



Association of British and Irish Accountants
in Luxembourg

2017 Professional Practice Update

“Investment Fund Industry”

1 March 2017, Luxembourg

Agenda

- 08:30 – 09:00** *Registration & breakfast*
- 09:00 – 09:05** **Chairperson's opening remarks**
Jason Rea, Chairperson, ABIAL
- 09:05 – 09:30** **State of the Luxembourg Investment Fund Industry**
Anouk Agnès, ALFI
- 09:30 – 10:00** **Fund distribution evolution**
Said Fihri, KPMG
- 10:00 – 10:30** **Legal & regulatory update**
Jérôme Wigny, Avocat, Elvinger Hoss Prussen
- 10:30 – 11:00** *Coffee Break*

Agenda

11:00 – 11:50 *Panel discussion incl. Q&A*

Brexit – practical implications and impact on fund industry

Moderator: Michael Ferguson, EY

*Panel: Johan Terblanche, Dechert
Johan Schreuder, Investec
Revel Wood, FundRock
Sandrine Leclercq, Deloitte*

11:50 – 12:20 **Tax Update**
Keith O'Donnell, ATOZ

12:20 – 12:30 **Chairperson's concluding remarks**
Jason Rea, Chairperson, ABIAL

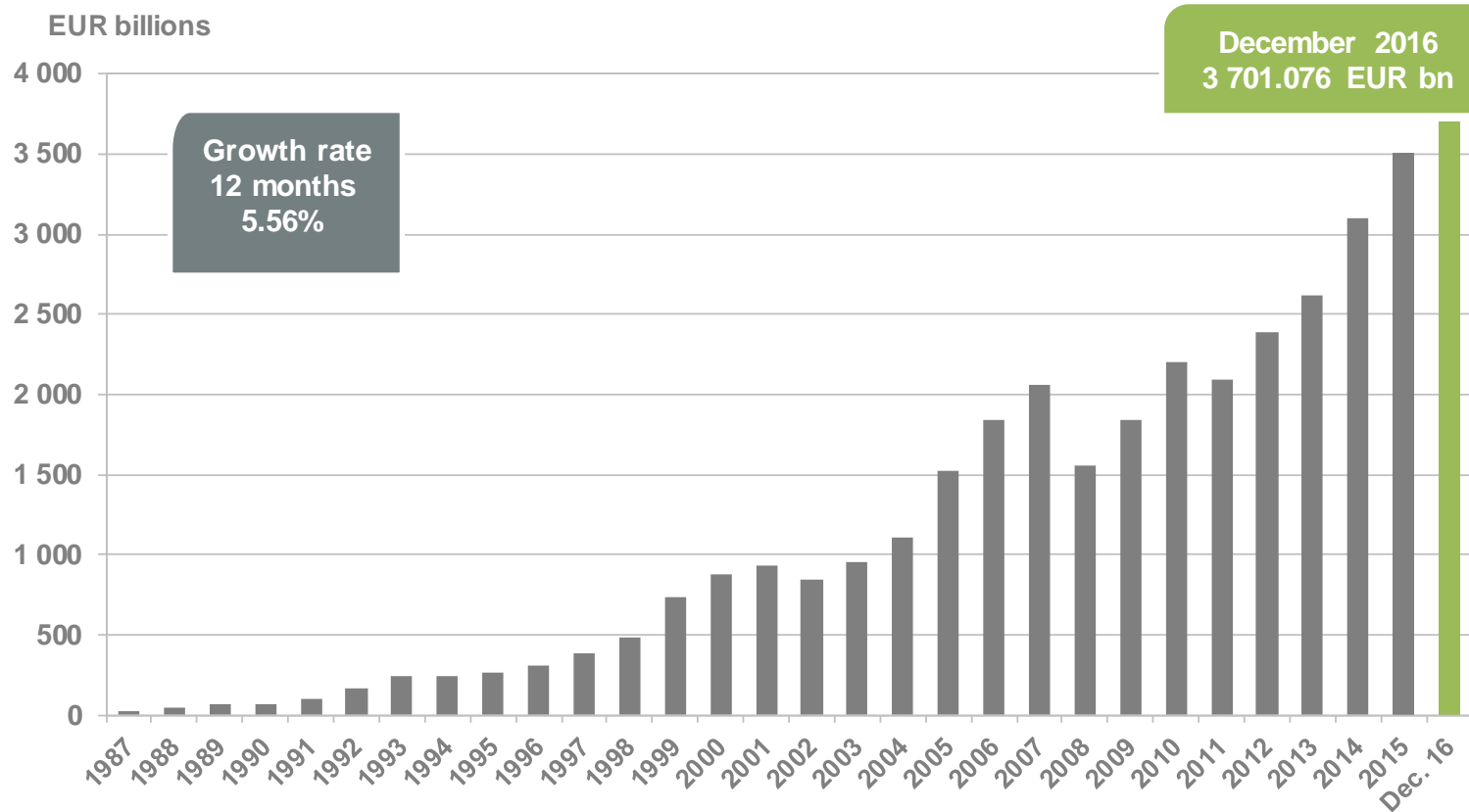
12:30 – 13:30 *Buffet Lunch*

State of the Luxembourg Investment Fund Industry

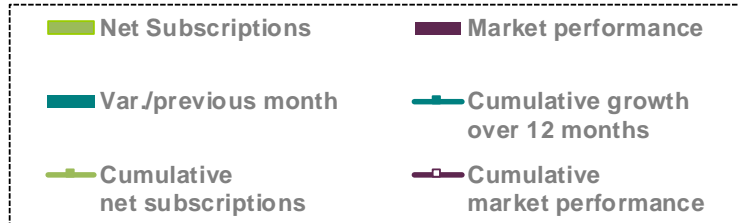
Anouk Agnès, ALFI

Luxembourg market

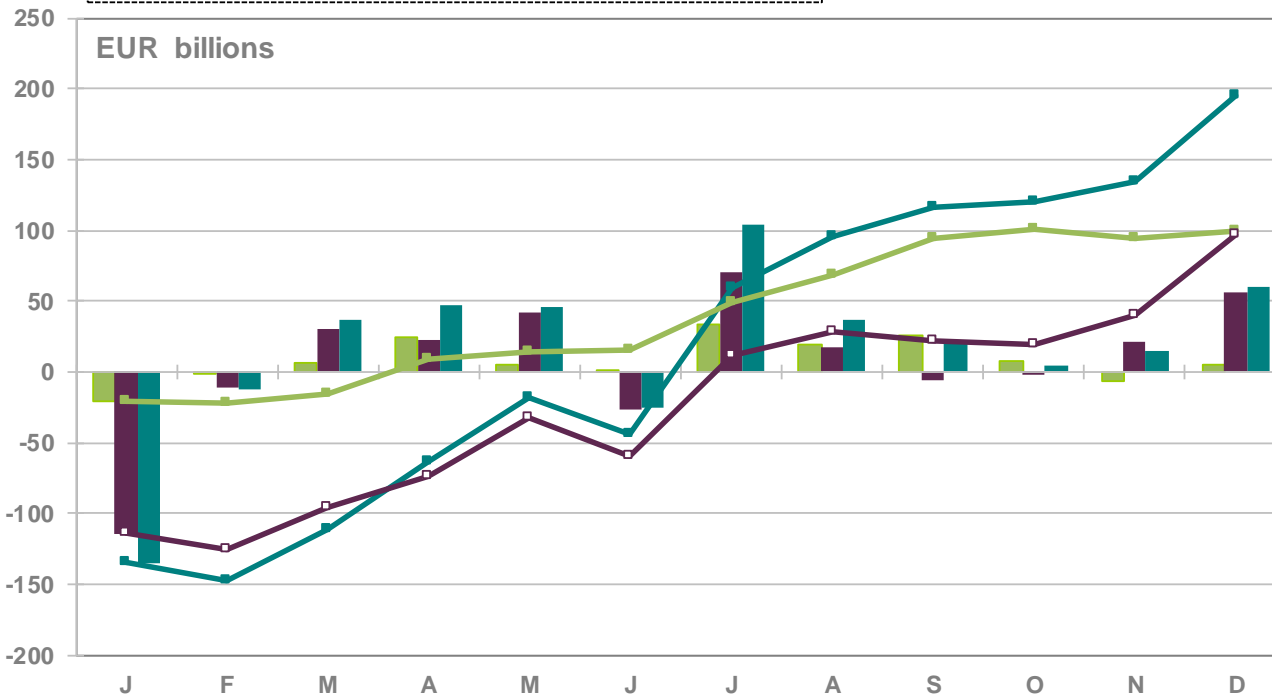
Net assets of Luxembourg domiciled UCIs



Luxembourg market



Components of net asset growth
Monthly evolution
over 12 months to date



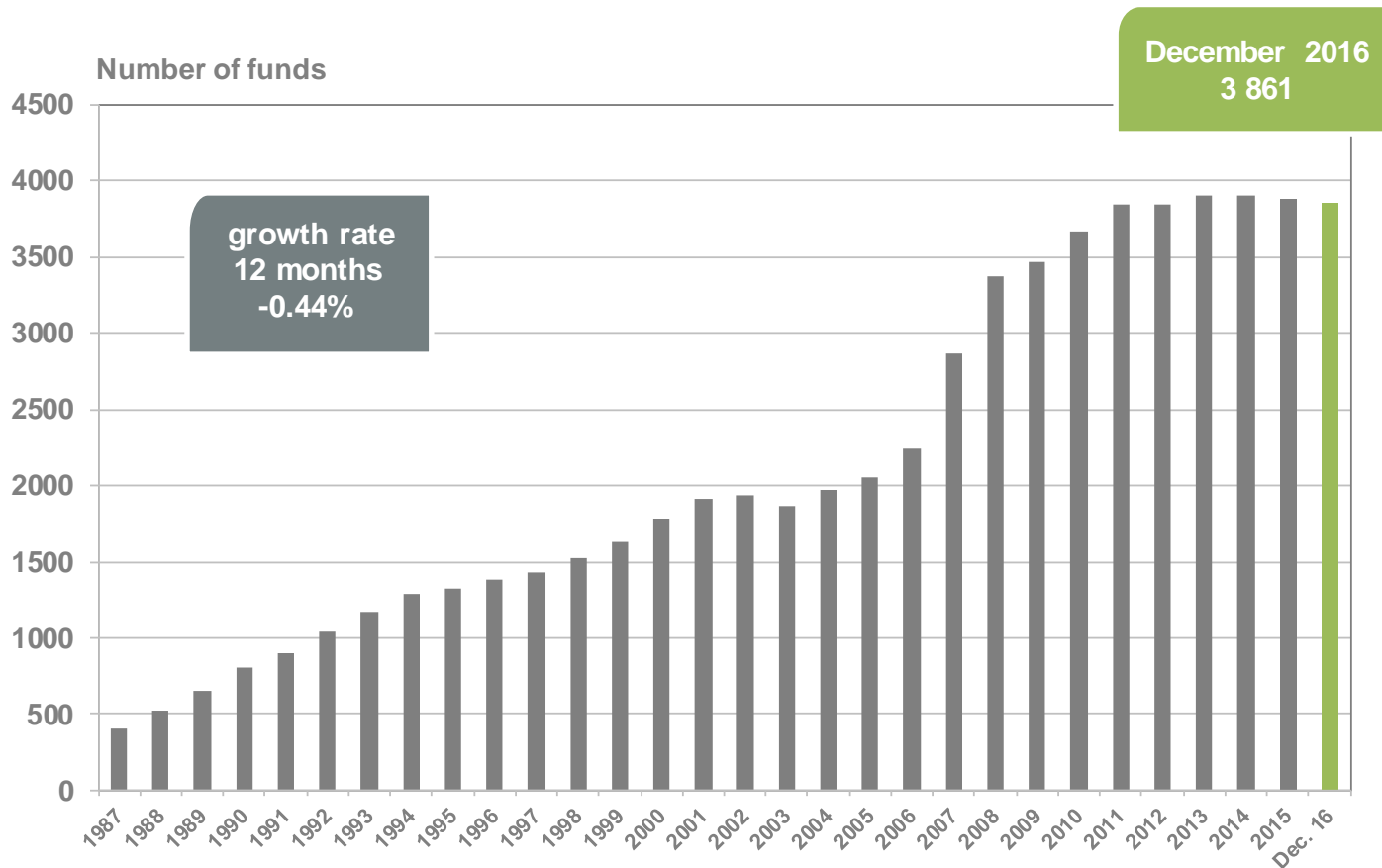
Growth 5,56%
194.88 Eur Bn

Market Performance (cumul)
96.13 Eur Bn

Net sales (cumul)
98.75 Eur Bn

Luxembourg market

Number of Luxembourg fund units



Luxembourg market

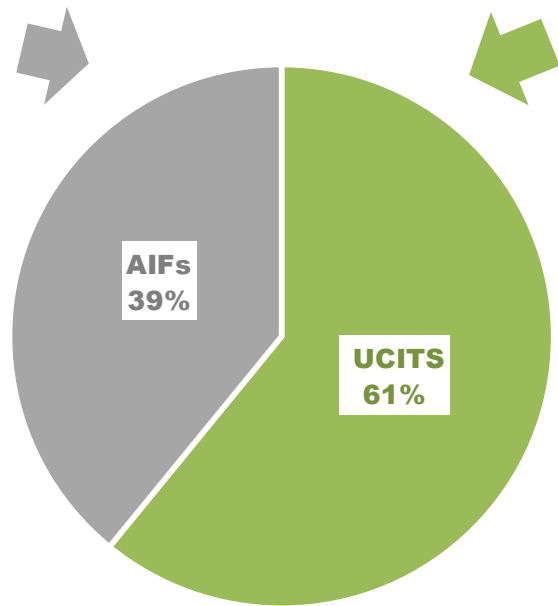
In a nutshell

	December 31, 2016		
	Funds	Fund units	Net Assets (EUR bn)
Total	3 861	14 211	3 701 .076
Part I (law 2010)	1 869	9 805	3 116 .104
Part II (law 2010)	353	937	160 .578
SIF (law 2007)	1 639	3 469	424 .394
Period	Change in net assets		
since the previous month	1.66%		
over 12 months	5.56%		
Number of share classes in December 2016	78 573		

