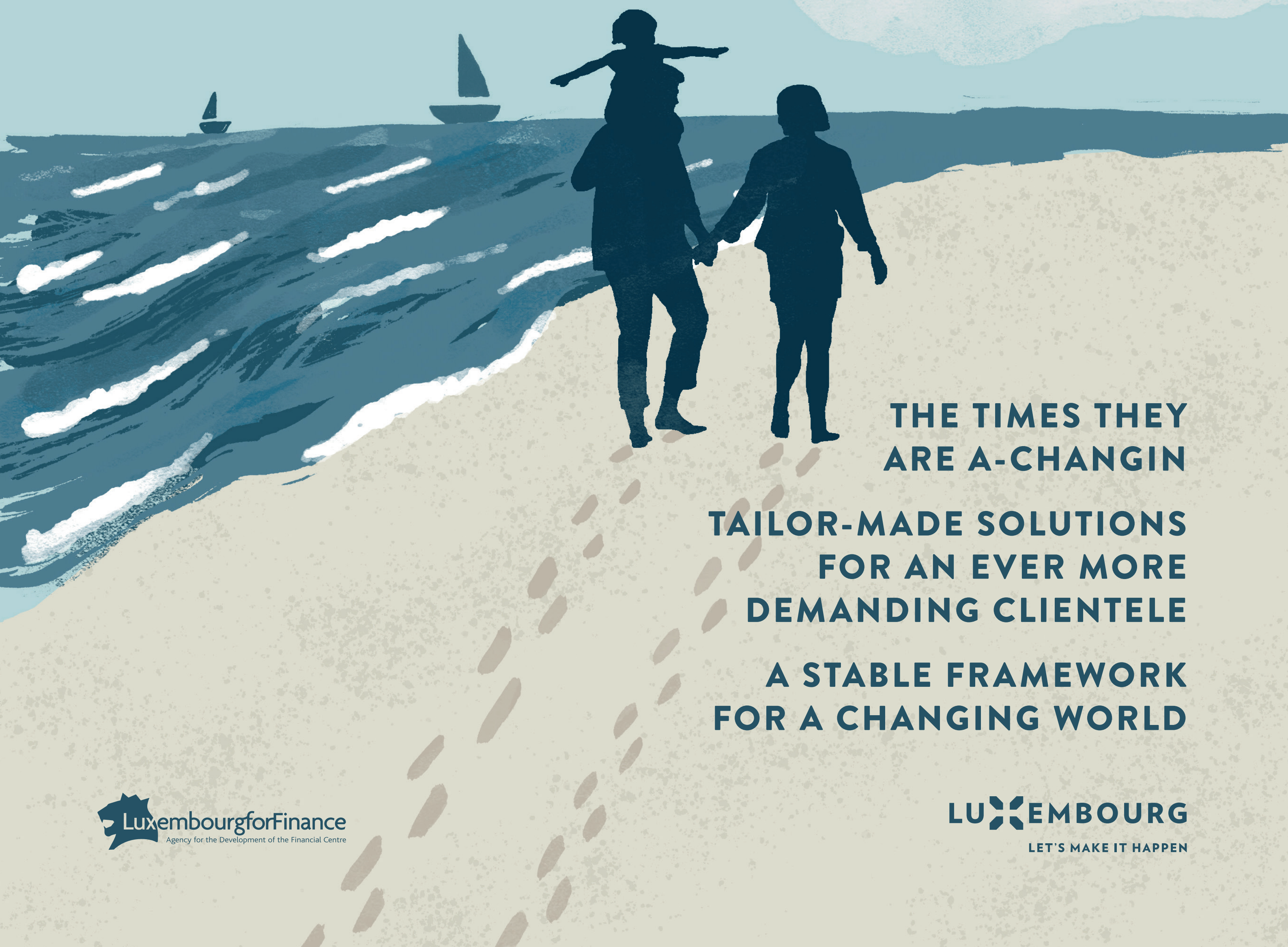
MARCH 2020

LEO

THE FINANCIAL CENTRE'S MAG

WEALTH MANAGEMENT:
NEW HORIZONS



THE TIMES THEY ARE A-CHANGIN

TAILOR-MADE SOLUTIONS FOR AN EVER MORE DEMANDING CLIENTELE

A STABLE FRAMEWORK FOR A CHANGING WORLD

LuxembourgforFinance
Agency for the Development of the Financial Centre

LUXEMBOURG
LET'S MAKE IT HAPPEN

NICOLAS MACKEL,
CEO, LUXEMBOURG
FOR FINANCE

Dear readers,

LFF has issued at the beginning of the year its ambition statement for 2025 in which we lay out how we want to shape a sustainable future. This publication (available on our website or by scanning the QR code on the relevant page in this magazine) is structured around six features that are today the main strengths of our financial industry and on which we want to build this future. I invite you to download the report and discover how we are planning for the future. Comments are always welcome.

Some of the strengths featured prominently in our ambition statement also provide the foundations that make Luxembourg one of the EU's leading wealth management hubs. If several major banks have chosen Luxembourg as their post-Brexit hub for EU clients, it is mostly because of these structural features of Luxembourg, like its stability, the multi-jurisdictional expertise available in its ecosystem and its sound regulatory framework. They join in Luxembourg a range of other international franchises which have already set up here their intra-group competence centre for multi-jurisdictional clients. Serving clients whose family and business lives span across several countries and thus raise multiple jurisdictional issues is indeed where Luxembourg's real added-value kicks in.

In this edition of our LEO magazine we thus bring you a few stories which lay out why some of the most important institutions in wealth management have chosen to operate out of Luxembourg. You will read why Societe Generale has chosen to set up its international bank for Europe in Luxembourg where Deutsche Bank also serves international clients and where Citi has more recently, courtesy of our British friends, set up its EU wealth management hub. A second article explains the latest trends in serving ever more demanding clients looking for yields in a low interest rate environment. A third article covers another very important element of Luxembourg's ecosystem, its service providers. We let three of them explain the latest trends in tax and legal considerations. One feature of Luxembourg's offer which we take particular pride in is the Fondation de Luxembourg, an umbrella foundation enabling philanthropists to realise their vision. Finally, I would like to draw your attention to the infographic explaining the evolution of wealth management activities in Luxembourg over the last years where you will see that this segment of the industry has actually seen real growth since Luxembourg abolished banking secrecy for tax purposes in 2009 and is unequivocally committed to tax transparency as well as the highest standards in AML.

Now some of you may wonder why we have not featured Luxembourg's much appreciated life insurances as a wealth management tool in this magazine. Well, we are planning to dedicated our next LEO magazine to Luxembourg's vibrant insurance sector to give you a comprehensive overview of developments in it and life insurance will be an integral part of that dossier.

Clearstream, one of Luxembourg's greatest success stories is celebrating 50 years as we issue this magazine. This "bank of the banks", created half a century ago for the needs of the local industry is today serving the world's financial industry and has become a global leader in its segment. It is thus a great pleasure to feature Clearstream's CEO Philippe Seyll who tells us more about this unique company's history, its activities today and how it is gearing up for the challenges of tomorrow.

On a lighter note, as finance is intimately linked to liquidity, we are pleased to share with you the stories of some of Luxembourg's newest additions in the drinks corner. In a country that is known for great beer, excellent Mosel wine and tasty "Dreppen" (Schnaps), we see new products emerging from micro-breweries and distillers. This is yet another proof of Luxembourg constantly evolving and reinventing itself, a country that is always on the move.

Cheers!

CONTENT

ANY QUESTIONS?
GET IN TOUCH ON TWITTER - @LUXFINANCE

SIGNIFICANT GROWTH IN 2019

Luxembourg's financial industry saw significant growth in 2019 and is becoming the European jurisdiction of choice for the alternative investments industry, as well as payment and e-money institutions. While some 60 financial companies have publicly announced the relocation of activities to Luxembourg due to Brexit, the actual number is over 70, including those that have not yet publicly announced their relocation decision.

AIRBNB EU PAYMENTS BASE OPENS IN LUXEMBOURG

"We chose Luxembourg in a post-Brexit context, for its central location, because it is a major financial centre and because many payment services are established there. Everybody in the Grand Duchy is familiar with the complexity of payments in the e-commerce sector," said Airbnb, after they announced they are to set up EU payments through Luxembourg as of 2020.

2ND

WORLDWIDE FOR DIGITAL READINESS

Luxembourg is ranked 2nd in the latest "CISCO Digital Readiness Index". It also ranks the Grand Duchy 1st worldwide in the "Start-Up Environment" category.

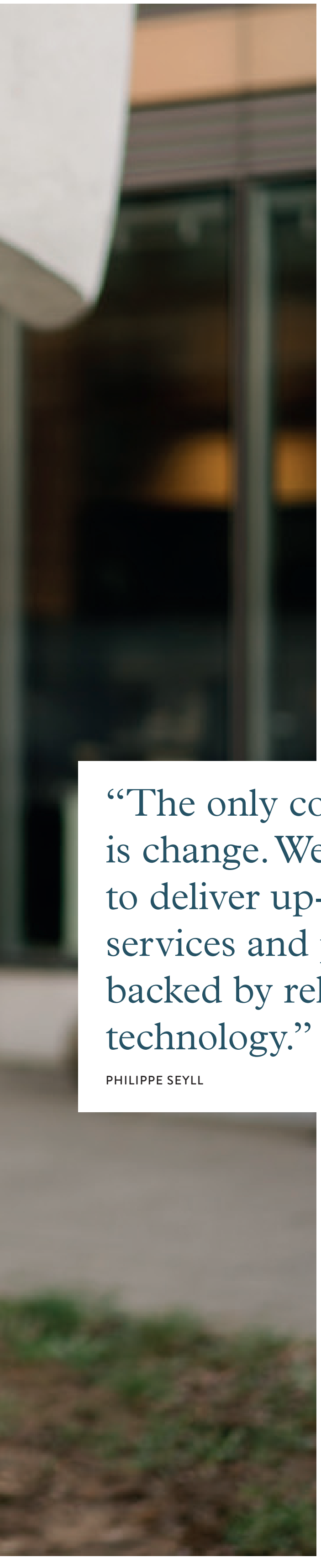
LEADING UK PAYMENTS ASSOCIATION PICKS LUXEMBOURG FOR EU HOME

The Emerging Payments Association (EPA), the leading London-based professional association of payment players, which brings together more than 150 operators from all areas of the payment value chain, is expanding its European Union network from Luxembourg.

