlers, Sardi and Pinta all point to the same upsides, that their smooth living experience is down to good schools, safety, multicultural and linguistic diversity and a very stimulating work environment. Sardi says he was pleasantly surprised when he arrived: *“Expectation met the reality. It is a positive competitive environment where you can thrive, and run a business against a stable backdrop.”*

Things are only just getting started, according to Pinta: *“Many new companies from all over are coming here for the skills, talent, pool and the languages. In Italy you are always Italian, but in Luxembourg you don’t have a label. Luxembourg is not only the home of financial services, but it is also home to many flags.”*

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**“It is a positive competitive environment where you can thrive, and run a business against a stable backdrop.”**

CLEMENTE SARDI



JESSICA ERSFELD,  
IN CHARGE OF THE STAFF,  
VIANDEN CASTLE

## IN THE FOOTSTEPS OF A DISTANT PAST

THE STRATEGIC IMPORTANCE OF LUXEMBOURG DURING THE LAST TWO MILLENNIA IS REFLECTED IN THE PRESENCE OF SOME 70 CASTLES AND FORTRESSES AROUND THE COUNTRY, INCLUDING THE CITY OF LUXEMBOURG ITSELF. IT IS A RICH HERITAGE, OFFERING HISTORY ENTHUSIASTS BOTH DRAMATIC RUINS AND SKILLFUL RESTORATIONS. VISITORS CAN ALSO TAKE PART IN A NUMBER OF MEDIEVAL FESTIVALS, EXHIBITIONS AND CONCERTS OR FOLLOW THE NATIONAL HIKING TRAIL OF THE “VALLEY OF THE SEVEN CASTLES”.







“Numerous beautiful and majestic castle ruins can be found in Luxembourg. Why this particular castle was chosen to be fully restored, I do not know, but I am very happy that they picked Vianden.”

JESSICA ERSFELD

### A FEAST FOR THE EYES

Perhaps one of the most well-known and spectacular historical sites of the Grand Duchy is Vianden castle, perched high up on a hill, offering an exceptional view of the Our valley and its picturesque fairytale town of Vianden below. Ranked among the most significant historical monuments in Europe, the castle remains one of the largest feudal residencies of the Romanesque and Gothic periods in Europe, and was crowned one of the world's top 21 most beautiful castles by the CNN in 2019, describing it as *“a feast for the eyes and a time trip back to the bygone age during which they were created.”*

Being the most visited monument of the Grand Duchy, the castle has seen a steady increase of visitors over the past decade. With the main target audience being adults (over 70 per cent of visitors in 2018 were adults), the information centre, completed in 2017, marks the first stop of the tour, highlighted by a short motion picture showing the complete known history of the grounds.

Catering to children, audio guides presented by the family friendly ghost Vidi, and a number of interactive and audio-visual

games, available in French, German and English can be found dabbled around in the new information centre of the castle. To round off the unique experience and bring them back to medieval times, wooden swords, bows and arrows, shields and armor, are some of the many items available for youngsters at the gift shop.

### A STROLL THROUGH HISTORY

With origins dating as far back as the third century, Vianden castle was constructed between the 11<sup>th</sup> and 14<sup>th</sup> centuries on the foundations of a Roman ‘castellum’ and a Carolingian refuge, serving as the residence of the Counts of Vianden until the beginning of the 15<sup>th</sup> century. During their stay, a number of transformations marked their reign, including the addition of a kitchen, a chapel, residential rooms and even a residential tower. Highlighting the rivalry of the time between the Counts of Vianden and the House of Luxembourg, a lavish two-story palace with a splendid gallery connecting to the chapel completed the castle at the beginning of the 13<sup>th</sup> century. During the 16<sup>th</sup> century, however, the castle was more or less abandoned by the Counts, who had gained the additional title of the House of Nassau-Orange.

In 1820, the castle was acquired by Wencelas Coster, a businessman from Vianden, who proceeded to selling the complete inventory, as well as parts of the castle, over the next 7 years, leading to the decay of the once beautifully kept Vianden castle.

*“After having bought the castle, Wencelas Coster marketed and traded almost everything that could be moved, including furniture, window panes, parts of the stone walls and even the roof!”* says Jessica Ersfeld, in charge of the staff at Vianden castle.