Market share

Luxembourg accounts for 37% of UCITS assets as at September 30, 2016

<i>Top 4 countries AIFs market (in %)</i>	
Germany	28.5
France	17.8
Netherlands	14.1
Luxembourg	10.7
Others	29.0
Total AIFs	EUR 5357 bn



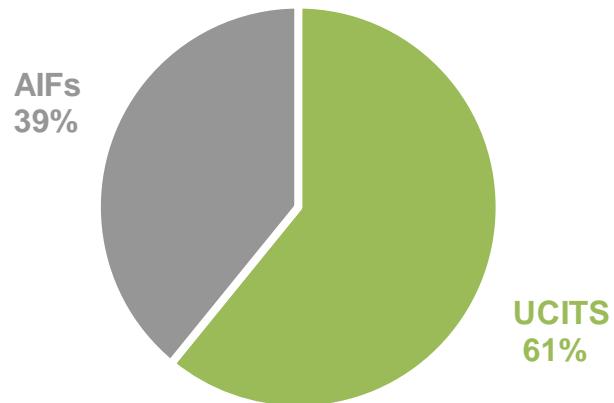
<i>Top 4 countries UCITS market (in %)</i>	
Luxembourg	36.6
Ireland	17.4
United Kingdom	12.6
France	9.3
Others	24.2
Total UCITS	EUR 8345 bn

European UCIs = EUR 13702 bn

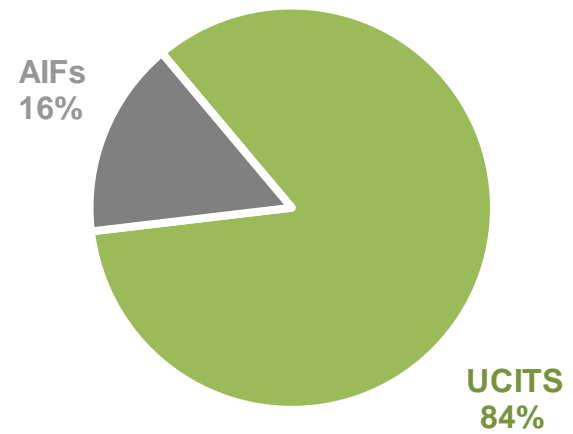
Market share

Asset Allocation

Europe



Luxembourg



European market

UCITS & AIFs

Country	Total assets under management € millions	Market share in %
Luxembourg	3 621 929	26.4
Ireland	1 944 220	14.2
Germany	1 839 003	13.4
France	1 729 240	12.6
United Kingdom	1 416 335	10.3
Netherlands	792 094	5.8
Switzerland	533 373	3.9
Sweden	286 515	2.1
Italy	285 189	2.1
Denmark	269 139	2.0
Others	984 634	7.2
Total	13 701 671	100.0

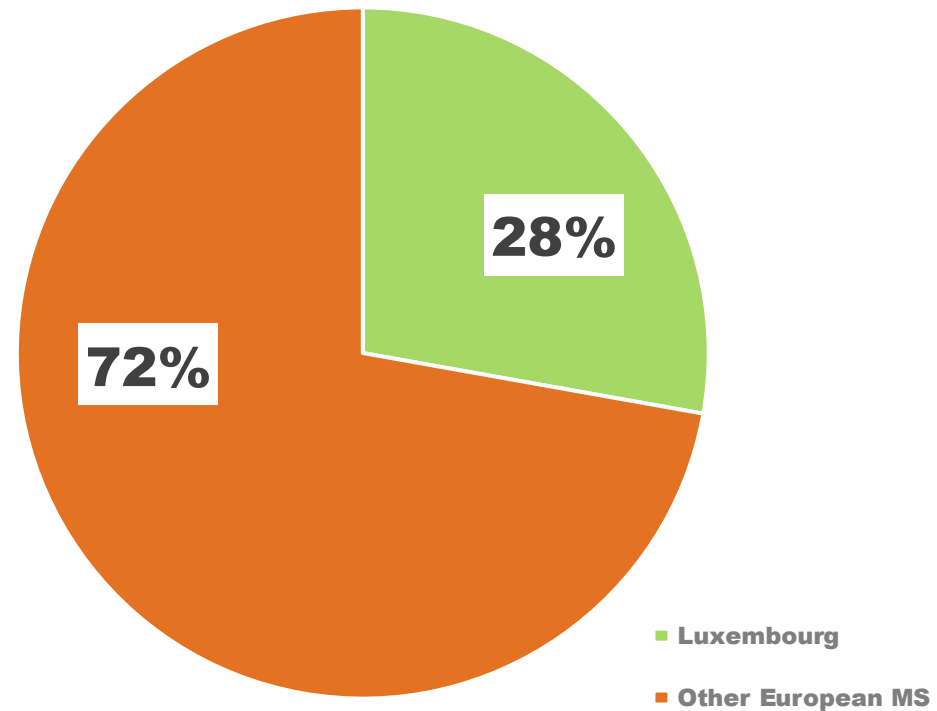
UCITS

Country	Total assets under management € millions	Market share in %
Luxembourg	3 051 016	36.6
Ireland	1 448 847	17.4
United Kingdom	1 049 932	12.6
France	774 880	9.3
Switzerland	433 088	5.2
Germany	314 953	3.8
Sweden	264 969	3.2
Italy	230 996	2.8
Spain	187 993	2.3
Denmark	112 350	1.3
Others	476 094	5.7
Total	8 345 118	100.0