CITI MOVES SOME 20 BILLION EUROS IN PRIVATE BANKING PORTFOLIO

Citi moves 20 billion euros in private banking portfolio to Luxembourg. The US bank has announced that it will shift all accounts for wealthy clients from London to Luxembourg, making the Grand Duchy its private banking hub for Europe.

PHILIPPE SEYLL
CEO
CLEARSTREAM BANKING LUXEMBOURG



“The only constant is change. We need to deliver up-to-date services and products, backed by relevant technology.”

PHILIPPE SEYLL

CLEARSTREAM: WHY WE CHOSE LUXEMBOURG

50 YEARS AGO, A COMPANY CALLED CEDEL WAS FOUNDED IN LUXEMBOURG BY 66 FINANCIAL INSTITUTIONS FROM 11 DIFFERENT COUNTRIES WITH THE GOAL TO FACILITATE THE ISSUANCE AND DISTRIBUTION PROCESS OF THE THEN NASCENT EUROBOND MARKET. TODAY, CEDEL IS KNOWN AS CLEARSTREAM, AND IS A LEADING EUROPEAN SUPPLIER OF POST-TRADE SERVICES WITH AROUND 14 TRILLION EUROS IN ASSETS UNDER CUSTODY. LFF MET WITH PHILIPPE SEYLL, CEO AT CLEARSTREAM BANKING S.A., TO LEARN MORE ABOUT THEIR JOURNEY DURING THIS HALF CENTURY, THEIR MAIN ACTIVITIES AND THEIR BIGGEST GROWTH DRIVERS.

LFF: **2020 IS A JUBILEE YEAR FOR CLEARSTREAM; THE BANK OPENED ITS DOORS EXACTLY 50 YEARS AGO IN LUXEMBOURG. WHAT CAN YOU TELL US ABOUT THE BANK’S HISTORY?**

PS: Cedel was founded in 1970, exactly 50 years ago this year. A consortium of financial institutions was looking to ease the issuance and distribution of the nascent Eurobond market. Clearstream, as we are known today, has never been a bank that would issue or distribute these bonds, but instead provided the infrastructure to easily and securely settle the sale and purchase of Eurobonds for their clients. So, the exchange of cash against securities. Clearstream has grown from this initial vision into the financial institution it is today. One thing has never changed over the past 5 decades and that is our SWIFT code, it is still CEDELLULL.

LFF: **WHAT ARE YOUR MAIN ACTIVITIES HERE?**

PS: Today Clearstream has three main activities. Starting with the settlement of

Eurobonds and having subsequently diversified into other markets and securities such as equities, we built an International Central Securities that focuses on the settlement and custody of traded securities. Having these assets registered in our system, we then expanded our services into collateral management and securities lending. Today we see circa 500 billion euros of assets used by our clients overnight for collateralisation purposes. Similarly, our clients use their accounts with us to lend out securities.

Finally, about 20 years ago, we entered the fund share execution space, using our now well-known platform, Vestima. Today we estimate that around one third of fund transactions that go through the Luxembourg market do so through us. One point of note: our clients are banks and financial institutions; we are not a bank in the high street sense of the word.

LFF: HOW DID CLEARSTREAM BECOME SUCH A GLOBAL PLAYER?

PS: The services that we provide make sense. Without these services, it would be much more complex for banks to operate with each other. We provide efficiency and security to the market. This being said, there is no complacency here. We continuously fine tune, enter new markets and innovate with new products and services while listening to our clients. These are the ingredients that have led us to where we are today.

LFF: HOW HAS CLEARSTREAM INNOVATED DURING THE PAST 5 DECADES?

PS: The only constant is change. We need to deliver up-to-date services and products, backed by relevant technology. We look to work with our industry peers and clients in order to identify problems and find solutions to these issues. Clearstream already heavily invested in IT in the 70s and 80s. Our scale allows us to make the investments individual companies may find too costly and provide the support that market participants need. We have a huge machine room backing us up; we drive millions of transactions every hour so IT innovation is constantly needed. Innovation and technology have always been a focus of ours.

LFF: CLEARSTREAM INTERNATIONAL WAS FORMED IN JANUARY 2000 THROUGH THE MERGER OF CEDEL INTERNATIONAL AND DEUTSCHE BÖRSE CLEARING. CAN YOU TELL US ABOUT THE RATIONALE BEHIND THIS MERGER?

PS: Germany is the largest European economy and the fourth largest economy in the world. Deutsche Börse Clearing was the largest domestic settlement house. Combining these two groups combined the largest European domestic market and the international market into one leading player. That was the rationale: a strong economy, growing financial markets and internationalisation. Today, Clearstream has clients in well over 110 countries.

LFF: WHAT ARE THE BIGGEST GROWTH DRIVERS FOR CLEARSTREAM?

PS: The investment fund business is probably the most obvious driver. Deutsche Börse Group's growth strategy has been focused specifically on one business of Clearstream's and that is our Investment Fund Services. Being in Luxembourg, which is home to the largest fund market in Europe and the second largest worldwide, obviously helps.

Another big driver is the custody and settlement services that we provide across the globe. This has always been at the centre of our DNA and the environment in Europe for these services is undergoing significant change as a result of the Capital Markets Union project. Europe has always had a fragmented post-trade environment. We're strong supporters of breaking down these boundaries to encourage the free flow of capital between member states and help our customers to benefit from this new environment.

And then we also foresee growth in accompanying changes in the technology stack, what is commonly referred to as Fintech. The way clients buy financial products and consequently the way financial products are sold, will change. The full chain behind the counter of the banks is changing because of Fintech; by technologies such as distributed ledger technology (DLT), also referred to as blockchain, and crypto currencies. That is why we invest a lot in technology. We work for example closely with the Luxembourg House of Financial Technology (LHoFT).

LFF: CLEARSTREAM IS FOCUSING ON A NEW SOLUTION IN THE CROSS-BORDER MOBILISATION OF SECURITIES. WHAT CAN YOU TELL US ABOUT THE BLOCKCHAIN PLATFORM THAT THE BANK DEVELOPED TOGETHER WITH HQLAX?

PS: Together with our partner HQLAx, a Fintech company based in the LHoFT, we successfully launched our jointly developed DLT solution for frictionless collateral swaps on the securities lending market. Market participants have to make sure that their liquid assets are in the right place at the right time. The DLT model helps them optimise their collateral management. Unlike conventional settlement, tokens instead of securities are transferred between the custody accounts on our new platform. This model offers them more efficient liquidity management, thanks to the increased mobility of collateral between different systems and locations. It complements our offering in collateral management and securities lending by connecting the new and the established world.

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

PS: Luxembourg is very international and home to the global fund industry. The financial market is an important component in the Luxembourg economy. Its ecosystem is very cohesive; authorities, financial institutions and legislators work closely together. They are all pioneers in the modern regulatory framework. The regulators here are enablers as opposed to preventors. The Grand Duchy, for example, was one of the first countries to issue regulatory requirements for the use of DTL. Then there is the multicultural workforce which eases the way we appear to the outside world as being international and very multilingual. We are very happy to be a part of the Luxembourg financial ecosystem.

LFF: THERE HAVE BEEN A FEW ACQUISITIONS IN THE FUNDS SPACE. WHAT IS YOUR STRATEGY AROUND FUND SERVICES IN GENERAL?

PS: As the investment fund business is a globalised one, we want to offer our clients seamless access to funds from all over the world. We want to support our clients with a one-stop customer experience where they don't have to open multiple accounts, they can use one single account. That is why we have expanded in terms of service offering, fund distribution services and geographical presence.

We are very well-positioned when it comes to fund execution in plain vanilla funds. The Citco acquisition gave us a broader offering adding capabilities around alternative investment funds and hedge funds. With the acquisition of Swisscanto Funds Centre we extended our service even further. Geographically we expanded through the acquisition of Ausmaq, where Clearstream became a large player in a very important market, the Australian market, which is

> "The regulators here are enablers as opposed to preventors."
>
> PHILIPPE SEYLL

known for its gigantic superannuation funds. Most recently, we acquired Fondcenter from UBS. We have been very well supported and accepted by the local market.

LFF: YOU WORK WITH A LOT OF DIFFERENT NATIONALITIES; IN WHAT WAY HAS THIS INFLUENCED YOUR OUTLOOK ON LIFE AND BUSINESS?

PS: I believe that diversity makes you stronger and enriches you. Working in a multicultural environment teaches you to be prepared to look at things from different perspectives. One becomes more aware of other people's behaviour and becomes more open to different views on the same topic. Culture influences one's view on a given situation and may induce a positive or a negative perception of that situation.

Luxembourg is the perfect place to experience this and grow from it personally and professionally. Living and working in an international environment has made me a more holistic person.

LFF: YOU HAVE A DEGREE IN ENGINEERING. HOW DOES THIS FIT WITH FINANCE?

PS: I had seen more numbers than letters when I graduated as an engineer. Finance is numbers-driven, so it helps when you are not afraid of numbers. I think the art is taking your engineering background and adding emotional intelligence to the equation. If you find the right balance, you have a perfect mix to run a business like Clearstream. Afterall, we are not just a typical financial service company. We are a market infrastructure provider and an IT company. Our systems, products and services create trust in the markets. We invest heavily there, about 230 million euros per year into our business and 150 million euros in our IT. You better have a clear focus when you decide on such sums.