The estate was repurchased in 1827 by William II, King of the Netherlands and Grand Duke of Luxembourg, with the intention of rescuing and undoing the damage done. Tied up by the Belgian

revolution in 1830, the ruins were left untouched, with only the chapel being reconstructed by Prince Henry of the Netherlands in 1851. In the 1890s, the Grand Duke of Luxembourg, Adolphe of Nassau-Weilbourg, succeeded in making important progress in the repairs of the castle, though further work was interrupted and put on hold by the First and Second World Wars.

It was not until 1966 that further reconstruction, with the objective of returning the fortress back to its former glory based on old images, began. The castle remained in the hands of the Grand Duke until 1977, after which it was transferred to the State. Since being restored, it has hosted a number of yearly events, such as medieval festivals, featuring dueling knights, troubadours, jugglers and artisans. Concerts are held on a regular basis and there are numerous art exhibitions throughout the castle.

Re-enactment groups frequently offer insight into what life must have been like at the castle, presenting themed depictions such as medieval weapons demonstrations and historical cooking shows, using the cooking equipment available in the castle dated 1647.

*"Numerous beautiful and majestic castle ruins can be found in Luxembourg. Why this particular castle was chosen to be fully restored, I do not know, but I am very happy that they picked Vianden."* says Ersfeld.

#### MORE TO BE DONE

Though the castle has been beautifully restored, improvements are ongoing, financed in part by the *Amis du Château de Vianden A.S.B.L.* and majorly by the Ministry of Culture. A number of projects are being put into place, such as the redecorating and refurnishing of several halls, giving the inside a fresh new look for frequent

visitors. At the same time, the castle staff is looking into incorporating the latest technology available by adding augmented reality (AR) to the castle grounds, enhancing visitors' experiences with a more dynamic visit of the place.

Another major undertaking would be the revival of the castle gardens, located to the south-west of the grounds, and which include original dry-stone walls. The project consists of bringing these walls back to their initial state and to refill the gardens with life by planting fruit trees, vines, rose bushes and orchids, allowing guests to wander freely and enjoy the entire estate.

*"The gardens, which unfortunately are not visible for the moment, used to be part of the castle. The paths leading from the town through the gardens and up to the castle were initially the main entrance for both townsfolk and nobles."* explains Ersfeld.

Not forgetting the next generation, Ersfeld further reveals that a potential children's book is being discussed in depth, with a number of stories and fairytales on the castle and its surroundings. *"We do not have anything concretely planned yet, but we want to address all ages as best we can and include the next generation by offering them a unique and memorable experience."*

LM

**"A feast for the eyes and a time trip back to the bygone age during which they were created."**

CNN







A full-page portrait of Rajaa Mekouar-Schneider, CEO of the Luxembourg Private Equity and Venture Capital Association (LPEA). She is a woman with long, wavy brown hair, wearing a dark blue velvet blazer over a dark top and a long necklace. She is standing in a modern architectural space with large white columns, leaning against one of them with her arms crossed. The background shows a view of a building and some greenery through the columns.

RAJAA MEKOUAR-SCHNEIDER,  
CEO, LUXEMBOURG PRIVATE EQUITY AND  
VENTURE CAPITAL ASSOCIATION (LPEA)

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

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SERIES FEATURING  
EXPATS WHO MOVED TO  
LUXEMBOURG



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 RANKING AS THE SAFEST CAPITAL IN THE WORLD, HELPS THE COUNTRY TO REMAIN A WORLD LEADER IN ATTRACTING AND RETAINING TALENT. MEET SOME OF THE PEOPLE OF OUR #MOVETOLUX CAMPAIGN WHO MOVED TO LUXEMBOURG TO BALANCE A GREAT CAREER IN INTERNATIONAL FINANCIAL SERVICES WITH THEIR LIFE.

**“Luxembourg is a place that nurtures harmony in and out from its geography to the way people socialise and the way people live, and that’s extremely valuable.”**

RAJAA MEKOUAR-SCHNEIDER

### WORK, LIVE AND PLAY

*“Luxembourg is a place that nurtures harmony in and out from its geography to the way people socialise and the way people live, and that’s extremely valuable.”*

Rajaa Mekouar-Schneider, is a multilingual private equity (PE) investor with twenty years of experience across Europe and emerging markets. She is currently the Head of PE for a Single Family Office based in Luxembourg.

*“Luxembourg is obviously a nimble place where you can build business quite fast, and you see more and more investors setting up shop here.”*

Rajaa was elected Chairwoman of the Luxembourg Private Equity and Venture Capital Association in July 2018 for a two-year mandate, a challenge she embraces with passion as a convinced advocate of Luxembourg’s potential to play a growing role as a PE hub.