Net sales in Europe

Net sales Q1-Q3/2016 – UCITS & AIFs

TOTAL in EUR bn	337	100%
Luxembourg	94	28%
Other European MS	243	72%





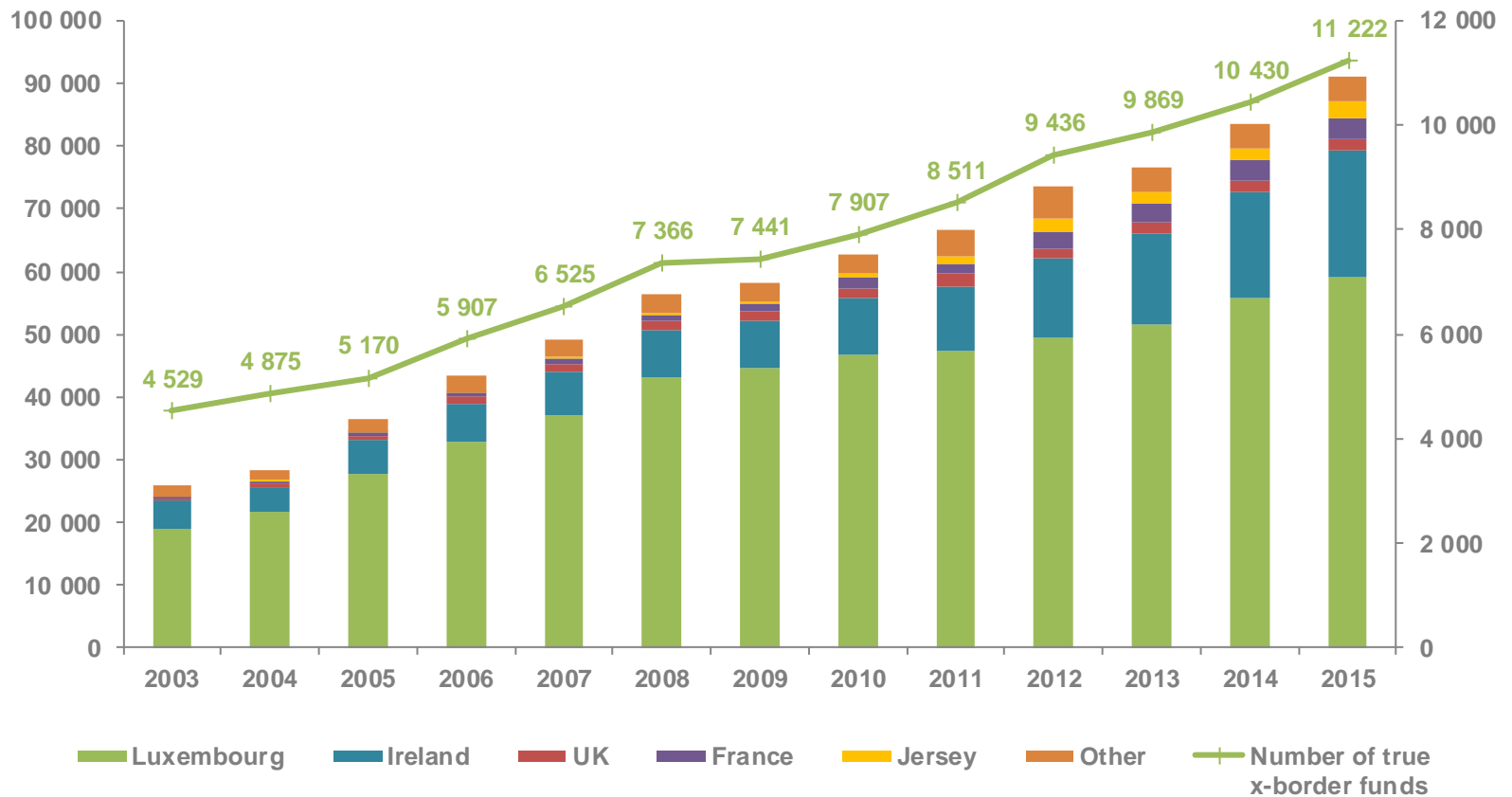
2.