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

PS: One of the things I truly enjoy about living here is the high quality of life. I'm a swimmer and I like to run at lunchtime to clear my head. I have two beautiful parks where I can jog just around the corner from my office and a well-equipped swimming pool at walking distance. I also like the varied architecture in Luxembourg. The new Bibliothèque Nationale for example is truly inspirational and public, open to everyone. The ecosystem here is very dynamic and cohesive; the authorities and market participants work closely together. Luxembourg is very welcoming to people and business. Unfortunately, we have probably run out of time for me even to touch on the great selection of food and restaurants we have. Believe me, they're here.

> "I believe that diversity makes one stronger and enriches you. Working in a multicultural environment teaches you to always be prepared to look at things from different perspectives."
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AMBITIONS 2025: SHAPING A SUSTAINABLE FUTURE

SCAN THE QR CODE TO DOWNLOAD THE REPORT

WHAT IS LUXEMBOURG'S AMBITION FOR 2025? TO SHAPE A SUSTAINABLE FINANCIAL INDUSTRY. LUXEMBOURG FOR FINANCE HAS RELEASED ITS AMBITIONS PAPER LAYING OUT A 5-YEAR VISION FOR THE FURTHER DEVELOPMENT OF A SUSTAINABLE FINANCIAL INDUSTRY. THE PLAN CENTRES AROUND 6 MAIN COMPONENTS THAT ARE ALREADY AT THE CORE OF LUXEMBOURG'S ROLE AS A CENTRE OF EXCELLENCE IN CROSS-BORDER FINANCE, IN EUROPE AND BEYOND.

“Luxembourg will contribute to job creation and sustainable growth, at home and in the EU overall.”

AT THE HEART OF EUROPE

By 2025, Luxembourg’s ambition is to further expand its role as a cross-border centre of excellence and EU hub. This status has been underlined by the fact that, in the context of Brexit, more than 60 financial firms including banks, insurance firms and asset managers, have decided to strengthen their existing activities or establish a new EU hub in Luxembourg to ensure continued access to the EU single market.

Fulfilling the fundamental purpose of financial services in financing a stronger European economy, Luxembourg will contribute to job creation and sustainable growth, at home and in the EU overall.

Committed to support the EU in achieving the goals of the Capital Markets Union, Luxembourg is looking forward to playing a lead role, given its capital market strengths and its expertise in cross-border capital raising.

COMPLEMENTARITY TO OTHER EU CENTRES

Over the years, Luxembourg has become the go-to hub for financial institutions operating on a cross-border basis in the European market. Strengthening its role as a centre of excellence for international finance by creating value through multi-jurisdictional expertise and cross-border strategies is another objective for 2025.

This expertise will also be vital in expanding Luxembourg’s role in wealth management and alternative investments, notably by further developing Luxembourg’s offer in terms of family office and multi-family office service as well as seizing onshoring trends in alternative investments to increase its status as a European hub in the sector.

With increased specialisation, Luxembourg’s financial industry has also been climbing up the value chain of financial services over the years, growing into a regulatory, risk management and compliance competence centre for financial firms and their groups, in particular in the asset management industry. As a result, the functions performed in Luxembourg are becoming central to the operations of those groups.

LEADING ON SUSTAINABILITY

By 2025, investment in the sustainable finance sector will be worth trillions of dollars versus the billions counted today. Luxembourg will contribute to this drive by strengthening its position as a key hub for impact investment and blended finance, thanks to its efficient fund ecosystem and toolbox.

“One key commitment for 2025 is strengthening its position as a key hub for impact investment and blended finance.”

The Grand Duchy has already been at the forefront of green finance for several years, with around 35% of assets invested by European investment funds into renewable energy projects managed via Luxembourg investment funds. Luxembourg remains the world's largest listing venue for green bonds, with 50% of the world's green bonds listed at the Luxembourg Stock Exchange.

The taxonomy developed at the EU level provides a further opportunity for Luxembourg's financial centre to a be a first mover and develop new frameworks for sustainable financial products and be a pioneer in the area of green and climate funds.

PUSHING INNOVATION

Digitalisation is set to play an increasingly important role. In order to build on its proven track record of product and technological innovation, Luxembourg will continue to create a favorable environment allowing the financial centre to innovate and develop new products and services.

Over the last years, Luxembourg has emerged as a key European payment and e-money hub, underpinned by the recent relocations of major brands in the context of Brexit. With the advent of PSD2, Luxembourg aims to strengthen its role as home to one of the largest open banking platforms in Europe with specialised providers of API gateways catering to the needs of banks.

Luxembourg is committed to adapt its legislative framework in order to encourage innovation by the financial industry and push for the development of European legal framework in new finance sectors such as tokenisation.

Building on its success in attracting many non-life insurance companies to set up their EU hubs in Luxembourg as a hedge against the risks arising from Brexit, Luxembourg will aim to consolidate this new cluster and strengthen its focus on developments in Insurtech.

RESPONSIBLE GOVERNANCE

Luxembourg's financial industry must be built on sustainable principles in taxation and regulation.

An important factor in Luxembourg's ability to continue to attract new business is its long-term stability.

By 2025, Luxembourg's objective will be to safeguard its AAA rating and maintain a stable legal and political environment for the financial sector to grow, as well as build on its first mover advantage.

A key commitment for the next 5 years is to ensure compliance with international standards and continue to provide international investors with the highest possible standards of protection.

Luxembourg law is increasingly being chosen by international public institutions in financial markets as a consequence of Brexit, as underlined by the recent choice of the European Union and the European Atomic Energy Community (Euratom) to switch the legal framework of their debt issuance programmes from English to Luxembourg law.

NURTURING THE HUMAN DIMENSION

Luxembourg is working continuously to adapt and improve quality of life across the financial industry through infrastructure upgrades.

> "Luxembourg will contribute to job creation and sustainable growth, at home and in the EU overall."

Luxembourg's unique pool of multilingual, highly skilled talent provides the key to unlock Europe's large and diverse single market. The country is committed to strengthen its attractiveness for international talent through the adaption of legal and fiscal frameworks for expats, and to ensure that the education and vocational training of the local talent pool is geared towards supporting the evolving nature of the financial industry's activities.

WEALTH MANAGEMENT: NEW HORIZONS

THE GLOBAL WEALTH MANAGEMENT INDUSTRY CONTINUES TO EXPERIENCE SIGNIFICANT CHALLENGES AND TRANSFORMATION, DRIVEN BY SHIFTING CLIENT EXPECTATIONS, INCREASED COMPETITION, LOW INTEREST RATES AND NEW REGULATIONS. ADAPTING EARLY TO THE NEW REALITY WILL OPEN THE DOOR TO PROFITABLE FUTURE GROWTH OPPORTUNITIES.

IN THIS EDITION, LEADING WEALTH MANAGERS EXPLAIN HOW THEY ARE NAVIGATING THROUGH THIS COMPLEX ENVIRONMENT AND HOW LUXEMBOURG'S UNIQUE ECOSYSTEM HELPS THEM CATER TO THE CROSS-BORDER NEEDS OF THEIR CLIENTS.

THE TIMES THEY ARE A-CHANGIN

THERE WAS A TIME WHEN WEALTH MANAGEMENT WAS THE BUSINESS OF GENTLEMEN, OF PLUSH LEATHER ARMCHAIRS AND SLOWLY MATURED DECISIONS. THOSE DAYS ARE LONG GONE. SHIFTING CLIENT EXPECTATIONS, RAPIDLY EVOLVING TECHNOLOGIES, CHANGING REGULATION, INCREASED COSTS, DECREASING PROFITABILITY AND NEW TYPES OF ADDITIONAL COMPETITORS; ALL MARK THE CURRENT WEALTH MANAGEMENT SECTOR. YET OLIVIER LECLER, HEAD OF PRIVATE BANKING ACTIVITIES AT SOCIETE GENERALE IN LUXEMBOURG, GREGOR BOLLEN, MANAGING DIRECTOR AND REGIONAL HEAD OF NORTHERN EUROPE AT CITI PRIVATE BANK AND YIPING LI, MANAGING DIRECTOR AND HEAD OF WEALTH MANAGEMENT AT DEUTSCHE BANK LUXEMBOURG, BELIEVE THAT LUXEMBOURG'S UNIQUE ECOSYSTEM IS WELL PLACED TO NAVIGATE AND THRIVE IN THIS COMPETITIVE LANDSCAPE.

"Luxembourg's economic strength and comprehensive legal framework provide a variety of verticals for sophisticated families and semi-professional clients who want to book and hold their assets here in Luxembourg."

YIPING LI

"When we first started our wealth management activities in 1987, we were mainly used by German clients who were looking for a European alternative to book assets," says Li. As one of the first banks established in Kirchberg 50 years ago, Deutsche Bank Luxembourg has evolved from being a subsidiary of the Deutsche Bank AG, to becoming a fully-fledged local private wealth management bank.

Deutsche Bank Luxembourg now offers clients a wide range of local skills, from portfolio management to structured finance. *"We use Luxembourg as our EU international hub, especially for clients who want to diversify their portfolio. Luxembourg's economic strength and comprehensive legal framework provide a variety of verticals for sophisticated families and semi-professional clients who want to book and hold their assets here in Luxembourg."*

Li further notes that alongside the internationalisation of their clients, Luxembourg as a country has likewise become more international, with a multitude of management companies, as well as sin-

YIPING LI,
MANAGING DIRECTOR AND HEAD OF WEALTH MANAGEMENT
DEUTSCHE BANK LUXEMBOURG

"Through all these challenges and changes, our principle objective remains to serve our clients in the best possible way."

GREGOR BOLLEN

GREGOR BOLLEN,
MANAGING DIRECTOR AND
REGIONAL HEAD OF NORTHERN EUROPE
CITI PRIVATE BANK

gle- and multi-family offices specialised in cross-border jurisdictions. *"In recent years, or at least in the last 10 years, we have seen a growing trend of EU, as well as non-EU clients wanting to use Luxembourg as an entry point for their European investments, leveraging the increasing expertise of professionals available in the country."*

"We see Luxembourg developing as a European, even as a global wealth management hub," remarks Bollen. Similarly to Deutsche Bank Luxembourg, Citi Private Bank was established in Luxembourg 50 years ago. Recognising the opportunities the country has to offer, Citi recently opened its private banking hub in Luxembourg in order to be closer to their clients and to address the regulatory component of MiFID by establishing a booking centre inside the European Union - specifically outside the United Kingdom - including local front office activities and investment advisors.