*“Traditionally all the largest private equity firms were present in Luxembourg with some sort of structure. What has changed in the last four or five years is now they have real teams on the ground.”*

Rajaa’s passion is classical music. An accomplished pianist, she actively supports the Orchestre Philharmonique du Luxembourg (OPL), which is in permanent residence at the Philharmonie, one of Europe’s premier concert venues.

*“The acoustics are very well reputed at Philharmonie. The architect is world renowned. The way it was built allows the music to come to you from every direction. You still feel able to connect with the orchestra and the conductor in an intense way.”*

*“We are a team. You have people around you who have very good backgrounds. They are very professional, and this is what I love in Luxembourg. They are able to bring talent from all over the world.”*

JULIE KOHLMANN

### WORK, LIVE AND RALLY

Julie moved to Luxembourg in 2014 at the end of a secondment leading her to the Grand Duchy. BIL, the oldest multi-business bank in Luxembourg, spotted her potential and gave her all the training and support she needed to become a private banker.

*“I was starting from nothing compared to the banking sector. BIL, they took me in, they trained me and this is how it started.”*

Julie graduated from a French business school with a degree in commerce. She started off her career in the international aviation sector in Paris and Switzerland and in 2014, she decided to explore different career opportunities to enable her to stay on in Luxembourg.

*“We are a team. You have people around you who have very good backgrounds. They are very professional, and this is what I love in Luxembourg. They are able to bring talent from all over the world.”*

Julie’s passion is her off-road desert rallies. She pilots a 4X4 Land Rover Defender and has competed in seven international rallies. She is training for the Rallye Aïcha des Gazelles du Maroc, which will be held in March 2020.

*“Piloting a 4x4 is not a question of driving fast, it’s a question of driving correctly.”*

Julie appreciates working with clients from all over the world and describes Luxembourg as a good investment place to manage wealth.

*“I hope the next 5 years will be as busy and full of surprises as the last one has been.”*

LM







JULIE KOHLMANN,  
WEALTH MANAGER,  
BIL

## OUR EVENT AGENDA 2020 IS OUT



For sponsorship opportunities, please contact the LFF Events teams.

## SAVE THE DATE

**2020**  
**10-11.03**

### **SWITZERLAND 2020**

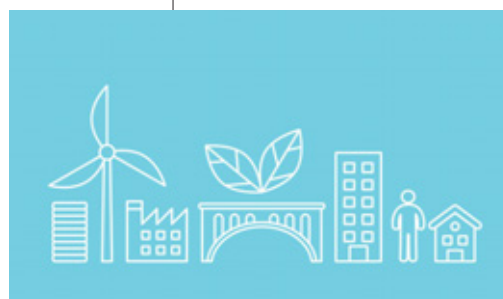
Luxembourg for Finance will host seminars in Switzerland (Geneva on March 10<sup>th</sup> and Zurich on March 11<sup>th</sup>) in the presence of HE Pierre Gramegna, Minister of Finance. More details will follow soon.



**2020**  
**09.06**

### **3<sup>RD</sup> SUSTAINABLE FINANCE FORUM**

On 9 June 2019, the third edition of the Sustainable Finance Forum will be held in presence of the Pierre Gramegna, Luxembourg Minister of Finance. Join policy makers, practitioners, public stakeholders, corporate and retail investors active or interested in the field of sustainable finance for a full-day of insights on sustainable finance. More details will follow soon.



#### **IMPRESSUM**

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**THE NEXT EDITION OF LEO, THE FINANCIAL CENTRE'S MAG WILL BE PUBLISHED  
IN MARCH 2020.**



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# FUTURING FINTECH

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## LUXEMBOURG IS READY FOR THE FUTURE OF FINANCIAL TECHNOLOGY

*Futuring* is about building on experience and anticipating future needs. To flourish, innovation needs an environment that's 'just right'. A place where fresh ideas are valued, new approaches are developed and the tools are available to turn ideas into reality. Luxembourg has proven itself to be such a place in the past, and it's doing so again now. Here, finance and technology are evolving together, fast.

It's no coincidence that many FinTech pioneers have chosen to offer their financial products and services across the EU from Luxembourg. They belong to a growing community of FinTech entrepreneurs working together with banks, insurers and asset managers to turbo-boost a whole new digital ecosystem for finance.

[luxembourgforfinance.com](http://luxembourgforfinance.com)