**Three pillars of the Luxembourg
Fund Industry**

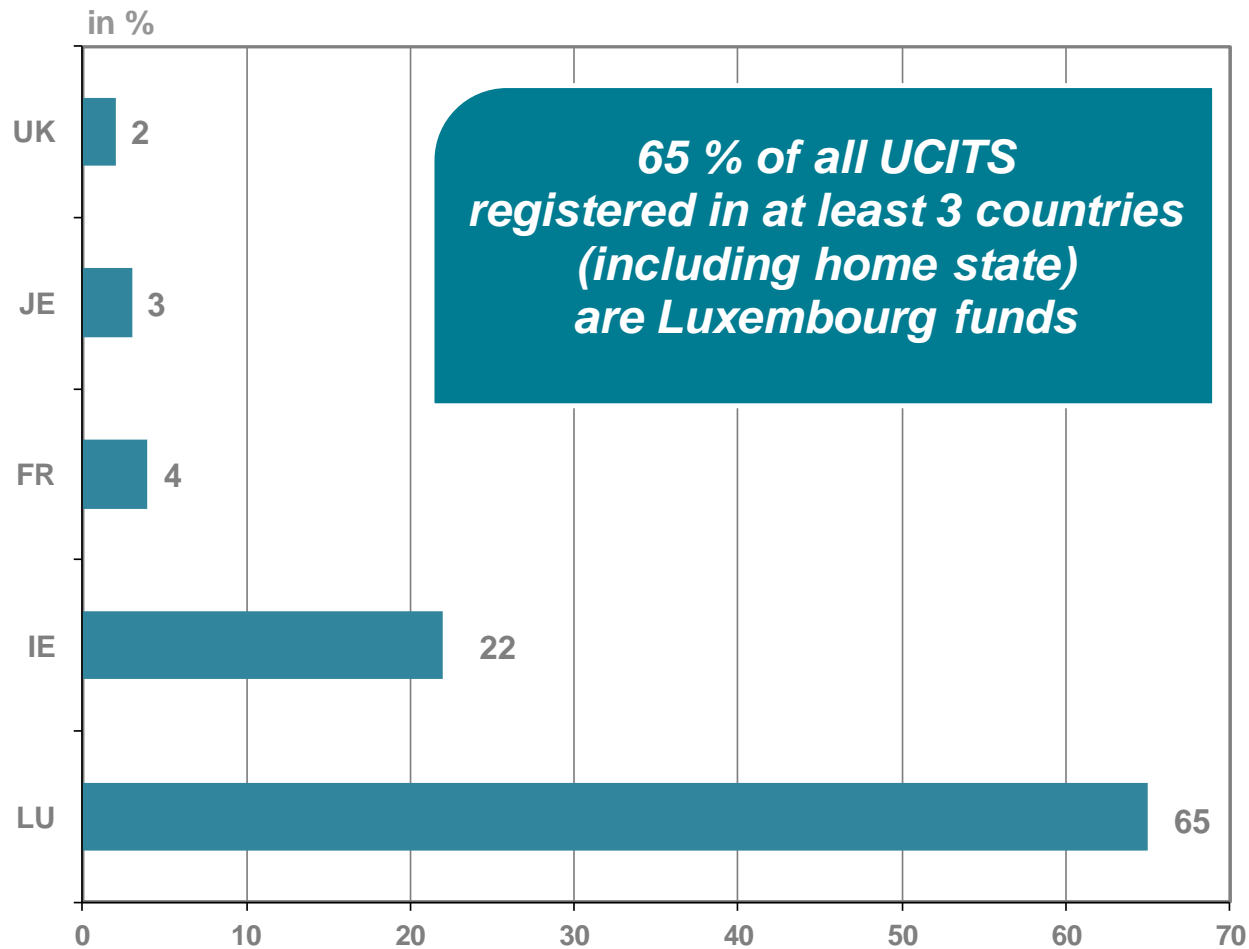
Cross-border fund distribution

Number of cross-border registrations

Number of cross-border funds

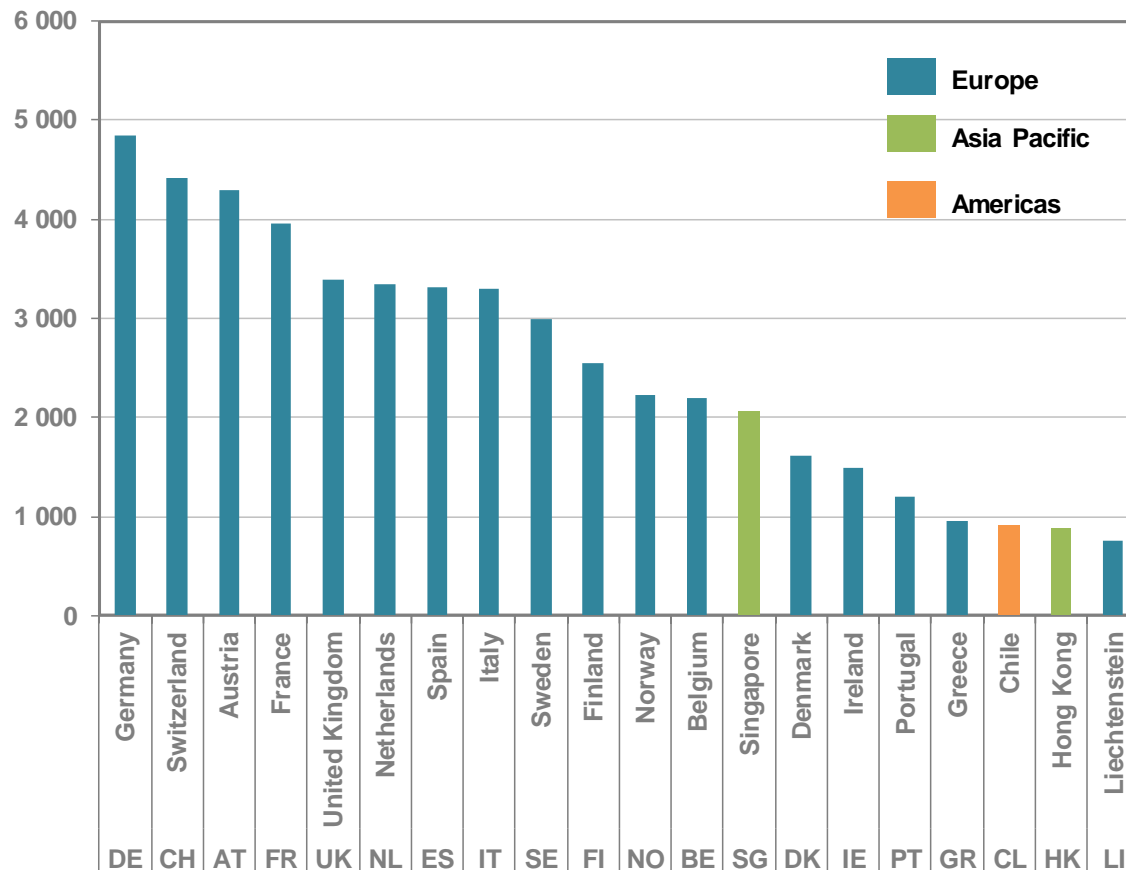


Cross-border fund distribution



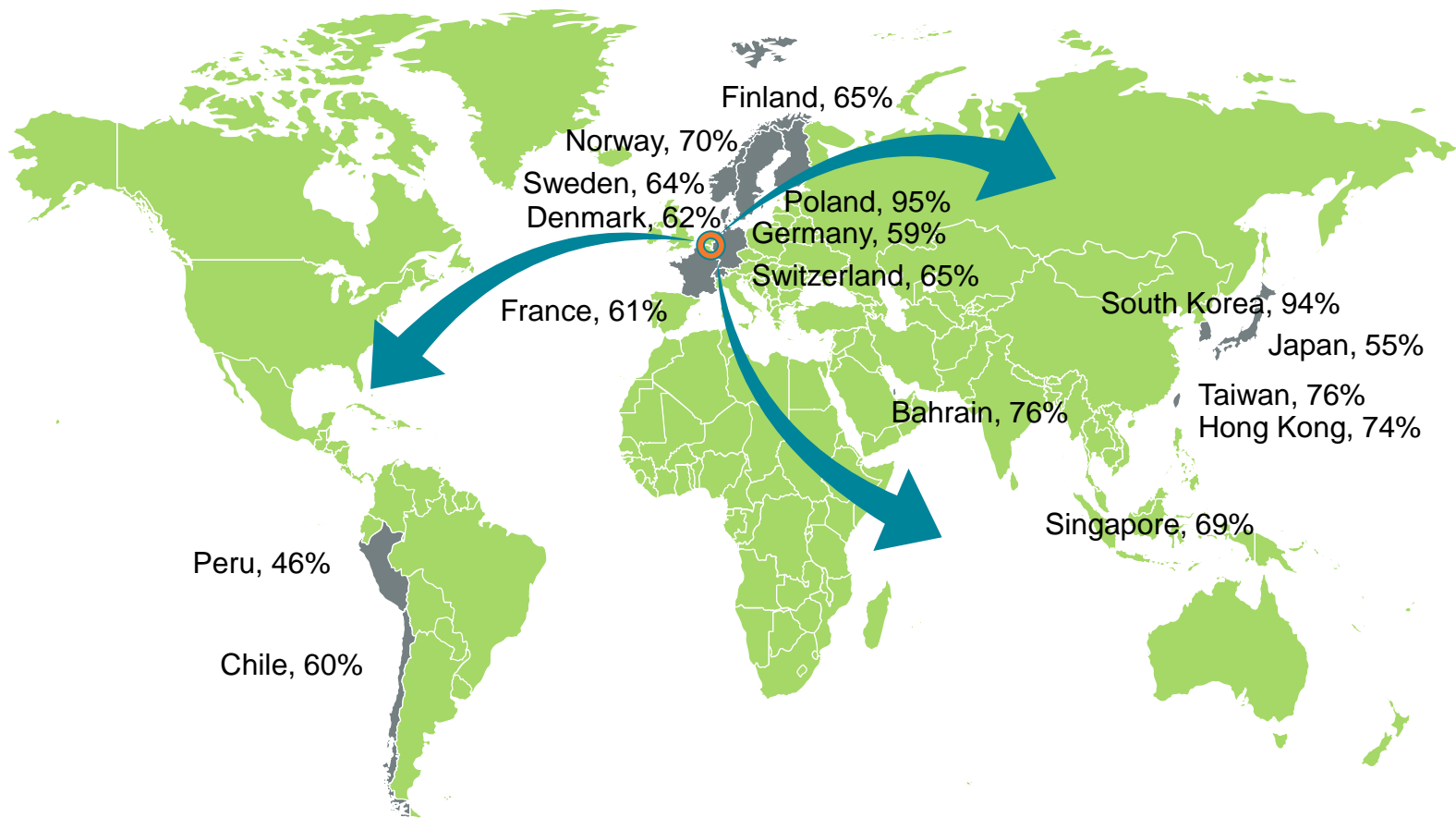
Cross-border fund distribution

Principal markets for distribution of Luxembourg investment funds *(in terms of the number of registrations)*