"The Luxembourg financial centre has always been structured around the organisation of wealth: wealth planning and the use of the Luxembourg toolbox, as we call it, is the hub of the business here. In addition to its location at the heart of Europe, the country boasts a high level of political stability, with a large number of varied professionals who are not only able

to create a structure in the right format, but are also capable of managing these holdings and on top of it bring investment opportunities," explains Lecler.

Established in 1893, Societe Generale Luxembourg is one of the oldest foreign banks in Luxembourg. Though always engaged in wealth management, the activity was structured into a separate business line in 2008, covering the full span of the wealth management services, such as fund management, portfolio management, wealth planning and credit facilities, from Luxembourg, with representative offices in Milan and Frankfurt.

DIGITALISATION: FRIEND OR FOE?

With banks being challenged by the number of new entrants in the market, the innovative advances in technology, as well as the digitalisation of a number of wealth management activities, Lecler brings up the subject of whether this trend will continue to evolve right up to the advisory level. He explores the question of whether some digital tool or robo advisor will one day disrupt part of the relationship private bankers have with their clients.

"My view, and the view which is shared by many in the profession, is that the one-to-one relationship between the client and the bank is still very important. I agree that we have to be able to deliver a number of tools that are needed by our clients for their day-to-day operations, however, I do not believe that moving towards a 100% digital exchange is the way to go. People still appreciate, and want, a one-to-one relationship and choose to discuss with professionals directly."

Bollen agrees that although algorithms and technological tools are available, robo advisors and artificial intelligence are currently not able to simulate human experience or provide a personal touch in delivering the relevant information clients seek. He does add, however, that technology can help deepen the relationship with clients and improve customer experience.

Another challenge that Lecler describes is the use of technology by some professionals to create tools for real time comparison of information such as pricing or terms and conditions of various banks and new entrants, putting additional strain on private banks. *"There are specialists that have appeared on the market who handle parts of the wealth management value chain at a very low cost. This strong pressure on the margins of the banks is something we need to be able to adapt to and monitor,"* conveys Lecler.

According to Li, advances in financial technology and its impact on the wealth management sector is influenced by two major shifts, namely, Luxembourg's support of Fintech startups and the regulatory environment. MiFID II for example, calls for banks to become more digital, to automate and to optimise their back-office operation processes. Li adds that while the use of financial technology has improved and has indeed become an aid to wealth managers, she has not yet experienced a wholehearted leap into digitalisation on the client side. *"Many clients are typically in the age range of 55 to 75 and are either already a client of the bank, or have the same needs as their parents. But when it comes to the next generation, they can have very diverse needs. They expect to be offered different methods of access to their accounts and are more into ESG investments. Here, we have experienced a growing trend, with, for example, entrepreneurial clients telling us specifically that their investments should be ESG."*

SHIFTING THE INVESTMENT GOAL-POSTS

Li has noticed substantial growth in the ESG sector and believes that investors are sincerely concerned by the topic rather than just following a developing trend. Another key factor that she feels is drawing clients to such investments is the increasingly attractive return on investment as a result of the growing amount of assets flowing into green and impact investing.

> "There is a genuine will from our clients to understand not only what they are investing in, but also why."
>
> OLIVIER LECLER

At Societe Generale, wealth managers have also noticed a shift in client behaviour. *"Clients have always been interested in their investments, but the type of questions raised by investors has changed over the years. Though the basic needs have remained more or less stable, that is to invest their assets in a liberal, safe and stable place with competent professionals, investors have started looking beyond and are questioning the sense of their investments, bringing in the socially responsible aspect. There is a genuine will from our clients to understand not only what they are investing in, but also why,"* states Lecler.

Accentuating the sustainable and impact investing mindset of investors, Bollen notes that most of his clients, if not all, have a very strong moral compass and want to give back to the community in some way, shape or form, going strongly into sustainable finance, philanthropy, or other types of alternative investments. *"Our clients have been, and still are, very aware of the sustainability trend in terms of not only the environment, but also social sustainability, making investments that have a positive impact on the environment as well as on society."*

Bollen further explains that many clients are interested not only in socially responsible investing, but more specifically in impact investing. *"Socially responsible investing is concerned with avoiding negative outcomes; on the other hand impact investing is concerned with positive outcomes. Clients are seeking companies that have a positive impact on the environment, on governance, on social issues, and so on. We have identified a number of unstoppable trends, as we call them, such as electric vehicles, healthy ageing, digitisation and robotisation, as well as artificial intelligence. Being part of an institutional client group helps us tremendously as we are able to leverage a lot of equity analysis to screen and score companies for portfolios."*

When asked about whether age or newer generations tend to show a difference in investment behaviour, Bollen notices distinct investment styles depending not on age, but on which generation these clients are in terms of wealth generation. *"If you compare a company founder's view on wealth management with somebody who is in their sixth or seventh generation of family wealth, there is a vast difference. The wealth founders tend to be more the risk takers, often having built their wealth by concentrating all their assets in one project. Well-established families, however, maintain and increase their assets by diversifying their investments."*

In terms of digitalisation, Bollen agrees that the development of technology has assisted banks by providing improved services, by allowing them to respond to client queries more quickly and by improving overall client experience. He does, however, question whether digitalisation does indeed make things easier for clients, as the mass of information available can often seem more confusing than clarifying.

Lecler, Bollen and Li all agree that, in this day and age of almost infinite amounts of information readily available, their role as advisors is to guide clients through this mass of information and direct them to various opportunities according to their expectations and needs.

Being able to rely on a comprehensive set of instruments provided through a well-designed legal environment, wealth management professionals are able to offer clients a wide array of services for cross-border solutions to fit their needs. This having been said, Lecler notes that an increasing number of younger generation investors want to not only acquire a significant part in particular private equity investments but also be part of their governance. By being involved in the strategic choices and

OLIVIER LECLER,
HEAD OF PRIVATE BANKING ACTIVITIES
SOCIETE GENERALE LUXEMBOURG

evolution of these companies, investors need an increased expertise in the relevant fields. *"I think that investors have realised that in order to generate significant yield, they also have to invest into non-listed companies, which in turn requires an increased monitoring on their side. This is definitely one of the bigger changes in client behaviour, which also leads to family offices needing to upgrade their know-how and hire new professional profiles to address this development."*

THRIVING IN TURBULENT TIMES

"Luxembourg regulators have strived to establish a high standard with regard to EU regulation, which is one of the reasons why Luxembourg has really become an attractive location for institutional clients," says Li. As a founding member of the European Union, Luxembourg not only implements EU rules on financial services, but is also an active member of all international standard-setting bodies, such as FATF, the OECD, IOSCO and the Basel Committee. When asked about the main difference between the Luxembourg ecosystem and other markets, Lecler notes that many clients have cross-border needs that are not necessarily fulfilled by their local national or onshore private bank. With the requirement to consolidate increasingly sophisticated multinational activities, Luxembourg has evolved into an ecosystem which has become progressively more competent and qualified across multiple jurisdictions. *"Historically, the families that we have managed were owners of significant industries who needed a place for the organisation of their private wealth. As the tendency of these ultra high-net-worth clients to have relatively complex and international needs was reinforced, we have had to adapt our activities to their expectations."*

Bollen identifies Luxembourg's ability to cope with the international regulatory framework and its wide array of professionals, who are familiar with cross-border regulations, as one of the key points influencing the decision to make the Grand Duchy their European hub for global wealth management. *"Through all these challenges and changes, our principle objective remains to serve our clients in the best possible way. We try to be trusted advisors to our clients and we will use the available toolboxes, be it technological tools or multinational financial management, to help them achieve their goals,"* says Bollen.

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LUC RODESCH,
MEMBER OF THE MANAGEMENT COMMITTEE
AND HEAD OF PRIVATE BANKING
BANQUE DE LUXEMBOURG

"Today investors are looking for a wealth manager whose skill goes far beyond managing wealth or knowledge linked to a local market."

LUC RODESCH

TAILOR-MADE SOLUTIONS FOR AN EVER MORE DEMANDING CLIENTELE

AS INVESTORS ARE FORCED TO NAVIGATE THEIR WAY THROUGH AN ENVIRONMENT OF LOW INTEREST RATES AND HIGH VOLATILITY, WEALTH MANAGERS HAVE BEEN HARD AT WORK LOOKING BEYOND TRADITIONAL FINANCIAL PRODUCTS AND STEERING ASSETS INTO HIGH-YIELD SOLUTIONS. LFF TALKED TO TWO LEADING PRIVATE BANKS IN LUXEMBOURG TO GET TO KNOW MORE ON HOW LUXEMBOURG'S ECOSYSTEM HELPS THEM CATER TO THE NEEDS OF A COMPLEX CLIENTELE.

"Today investors are looking for a wealth manager whose skills goes far beyond managing wealth or knowledge linked to a local market. The needs of our clients are changing over time and this means that our advisors have to be proactive in terms of advisory solutions and more mobile because many of our clients expect their advisors to meet them in their country of residence," explains Luc Rodesch, Member of the Management Committee and Head of Private Banking at Banque de Luxembourg. Set up in 1920, the bank has become one of the foremost wealth managers in Luxembourg.

With clients becoming increasingly mobile, wealth managers must grasp the complexity of an ever-changing cross-border industry. For private banks, standing out from the crowds requires a unique selling proposition that they can offer to an increasingly sophisticated international clientele. A view shared by Sven Holstenson, Head of Europe at Pictet Wealth Management.

"We are not only investment managers. We play a role in family governance, assets structuring or overall asset allocation, so it goes beyond the simple portfolio management. This is what creates our value."

Pictet Wealth Management has been operating in Luxembourg for 30 years. *"Luxembourg is our headquarter in the European Union for wealth management activities and a competence centre to serve our international clients, from wealthy individuals, families to entrepreneurs."*

Both banks have historically specialised in discretionary management services as a core part of their DNA. However, Holstenson notes the changing expectations of a new generation of clients who are willing to take a more hands-on approach to their wealth.

"We need to continuously adapt our services to respond to the needs of clients that are more connected than ever, and who are willing to make their own choices."

STRONGER APPETITE FOR ILLIQUID ASSETS

"The private banking industry, just like the banking sector as a whole, is evolving in an environment of historically negative interest rates, and increased costs, due to the regulatory burden, which are putting pressure on margins," adds Rodesch.

> “European Directives, such as MiFID II and PRIIPS, weigh down on the process of investment advice.”
>
> LUC RODESCH

Regulatory pressure faced by banks is fundamentally changing the role of wealth managers and their service offering.

“European Directives, such as MiFID II and PRIIPS, weigh down on the process of investment advice. In order for the client to agree to pay for services, the advisor must demonstrate real added-value and a level of proactivity which requires heavy investment in terms of training and tools. However, this new regulatory framework gives us a better understanding of the expectations of our clients and offers them tailor-made solutions. Alternative asset classes such as private equity have also increasingly become a solution for sophisticated investors to navigate in this complex environment.”

Multi-asset classes such as equities and bonds have traditionally been a core part of the wealth management offering. However, in a world of low-yielding bonds, private banks have been trying to grow their revenue through innovative value-adding products and an optimised product mix, steering portfolios into private assets.

“It’s been almost 30 years that we invest in alternative assets for our clients, especially private equity which has been a key contributor of our performance today. We’ve been working with leading international private assets managers to offer the best investments opportunities to our clients. This is a core offering for Pictet in Europe,” explains Holstenson.

Pictet Alternative Advisors, the Group’s alternative investment arm, is managing a total of 28 billion dollars. It has recently expanded its offering with the launch of a direct European real estate investment fund, aimed at investing in smart and gateway European cities.

“Europe is currently one of the most attractive markets for real estate investment on a risk-adjusted basis. It has stable cap rates due to continued low interest rates and has finally started seeing rental growth. Also, we expect the volatility in Europe in the coming years to provide an interesting entry point,” he adds.

CROSSOVER WITH THE FUND INDUSTRY

There are synergies with Luxembourg’s role as a major international investment fund centre and the services offered by wealth managers.

“Investment funds are the preferred instruments for our portfolio management. They have the double advantage of allowing great diversification in terms of assets and geographies as well as benefiting from a moderate cost structure,” says Rodesch.

As the sector has entered an unprecedented area of transparency, investors are increasingly turning towards globally recognised funds such as UCITS or RAIF.

“European clients want to focus on recognised jurisdictions that are stable and transparent. To us, tailor-made wrappers such as UCITS, SIF or RAIF are an added-value to structure our clients’ wealth. If you are

SVEN HOLSTENSON,
HEAD OF EUROPE
PICTET WEALTH MANAGEMENT

> “We play a role in family governance, assets structuring or overall asset allocation, so it goes beyond the simple portfolio. This is what creates our value.”
>
> SVEN HOLSTENSON

a large family with many members, a fund gives you a way to have one single wrapper to manage the entire wealth and then distribute it through shares to the different family members," explains Holstenson.

Both banks administer a range of their own funds so as to offer innovative and tailor-made solutions that meet the complex needs of their clientele.

"Having in-house expertise enables you to tailor funds to meet specific jurisdictional requirements or constraints," explains Rodesch. Funds held by clients of Banque de Luxembourg are primarily managed by BLI – Banque de Luxembourg Investments – the bank's specialist asset management company that is active in equities, bonds and multi-asset strategies.

INVESTING WITH A CONSCIENCE

"Banque de Luxembourg has been a pioneer in sustainable investing in the Grand Duchy. In 2007, when we launched our first SRI fund, our clientele from Belgium, the Netherlands and the Nordic countries had the greatest appetite for responsible investment solutions. Today, most of our clients, regardless of their nationality or country of residence, consider that long-term value is only possible by taking into account sustainable development," says Rodesch.

> "Most of our clients, regardless of their nationality or country of residence, consider that long-term value is only possible by taking into account sustainable development."
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> LUC RODESCH

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> SVEN HOLSTENSON

ESG investing — or strategies that take a company’s environmental, social and governance factors into consideration — grew to more than 30 trillion dollars in 2018, according to the Global Sustainable Investment Alliance. This is projected to grow exponentially, with the younger generation and millennials leading the way.

Sustainable investments are showing increasing importance as investors look to be more selective in navigating volatile markets. Private banks have been quick to adapt their product offering to their clients’ growing interest in aligning their investments with their personal values.

Since its first SRI fund launched 10 years ago, Banque de Luxembourg has strengthened its offering with additional microfinance funds and a new SRI fund launched in 2018 as well as an investment mandate that integrates third-party managers.

The urgency of global issues has challenged HNWIs to consider how they can leave a legacy greater than just financial security to the next generation.

“Our clients are looking to play a more active role as responsible global citizens,” notes Holstenson.

“In the field of portfolio management, we were early pioneers in sustainable investment funds and funds with an environmental aspect. In 2000 we launched a strategy that invests in water, the first of its kind. By embedding responsible investing aspects at every stage of our value chain, we give our clients a thorough understanding of sustainable issues surrounding the management of their wealth.”

DIGITALISATION AS AN ENABLER

“Digitalisation of services has become a key challenge for banks. The expectations of our clients are changing. Many of them now want to extend their online banking experience,” explains Rodesch.

Banque de Luxembourg has been fast in grasping changing expectations by modernising its digital tools with mobile banking and front-office interfaces in order to offer a seamless experience, real-time activity monitoring and new features with the highest possible level of security.

Back-office operations are where private banks can benefit the most from digitalisation.

“The impacts linked to the fall in interest rates decided by the European Central Bank as well as regulatory constraints greatly increase the pressure on the margins of all banking players. To limit as much as possible the impact of these drops in income on our customers, we automate many tasks and back-office operations and thus make our organisation more efficient.”

While digitalisation continues to have a significant impact on the business and operating models of financial institutions worldwide, the industry agrees that wealth management will remain a “people business”, with the digital component acting as an enabler to serve clients better, rather than completely replacing relationship managers.

“While more digitalisation is inevitable, that does not mean that we are putting the human dimension aside. On the contrary, client relationship, trust and proximity are the foundation of the industry and contribute to creating a long-lasting relation that cannot be shaken by the digital revolution,” adds Rodesch.

Holstenson explains: *“Wealth managers are not as impacted by digitalisation as is the case for retail banks, because we are serving the complex needs of sophisticated clients, crafting a unique solution for each family’s individual needs. They still expect personal face-to-face interaction and personal advice from their advisors and a robot cannot replace this sort of interaction,”* concludes Holstenson.

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> “Clients still expect personal face-to-face interaction and personal advice from their advisors and a robot cannot replace this sort of interaction.”
>
> SVEN HOLSTENSON

PAUL MOUSEL,
FOUNDING PARTNER
ARENDT AND MEDERNACH

A STABLE FRAMEWORK FOR A CHANGING WORLD

LFF SAT DOWN WITH THREE EXPERTS TO DISCUSS WEALTH MANAGEMENT FROM A LEGAL AND TAX FRAMEWORK PERSPECTIVE. SERGE KRANCENBLUM, THE PRESIDENT OF THE LUXEMBOURG ASSOCIATION OF FAMILY OFFICES, CHRISTIAN KREMER, SENIOR PARTNER AT CLIFFORD CHANCE, AND PAUL MOUSEL, FOUNDING PARTNER OF ARENDT AND MEDERNACH, ALL SHARE THEIR CLIENT INSIGHTS TO HELP US UNDERSTAND HOW THE WORLD HAS CHANGED SINCE THE FINANCIAL CRISIS.

CHRISTIAN KREMER,
SENIOR PARTNER
CLIFFORD CHANCE

DEMYSTIFYING THE TOOLBOX

Paul Mousel, Founding Partner of Arendt and Medernach, casts his mind back to the financial crisis, describing important shifts from over the past decade, notably over the last 5 years: *"two things have changed: firstly, the entire legal tax environment around wealth management. And secondly, client profiles and behaviours. People come to Luxembourg because of the seriousness of the country, not for the taxes."*

"We are living in an age of ever-increasing transparency," notes Christian Kremer, Senior Partner at Clifford Chance. Although the 'Know Your Customer' rules have existed for some time, he believes that these are only getting firmer: *"Luxembourg has been implementing all these rules in a strict manner demonstrating its commitment to the fight against money laundering, revealing the significance of this topic for the financial sector and actors involved."* The implementation of the Register of Beneficial Owners (RBO), was yet another critical step-change which has "greatly enhanced the transparency" alongside other various Directives. He further sees that: *"Investors increasingly focus on the expertise, on the available tools, on the legal and regulatory environments, on the competence of the authorities, and on the fact that the specialised service providers are here."*

Serge Krancenblum, President of the LAFO and Executive Chairman of IQ-EQ, sees this practical approach as part of the country's commitment to having a level playing field. He points out that Luxembourg is at the forefront of the war against money laundering: *"Very stringent rules and regulations have been implemented by the CSSF tailored to financial professionals. With tax transparency and common reporting standards, the information flows to the country of residence of the shareholders of the structures. Ultimately, Luxembourg is known for the stability of its tax system and for the modernism of its legal system."*

As an EU founding member and an active adopter of all international regulations including OECD Common Reporting Standards (CRS), the Automatic Exchange of Information (AEOI), European Anti-Tax-Avoidance Directive (ATAD) - which transposes the OECD's BEPS principles into EU law - and the Foreign Account Tax Compliance Act (FATCA), Mousel believes that the Grand Duchy is *"at the*