Cross-border fund distribution

Luxembourg market share of foreign cross-border funds registered for sale

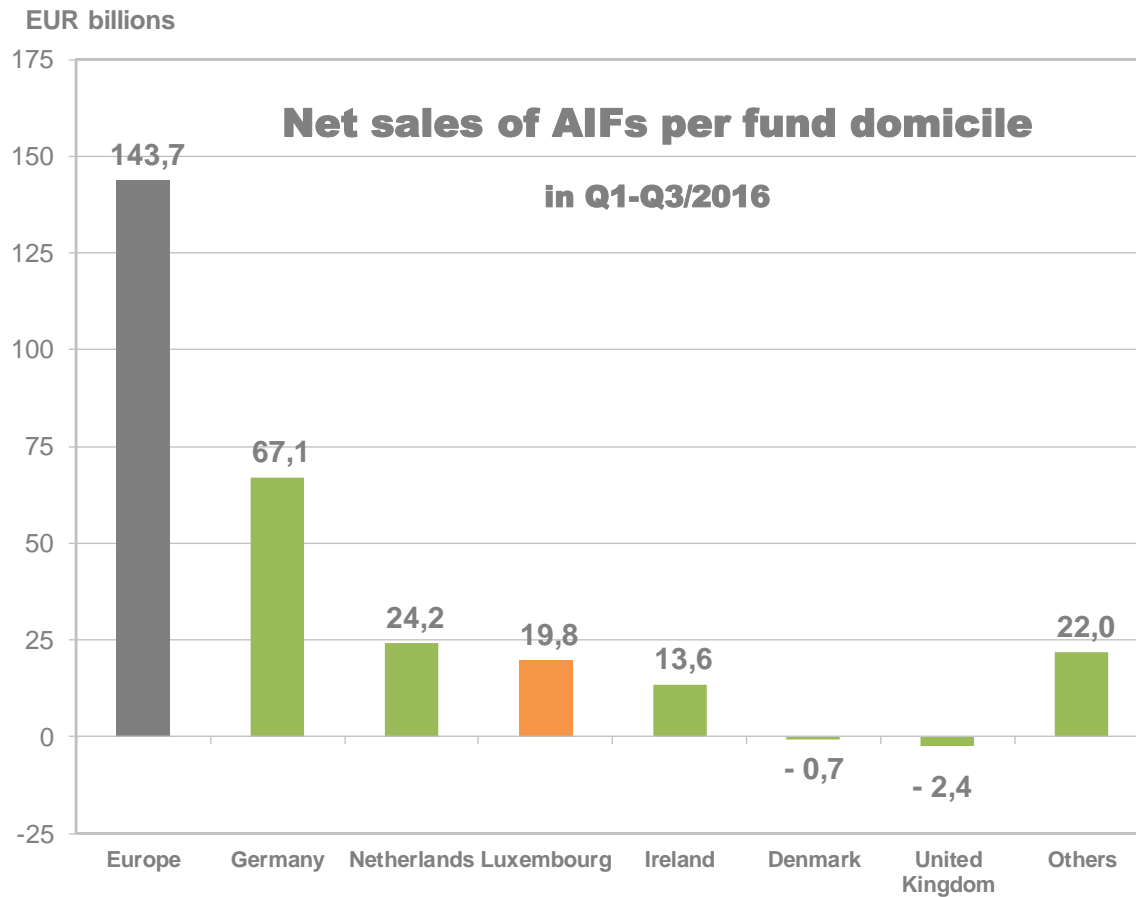


AIFMs

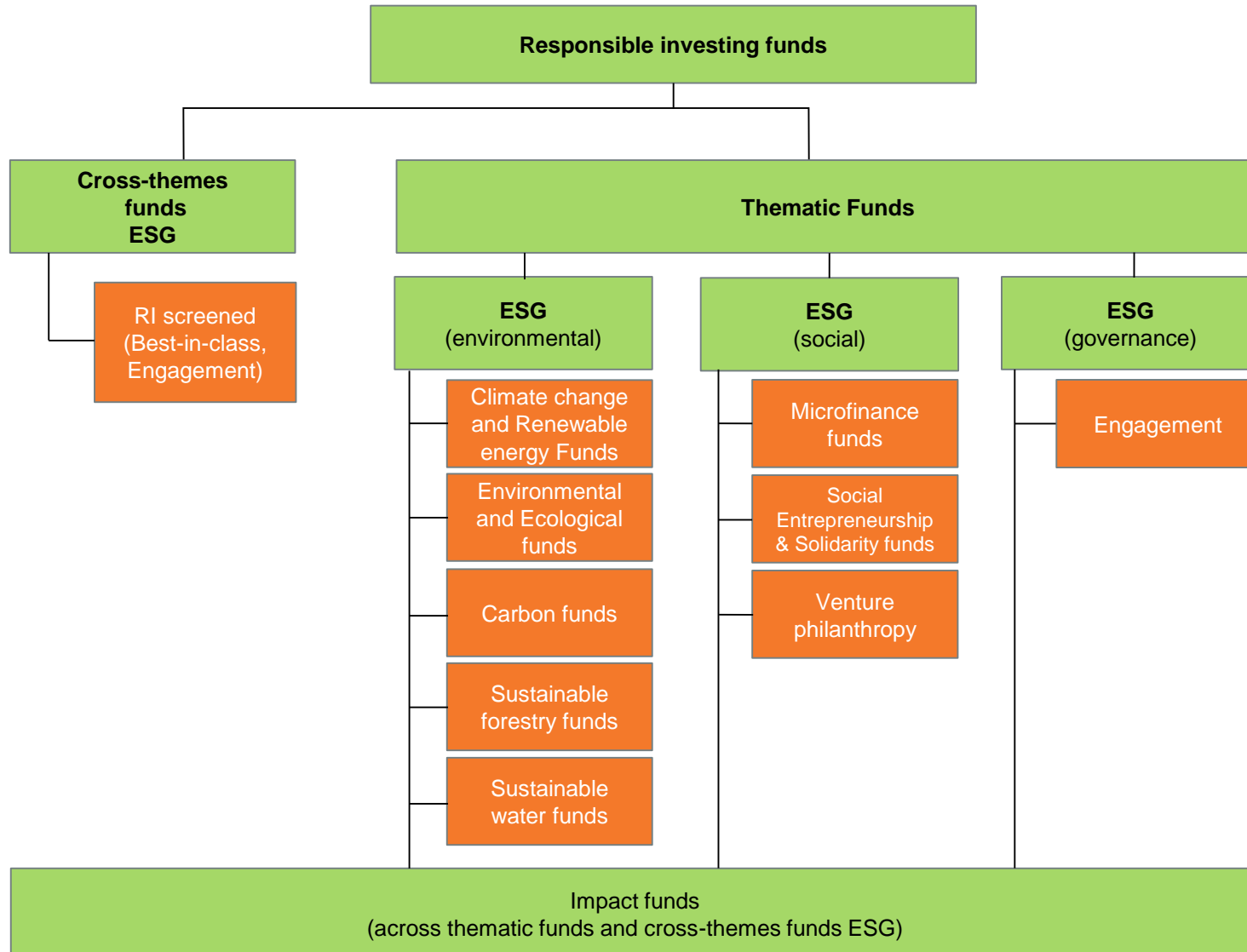


Number of AIFMs	840
• Authorized AIFMs	235
• Registered AIFMs	605
Number of Special Limited Partnerships	1297

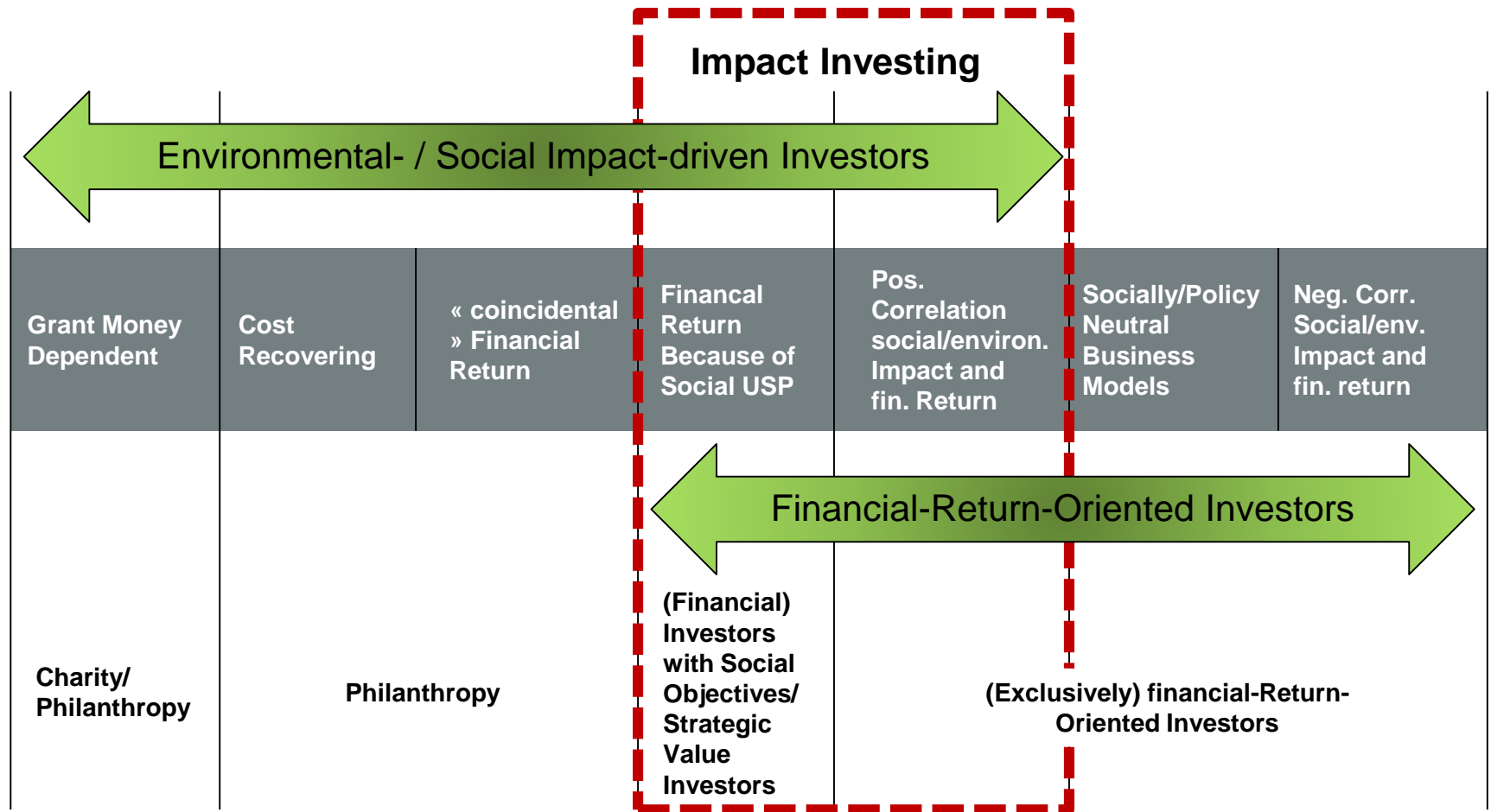
Net sales of AIFs



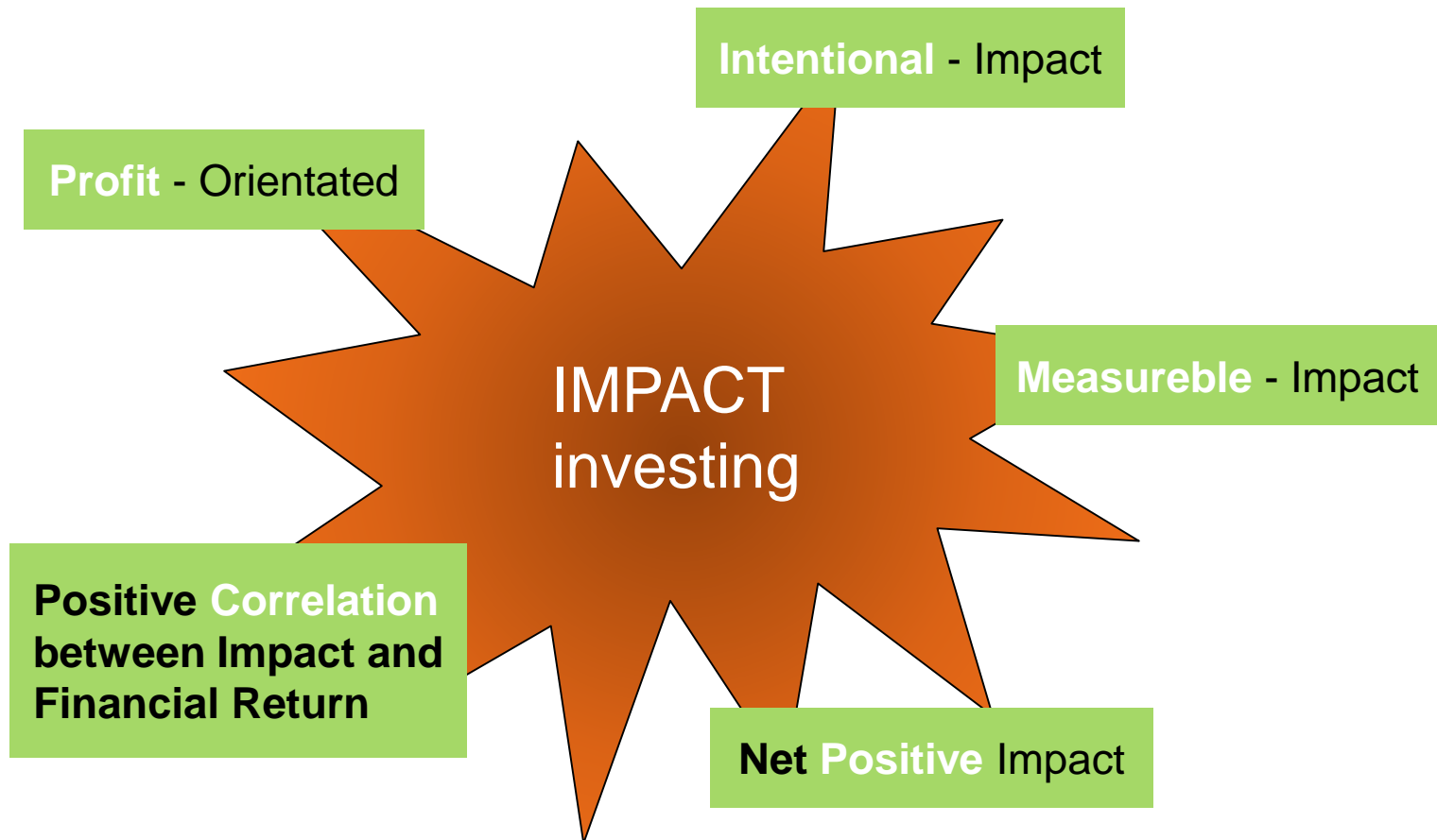
Responsible Investing (RI) funds themes



The boundaries of « mission-related finance »



Impact Investing – what it is and what it is not



Impact Investing – what it is and what it is not

« Traditional » Investing		Impact Investing
Yes	Profit - Orientated	Yes
Possibly	Positive Correlation between Impact and Financial Return	Yes
No	Intentional Impact	Yes
No	Measureable Impact	Yes
Possibly	Net Positive Impact	Yes

Impact investing is instrument-agnostic but...