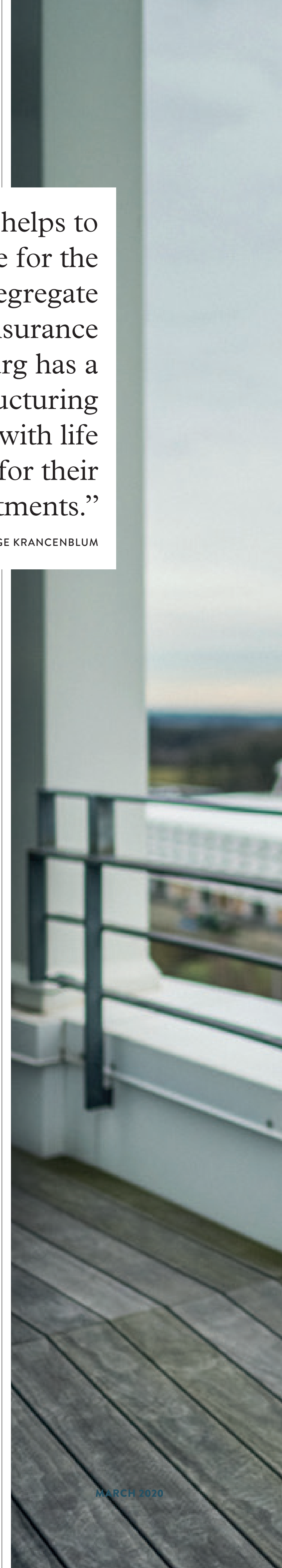
> "We are living in an age of ever-increasing transparency. Investors increasingly focus on the expertise, on the available tools, on the legal and regulatory environments, on the competence of the authorities, and on the fact that the specialised service providers are here."

CHRISTIAN KREMER

forefront of providing a safe and transparent environment for businesses and individuals". When complex needs span more than one jurisdiction, you need to be able to rely on cross-border expertise.

He recalls that many years ago, *"We had only one tool in our box: the famous Holding Company of 1929. It was like the Volkswagen Beetle. Everybody had a Beetle, even if it was their second car. Likewise, everybody had a Luxembourg Holding Company. After this was abolished, it was replaced by two tools which are efficiency focused (SOPARFI and SPF)."* Since 2008, the Luxembourg toolbox has seen some modifications and some upgrades, *"But in essence is an efficient way to structure a fortune"*. Kremer agrees, reinforcing that the versatility and range of investment vehicles to structure the wealth of individuals in a trustworthy and professional manner is somewhat unique. It underpins Luxembourg's desire to continuously adapt to the needs of international clients and any developments on the horizon, with the inherent value of having all the important players you might need to take care of your client in one place.

Mousel elaborates further that the toolbox was enlarged with the SOPARFI, a commercial company through which investments and the shares of other firms can be controlled, and the Family Estate Management Company (SPF) which are building blocks. More sophisticated elements were added which can be used both by private clients, but also by institutional, such as Specialised Investment Funds (SIFs), Reserved Alternative Investment Funds (RAIFs), Investment Company in Risk Capital (SICARs) and Société d'Investissement à Capital Variable (SICAVs). Luxembourg has to date signed double tax treaties with more than 77 countries.



> "Luxembourg's law helps to make it more secure for the policyholders to segregate the assets from the insurance company. Luxembourg has a lot of success in structuring international families with life insurance solutions even for their private equity investments."

SERGE KRANCENBLUM

PORTABLE PEACE OF MIND

The financial crisis left a deep-lasting legacy which continues to influence how wealthy individuals plan for their future. Families have since looked to have dedicated advisors to guide them through each and every aspect of the services sought. This is one of several areas with which Serge Krancenblum is all too familiar, in respect of his role as President of LAFO: *"Families need to have a professional on their side who is not going to be conflicted with any service provider."* With independence being a key benefit, relationships are therefore fostered and preserved with asset managers, tax lawyers, insurance firms, domiciliation agents, auditors, etc. Krancenblum adds, "…*this is crucial when you are looking at protecting the family and making sure that they understand the risks around investment and the control and supervision of different providers needed. This is a real trend."*

LAFO itself was created as a way to formalise the family office [profession] in Luxembourg recounts Krancenblum. 2012 was a defining year, when a law was passed (among the first worldwide) to regulate multi-family offices, with far-reaching rules to uphold investor protection and a high level of service: *"We needed to ensure that there was some responsibility attached, and to safeguard it as a regulated profession. It is not just when taking care of the affairs of one family, but when you are a multi-family office and act as a professional in family affairs."*

Krancenblum believes that clients are still aware of what could happen if there were a new financial crisis, particularly through the lens of current uncertainties dominating: *"There are unknown unknowns: the Brexit aftermath, the U.S. election and black swan events"*. Therefore stability, predictability and safety continue to be strong factors influencing international high-net-worth families when deciding where they are going to live and, or, diversify risk by setting up a European arm to their existing family offices: *"They are choosing to live in Luxembourg for work opportunities, as a place to raise their children and because there is scope to develop their family affairs."* With uncertainty governing sentiment and geopolitical risk as a common denominator, Kremer detects a *"wariness in the markets. The [risks] are very difficult to predict."*

In terms of geographical mobility, Krancenblum is seeing a trend in interested families from emerging countries from within Eastern Europe and Latin America, and more specifically those countries with "difficult neighbours". Mousel points out that those wealthy individuals who have *"earned their money in an honest way often stand to lose everything if the regime changes"*. He adds that *"Those who live in Dubai live a mere 150 kms from active conflict zones…"* However, it's not just an overseas phenomenon, volatility applies to Europe too. Mousel and Krancenblum describe how French elections are often skirting far right concerns with the potential for Mrs Le Pen's return

SERGE KRANCENBLUM,
PRESIDENT
THE LUXEMBOURG ASSOCIATION OF FAMILY OFFICES
AND EXECUTIVE CHAIRMAN OF IQ-EQ

on the horizon… Consequently, families from surrounding European countries also choose Luxembourg for its free market potential and solid AAA rating.

Paul Mousel describes the unequivocal commitment to transparency as sort of "seal of approval" which offers peace of mind to wealthy clients: *"You can go wherever you like if you have a Luxembourg company. Once you have a bank account, have the right structure and have been through the correct KYC and AMLD channels, you are in the system and can therefore do business all around the world."* Kremer further notes that: *"…it is a place which is transparent and reputable, and where you can get a quick response from the regulators."*

TALKING ABOUT GENERATIONS

When thinking about future proofing for the next generation, wealth management strategies often involve the use of Luxembourg-based life insurance policies. Kremer reflects: *"Life insurance is very interesting as it is another wealth management tool [in the box]; and under some circumstances it is the ideal instrument for the transmission of wealth."* Krancenblum sees it as most often applied in continental Europe and Latin America to protect assets and to help with succession planning: *"Luxembourg's law helps to make it more secure for the policyholders to segregate the assets from the insurance company. Luxembourg has a lot of success in structuring international families with life insurance solutions, even for their private equity investments."* Mousel points to unit-linked policies, *"yet another tool in the famous box"* which enable wealth managers to integrate highly tailored investment strategies into life insurance. They use investment funds through which clients can pursue strong growth or adopt a sophisticated, defensive strategy.

Christian Kremer is beginning to see baby boomers slowly beginning to think about retirement: *"There is the question of wealth transmission and wealth planning. If I am an owner of a business, how do I transmit that to* *the next generation?"* Succession planning can be an emotional and intricate concern and wealthy clients are driven by a desire to safeguard a flexible retirement and to have reassurance that this process will be smooth. Kremer is unconcerned about the volume of boomers as: *"Luxembourg is equipped with the right tools in its box"* to cope.

At the other end of the spectrum, Serge Krancenblum is not yet seeing the start-up or Facebook generation entering the world of family office despite the vast accumulation of wealth. Looking ahead, believes that that will be the case within 5 years: *"We currently see a few [entrepreneurs of this type], including some Americans. But we're mostly about more traditional, established families and wealth. Luxembourg has thus far been less a venture capital environment, but this is a future development in the making."*

A NEW ERA

With strong innovation credentials, Luxembourg is perceived as well-positioned to respond to client expectations that are being shaped by globalisation, new technologies and increased regulation.

Rising technology, such as AI and robo-advice, is inevitably changing client experiences and expectations meaning that they are seeking innovative partners to accompany them in all their endeavours. Kremer highlights that Luxembourg's multiple Fintech initiatives are indicative of a welcoming legal and regulatory environment. These firms are progressively entering the asset and wealth management space, capable of delivering tailor-made products and advice: *"It's all about data: how you interpret it, how you can use it and present it to the customer for wealth management purposes. Data protection is a very topical question and we increasingly have teams looking at this."*

Kremer also talks about a trend which he describes as the *"retail-ization of clients"*, meaning that incrementally, not only professional or institutional investors, but retail investors want access to different sorts of products such as private equity, real estate, infrastructure: *"Luxembourg comes into play as the leading investment fund centre in Europe with all the right expertise to structure wealth with the right vehicles and instruments in place. We can offer investors exposure to, for example, real estate or infrastructure, not only professional investors, but also to retail investors. Our toolbox and financial centre experts can offer tailor-made solutions to retail clients who want exposure to these asset classes."*

With ESG taking centre stage in the media, investors are increasingly considering the impact of their investments, leading to rising demand for ESG records and criteria. Kremer highlights that there has been a lot of activity at EU level, and not only in green finance and green bonds, but in ESG in relation to financial products and in financial services more broadly: *"Luxembourg is perceived to be at the forefront of these developments due, among others, to its leading position in sustainable investment funds, green bonds and its pioneering position in sustainable finance labels."* The sweet spot clients are looking for is the nexus of technology and ESG: *"That is what clients are seeking - and we can offer it."*

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> "You can go wherever you like if you have a Luxembourg company. Once you have a bank account, have the right structure and have been through the correct KYC and AMLD channels, you are in the system and can therefore do business all around the world."
>
> PAUL MOUSEL

TONIKA HIRDMAN,
DIRECTOR GENERAL
THE FONDATION DE LUXEMBOURG

"People are becoming more aware of the responsibilities that come with having wealth."