Private Equity

- Most suited for impact investing because of extensive control and decisions rights for private equity investors

Public Equity

- Most difficult approach to impact investing because of lack of influence of small scale investors (origin of Active Shareholders Movement)

Debt Instruments

- Impact investing strongly present in microcredit activities
- Impact investing accessible for traditional debt but need for project-finance-type of covenants



3.

Current priorities

ALFI 2020 ambition: serving the interests of investors and the economy



ALFI's key objectives:

- **Promote practices that align the interests of investors and industry**
- **Articulate the essential role of investment funds for the global economy**
- **Connect investors with worldwide market opportunities**
- **Ensure Luxembourg remains the fund centre of choice for asset managers**
- **Stimulate innovation, research, education and talent development**

The way forward

**Legal
toolbox**

- LPs
- RAIF

BREXIT

**Ongoing
regulatory
agenda**

- MiFID II
- PRIIPs
- CMU
- BEPS

**Macro drivers
affecting the
asset
management
industry**

- Growing middle class
- Infrastructure needs
- Alternative and “passive on the rise
- Pressure on margins
- Pension funds deficits
- Digitalization

**X-border
distribution**

Diversification

- Climate Finance...

New frontiers

- **Brasil**
 - **CVM has extended the limits for overseas investment:**
 - a) Equity and fixed-income funds for retail investors: the limit has doubled to 20%;
 - b) Multimarket funds (hedge funds): the limit is kept the same at 20%;
 - c) Funds exclusively designed for qualified investors: the upper limit is set at 40% but can reach 100% if certain rules are observed.
 - d) Funds exclusively designed for professional investors: there is no limit.

- **Philippines**
 - Set of rules drafted by the SEC to allow fund houses to offer feeder funds in order to follow the Southeast Asian market trends (Thailand, i.e)
 - Should act as a catalyst for growth and allow fund houses to diversify their range of foreign-invested funds
 - Central bank of Philippines also created a task force to allow the investment possibilities by their UITFs in derivatives (only allow for hedging purposes at this point).

New frontiers

- **Australia**
 - ALFI has negotiated an exemption from the obligation to hold an Australian financial services (AFS) licence to provide financial services in Australia. The exemption applies to Chapter 15 Management Companies and Self-Managed SICAVs regulated by the CSSF.
 - This relief will enable Australia's institutional investors, including superannuation funds (pension funds), to get easier access to Luxembourg UCITS.
 - The Australian regulator (ASIC) can exempt a foreign financial services provider from the requirement to hold a licence on the twofold condition that the financial services are provided to wholesale (institutional) clients only and that these financial services are regulated by an overseas regulatory authority.
 - The regulatory regime overseen by the relevant overseas regulatory authority needs to be 'sufficiently equivalent' to the Australian regulatory regime and effective cooperation arrangements must also exist before relief is granted.
 - ASIC and the CSSF have therefore signed an MoU on mutual cooperation and the exchange of information related to the supervision of regulated entities in September 2013.

One among many stakeholders



ALFI Upcoming events

Date

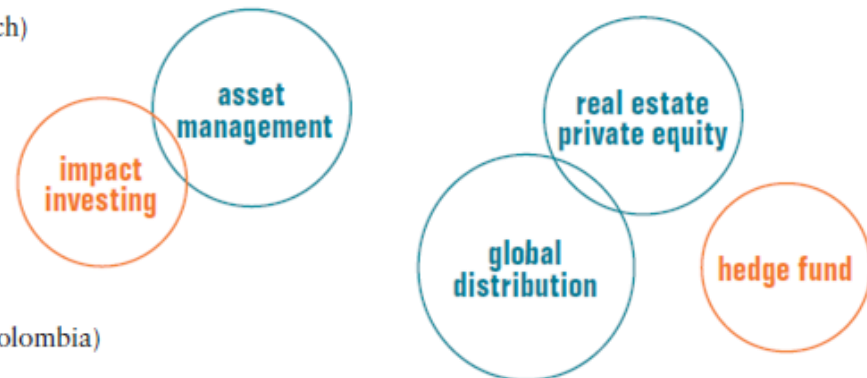
21-22 March	European Asset Management Conference NEW
26 April	Impact Investing Conference - <i>focus on climate finance</i>
31 May	Risk Management Conference
19-20 September	Global Distribution Conference
20 November	Hedge Fund Forum NEW
21-22 November	Private Equity and Real Estate Conference NEW
30 November	TA and Distribution Forum

Date

10-14 March	Singapore and Australia Roadshow (with LFF)
May	U.S. Roadshow (New York and Greenwich)
22-23 May	London Cocktail and Conference
21 June	Frankfurt Roadshow
16-19 October	U.S. Roadshow
October	London Leading Edge Conference
9-10 November	Switzerland Roadshow
December	Latin America Roadshow (Chile, Peru, Colombia)

ALFI conferences in Luxembourg

ALFI Roadshows (conferences abroad)



MiFID II

Proposed amendments to the Markets in Financial Instruments Directive (MiFID)

- MiFID is a framework for investment services and financial activities in the EU. It includes protection rules for the investors and operating rules for trading venues
- Transposition in national legislation by July 2017, entry into force in January 2018
- From a fund distribution perspective, two major impacts:
 - Retrocessions and trailers fees (“inducements”) to independent distributors no longer permitted
 - Product manufacturers (management companies) must define the target markets and types of investors to whom funds will be distributed
- Impact on open architecture?
- New distribution channels ? Robo advice, passive funds and ETFs, direct distribution by asset managers

MiFID II

Ban on Inducements

1. Definition

“Any fee, commission paid or received by an investment firm or any monetary or non-monetary benefit provided or being provided in connection with the provision of an investment service or an ancillary service, to or by any party except the client or a person acting on behalf of the client”.

2. Independent Advice → No Inducement Permitted

When providing portfolio management or investment advice on an independent basis, the investment firm shall not accept and retain any monetary or non-monetary benefits except minor non-monetary benefits.

3. Dependent Advisers → Inducements Permitted under Condition

(...) “It enhances the quality of services for investors and they do not impair compliance with the investment firm’s duty to act honestly, fairly and professionally in accordance with the best interest of its clients”

MiFID II Target Market: 6 Criteria



PRIIPs

Proposed Regulation of the European Parliament and Council on Key Information Documents for Packaged Retail Investment Products

- In essence, PRIIPs is a laudable initiative. Aim is to extend the concept of the UCITS KIID to all 'packaged retail products', in order to create a level playing field in terms of product disclosures and to facilitate comparability between competing products, allowing retail investors to make better informed investment decisions
- The proposals focus on product disclosures and sales processes for all packaged retail investment products
- The Commission considers that the 'Key Investor Information Document' (KIID), agreed for UCITS forms a good benchmark for other packaged retail investment products
- PRIIPs scope includes the following products: investment funds (both UCITS and non-UCITS funds sold to retail investors), certain insurance products (investment based insurance products) and certain banking products (structured products in particular)
- When?
 - AIFs/ non-UCITS, structured products, insurance products: January 2018
 - UCITS: KIID replaced by PRIIPs in January 2020