FONDATION DE LUXEMBOURG: EMPOWERING PHILANTROPY

THE WORLD IS CHANGING, AND WITH IT, THE ROLE OF PHILANTHROPY. HNWIs WHO WANT TO MAKE A SOCIAL IMPACT ARE INCREASINGLY CHOOSING PHILANTHROPIC ENGAGEMENT OVER CHARITY DONATIONS. LFF SAT DOWN WITH TONIKA HIRDMAN, DIRECTOR GENERAL OF THE FONDATION DE LUXEMBOURG, TO LEARN MORE ABOUT THE RISE IN PHILANTHROPY AND THE ROLE LUXEMBOURG HAS PLAYED IN THE SECTOR OVER THE LAST DECADE.

"You hear more about giving back today than you did 10 or 20 years ago. People are becoming more aware of the responsibilities that come with having wealth," says Tonika Hirdman, Director General of the Fondation de Luxembourg, set up by the Luxembourg government in 2009 to meet the growing need for a centre of expertise in philanthropy in the Grand Duchy.

Since its establishment, the Fondation has managed to build up a fully-fledged framework for philanthropy under its umbrella structure, guiding both international private individuals and businesses in their commitment to give back to society.

"The interest from private individuals is growing and every year we steadily increase the number of our sheltered foundations. Our founders are mostly European. They can be entrepreneurs who want to give back to society, families who see it as a way to educate their kids, as well as companies. Most of the foundations are created with an endowment capital for an unlimited period of time, but it is also possible to create a turnover foundation, whereby the founder contributes every year with a cash flow, which is being used to support the projects selected."

To date, over 80 foundations supporting a broad diversity of more than 150 projects worldwide are being managed under the aegis of the Fondation de Luxembourg.

From social inclusion to culture or research, the causes backed by the founders are broad. Over the last decade, the Fondation has provided support for major international projects such as an endeavour to put an end to female genital mutilation in Ethiopia; financing knowledge transfer through European doctors training local medical staff in Congo; funding research programmes on Alzheimer's and Parkinson's disease and an innovative animal-assisted therapy project in a French prison.

AN INTEGRAL PART OF THE WEALTH MANAGEMENT ECOSYSTEM

The achievements of the Fondation, just ten years after its establishment, are testament to the major role it plays in philanthropy in Luxembourg and beyond.

"When we started our activities, with a few exceptions, philanthropy was not really a topic that wealth managers were discussing with their clients. Today, most private banks in Luxembourg have included philanthropy as a key pillar in their wealth management offering and they are able to offer their clients the full spectrum of philanthropy advisory services by leveraging on the activities of the Fondation de Luxembourg."

Hirdman considers that philanthropy advisory services, more than any other service, contribute to enhance the value of the relationship between financial advisors and their wealthy clients.

"Private banks have started to proactively discuss these questions with their clients. Wealth managers have realised that, through philanthropy, they tend to deepen their client relations. If you start a conversation with your client about their values and personal motivations, rather than about their investment strategy, it opens a completely different response from the clients."

GLOBAL REACH

Over recent years, the Fondation has seen a rise in the number of international philanthropists looking to set up a foundation under its aegis. For Hirdman, it is not surprising that they chose Luxembourg over their home-country.

"Last year, we created a foundation for a Swiss resident with the aim of supporting young people who have dropped out of school or are at risk of being excluded from the educational system. That's where Luxembourg's cross-border expertise comes in. This country understands the issues raised by cross-border activity and is recognised globally as a stable environment both politically and economically. It is widely regarded as an ideal location to set up a European-based foundation due to its supportive attitude towards philanthropy and sustainable investments. Moreover, the fact that we are still a young institution allows us to maintain a personal touch with all our founders. This close oversight is very valued."

The Fondation de Luxembourg has increasingly operated at a European level through its participation in the Transnational Giving Europe Network, thus facilitating cross-border donations. In 2017, it became the first foundation internationally to be recognised fiscally by the French authorities followed by the Dutch authorities in 2018.

"Luxembourg is well-known across Europe for its pragmatic and non-bureaucratic approach to philanthropy. The Luxembourg government recognises fiscally similar foundations and non-profit associations in other European countries. Unfortunately, it is not reciprocal, that's why being recognised as a public utility foundation in France and the Netherlands is an important milestone."

Over the last few years, the Fondation has seen a rise in the number of French private donors and has deepened its ties with the US, leading to a rise in American private donors and businesses.

"Our engagement goes beyond Europe. We have created Friends of the Fondation de Luxembourg in the United States, enabling US-based philanthropists to donate money through this fund to a foundation under our umbrella. Moreover, last year, we went through the whole vetting procedure of the Silicon Valley Community Fund and thanks to a donation through it, US donors can benefit from tax deductibility from companies based in Silicon Valley," adds Hirdman.

THE NEW PHILANTHROPIST

Transparency, technology and evolving attitudes toward wealth are reshaping donors' approach to giving.

"HNWIs are generally younger than 20 years ago and they have a different set of values. Very often they have created their wealth themselves, from business ventures, and want to give during their lifetime, rather than leaving a legacy. They take an informed, planned and hands-on approach to see the direct impact of their giving. These changing expectations have led to new forms of philanthropic giving such as venture philanthropy and impact measurement."

Measuring success means that charities, NGOs and other public benefit organizations are now being called on to define and report more clearly how the funds donated are being put to work.

"It is very important, at the start, to clarify expectations and set clear objectives about what you want to achieve. And you should also think about an exit strategy right from the start because exiting a funding programme that has been supported for several years is often the most difficult. We have to think about how to avoid creating dependencies. If you have done this groundwork well at the start, then it is easier to measure impact."

"Wealth managers have realised that, through philanthropy, they tend to deepen their client relations."

RETHINKING WEALTH THROUGH THE SUSTAINABLE DEVELOPMENT GOALS

"With a 2.5 trillion dollars funding gap, there is an urgent need to scale up support for the United Nations Sustainable Development Goals (SDGs) and philanthropy's role in this has never been more important or more urgent," notes Hirdman.

"We take a holistic approach to addressing global issues and put a strong emphasis on the SDGs in our daily activity. Not all the founders we work with are aware of them, but we see it as our role to promote them in order to help focus individual agendas and beliefs to the most urgent needs."

Above all, the SDGs have become a core element of the Foundation's strategy when considering new projects.

"SDGs are one of the key criteria we use when evaluating and selecting new projects. Among others, we analyse each project on the basis of its contribution to the SDGs. To that end, each project supported by one of our foundations has two SDG targets assigned to it, which helps us to report more comprehensively on the global issues we are addressing," explains Hirdman.

ROCKET FUEL TO CLIMATE ACTIONS

As the world works to tackle climate change, philanthropy is increasingly acting as the rocket fuel to provide seed capital and stimulate innovation.

"In order for the SDGs to succeed, it is imperative that governments, the private sector and philanthropy work together. The crucial role for philanthropy is not just to provide much-needed financing, but in serving as risk capital to test new ideas and solutions to tackle global issues."

Philanthropists have decades of experience engaging with governments, the private sector, and non-profits in support of innovation and the deployment of new climate solutions.

"The crucial role for philanthropy is not just to provide much-needed financing, but in serving as risk capital to test new ideas and solutions to tackle global issues."

Hirdman describes a current example of collaboration between the public sector and philanthropists: *"Social and environmental bonds are good example whereby foundations and philanthropists invest in a certain project and if the project is successful, they will be reimbursed and may thereby use the money for projects. If the project fails to achieve its targets, then it was at their own risk. It is thus an opportunity for governments to spend money on outcomes rather than inputs."*

For the investment of its own endowments the Fondation de Luxembourg follows the guidelines enshrined in its SRI Policy, ensuring that these investments are made within a responsible framework. As of today, 80% of its foundations with an endowment capital are investing according to sustainable investing principals; but with a clear target of 100%.

"Our founders don't want their assets to be invested in industries or companies whose activities are contrary to the cause they are supporting. We adopt a positive screening approach, that favors investment in companies that are able to demonstrate a positive ESG impact. When a donor comes to us to create a new foundation, we consistently recommend the adoption of our SRI policy with regard to the future management of the endowment of their foundation.

THE FUTURE IS BRIGHT, BUT CHALLENGES LIE AHEAD

The interest in philanthropic giving is clearly on the rise. For Hirdman, new technologies are opening up new perspectives for the greater good.

"It is not only offering new ways of giving, such as crowdfunding, but brings with it the possibility for philanthropists to participate actively in projects, to communicate directly with beneficiaries and monitor projects from a distance. Through new technologies, we can close the distance between the donors and the end beneficiaries."

While having new opportunities, the sector also faces new challenges.

"Regulation is increasing and puts pressure on foundations which need to be able to prove their positive impact on society."

"At the same time, the need for funding will grow significantly over the coming decades. Climate change is having the worst consequences for the world's most vulnerable populations. Add to that the growing proportion of ageing populations and increasing social inequalities in our part of the world. This will create a need for new funding models, whereby contributions from private philanthropy can be scaled up through public-private partnerships," concludes Hirdman.

OB

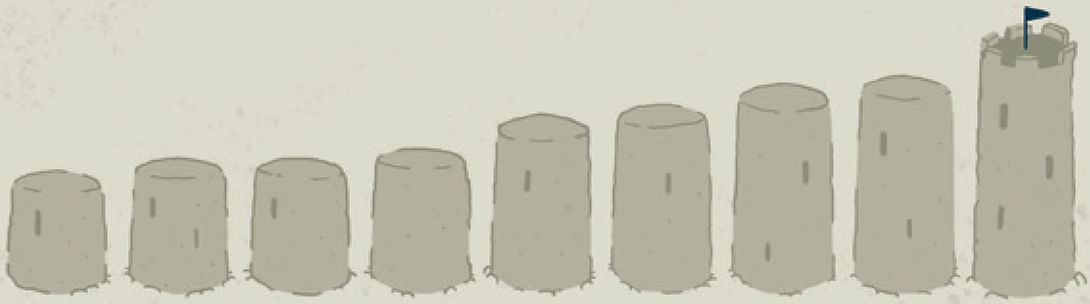
WEALTH MANAGEMENT IN LUXEMBOURG

10 years of consecutive growth

€

AuM in Luxembourg reached the total sum of 395 billion euros as of December 31, 2018, an amount standing 76% above the level of 2008 with 225 billion euros.

2011	2012	2013	2014	2015	2016	2017	2018	2019 (estimate)
289 bn EUR	303 bn EUR	307 bn EUR	318 bn EUR	351 bn EUR	361 bn EUR	388 bn EUR	395 bn EUR	440 bn EUR



Geographical distribution of client assets

84% Europe remains the core market with a total of 84% assets under management.

Luxembourg:	22%
FR, BE, Germany:	16%
Rest of Europe:	46%
Rest of the World:	11%
Multi-jurisdictional	5%

Luxembourg transparency roadmap

2000

- EU member states agree that exchange of information between tax authorities shall be the ultimate objective of the EU in line with international developments.

2003

- Adoption of the EU Savings Directive.

2005

- Implementation of the EU Savings Directive.

2009

- Endorsement of the OECD Standard of Exchange of Information upon request and amendment of its double taxation treaties.

2011

- Adoption of the Directive on Administrative Cooperation ensuring that OECD standard for the exchange of information on request is implemented by all EU member states.

2013

- Signature of the OECD Convention on Mutual Administrative Assistance in Tax Matters.
- Among the first participants to join the discussions about BEPS Action Plan endorsed by G20.

2014

- Introduction of mandatory automatic exchange of information.
- Signing of FATCA agreement with the USA.
- Early adopter of the OECD Common Reporting Standard (CRS).

2015

- Implementation of mandatory automatic exchange of information on savings income.
- Implementation of FATCA.
- EU agrees on the mandatory exchange of information on tax rulings.
- Luxembourg is rated as "largely compliant" by Global Forum and shares the same rating as the US, the UK, Germany, the Netherlands and Italy.
- Luxembourg makes the fight against tax evasion a priority of its EU Presidency.

2016

- Implementation of the OECD standard for automatic exchange of financial account information in tax matters.
- Signing of the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country reports, a key additional step towards transparency in tax matters at global level.

2018

- Implementation in national legislation of the Council Directive (EU) 2016/2258 with regard to the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.
- The EU Anti-Tax Avoidance Directive (ATAD1) is implemented in Luxembourg's tax law.

2019

- The EU Anti-Tax Avoidance Directive (ATAD2) is implemented in law.
- Entry into force in Luxembourg of the Multilateral Convention to implement Tax Treaty related Measures (MLI) to Prevent BEPS.
- Implementation of the 4th AML Directive into Luxembourg law requiring each Member State of the EU to establish Registers of Beneficial Owners (RBO) in respect of corporate and other legal entities incorporated within its territory.

EDMOND LIBENS,
LETZEBUERGER STAD BRAUEREI

NECTAR FROM LUXEMBOURG

THE ART OF MAKING OUTSTANDING DRINKS IS NOT JUST A MATTER OF HAVING THE RIGHT INGREDIENTS. EXTENSIVE KNOW-HOW, PASSION AND A RESPECT FOR HISTORY ARE TURNING MICROBREWERIES AND HAND-CRAFTED DRINKS INTO A THRIVING SCENE.

With a steady history of ambrosial nectars echoing back to the Celts, the Grand Duchy continues to produce numerous beers, wines, *eaux de vies* and liqueurs, including the Cassero, a blackcurrant liqueur distilled at the Beaufort Castle since 1930, or the sweet walnut liqueur produced in Vianden. Though famous for its traditional heritage tipples, Luxembourg is also home to a flourishing craft industry. Some of the country's more spirited players share their stories…

"I wouldn't say that the current trend is specifically just about beer, but it's more about home brewing and crafting."

EDMOND LIBENS

CONTINUING A LEGACY

"Everything started in 2007, when the microbrewery was installed in the old building of the Mousel brewery." Edmond Libens, director at Letzebuerger Stad Brauerei points to the sparkling new machinery. This tenth-generation brewer has revived the family business following the closure of the Mousel brewery in the 1990s. He's set on continuing the legacy and upholding their traditional values.

One year after the installation of the new facilities, an unfiltered pils called Clausel Gezwickelt was sold: *"Everything was first served in kegs. Due to rising demand, we then moved on to bottling and marketing our beers around the country, adding new types of beer - the Clausel Classic, a classical pils, Clausel Monk, a strong golden ale, and the Black Munster, a brown ale."* The name Clausel derives from the names Clausen (the district where it is brewed) and Mousel (the last beer brand brewed in the same brewery).

In addition to reviving the family tradition, Libens integrated a new distillery to the collection, including the first Luxembourgish vodka and gin under the noble name of Mansfeld: *"I wouldn't say that the current trend is specifically just about beer, but it's more about home brewing and crafting."*

The tradition of brewing beer dates back to 1511, making it a favourite amongst Luxembourgers for centuries. Since the 14th century, Luxembourg's breweries have risen and fallen. Having boasted a staggering 25 breweries at the beginning of last century, it ended with only three. The early 2000s saw a resurgence of several minor breweries, mostly local microbreweries producing craft beer.

Libens is firmly investing in the future. He is shortly launching "mini" cans, reflecting the size of the "mini" beer served in pubs (250 ml), ideal for summer picnics and in-flight service. The 'red lion of Luxembourg' can design was selected from a nationwide competition.

PUTTING LUXEMBOURG ON THE WORLD CIDER MAP

With cidermaking dying out fast in the Grand Duchy, Ramborn's mission to bring apple nectar production back began 5 years ago. Thousands of tonnes of fruit had been going to waste every year, reflecting a dearth of the craft since Roman times.

Ramborn was devised when three old friends were enjoying a summer holiday in the UK. Having had an epiphany that the art of cider-making had died out, they set about breathing new life into the traditional orchards of the region by bringing back this forgotten skill in Luxembourg.

ADIE KAYE, RAMBORN

"Over the last 100 years, the apple tree population diminished from 1.2 million to 120,000, representing 90 % that have just disappeared. We are working with farmers to help them plant more trees every year, to look after the trees they've got. […] Over the last few years it has been amazing to see the transformation of the nearby landscape."

ADIE KAYE

The name Ramborn represents two halves: a type of apple called Rambo, with an HQ located in Born. The distinctive red-striped variety is the main component of Ramborn's cider.

Ramborn operates from a converted 18th century farmhouse where parts of the farm had historically been dedicated to fermenting juice: *"For farms in Luxembourg, and in most of Europe for that matter, it has always been traditional to have fruit trees on your land; they provide shade for grazing livestock, and drink for your farm hands. When you have apple trees, you can press the juice, and over the course of the year you end up with cider,"* says Adie Kaye, president of products and marketing at Ramborn.

Ramborn works closely with around 150 regional farmers and wine producers to create their wide array of products, ranging from pure cider, to perries, to their sparkling Garden Quince: *"Over the last 100 years, the apple tree population diminished from 1.2 million to 120,000, representing 90% that have just disappeared. We are working with farmers to help them plant more trees every year, to look after the trees they've got. That's a little bit on the self motivated side. If you plant a tree, it won't be at full production for 20 to 30 years. Over the last few years it has been amazing to see the transformation of the nearby landscape."*

Kaye is particularly proud to be part of a team dedicated to the wider sustainability movement. When they are not ensuring that generations of the future have fruit, good soil, pollinators and water, they are busy putting Luxembourg's name on the world cider map, with Ramborn being regularly featured in the top 5 or 6 cider countries.

TEN GIN AFICIONADOS

Michel Rodenbourg was sitting together with a bunch of golf buddies over a drink one evening, when suddenly one of them asked out of the blue: "why don't we make our own gin?" The ten gin aficionados promptly set to work creating Ginix. The unusual name is a nod to one of the group's penchants for affectionately adding the suffix '-ix' after all his friend's names. Rodenbourg shares: *"I was always called Michix for example and the name of the cooperation is Guddix. Hence the motto Ginix Einfach Guddix."*

The Ginix team then entered a test phase in March 2015, *"One of the guys, Franz Feipel, was the only one with a credible back-*

ground in distillation. We started to play around, testing different gin recipes. It was not until the 16th or 17th recipe, that we said: that's it! We then made 100 bottles as it was never our intention to market it. Once we all shared bottles with our friends, everybody said: this is too good, you have to do something with it."

The group's efforts had led to a premium dry gin with 19 different botanicals, which according to Rodenbourg is rather more-ish: *"When you drink one glass, you want a second one"* and he's not taking any chances as *"the secret is well kept in a big safe."* On the process itself, he unravels some of the mystery: *"There are a couple of ways to make gin, we decided to distil rather than infuse it. The result is a finer and more delicate gin."*

On the topic of competition and hype, Rodenbourg is unphased: *"It makes life much more interesting, like a game. The landscape consists of professional distillers, young craft guys, and then you have the guys like us, who started just for fun and then it became a serious project."*

CC, LM

"The landscape consists of professional distillers, young craft guys, and then you have the guys like us, who started just for fun and then it became a serious project."

MICHEL RODENBOURG

MICHEL RODENBOURG, GINIX

SAVE THE DATE

2020
09.06

3RD SUSTAINABLE FINANCE FORUM

The 3rd edition of the Sustainable Forum, will be held in the presence of 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.

2020
16.06

PARIS 2020

On Tuesday, 16 June 2020, Luxembourg for Finance is organising a conference in Paris in partnership with l'Opinion honoured by the presence of HE Pierre Gramegna, Minister of Finance.

2020
20.10

TORONTO 2020

Luxembourg for Finance will host a seminar on Tuesday, 20 October 2020 in Toronto honoured by the presence of HE Pierre Gramegna.

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