

LUXEMBOURG REPORT

PE AND VC:
GROWTH OPPORTUNITIES
IN LUXEMBOURG

TALENT:
THE NEED FOR
TRAINING SOLUTIONS

REGULATIONS:
NEW REFORMS BOOST
LUXEMBOURG'S APPEAL

FEATURING
ALTER DOMUS, ALFI, AKD, MAPLES, CSC, RFA, GSK STOCKMANN, LPEA & OCORIAN

LUXEMBOURG LOOKS TO THE FUTURE

OFFERING FUND MANAGERS QUALITY SUPERVISION,
CONVENIENCE AND EXPERTISE

BY ROBIN PAGNAMENTA

If any jurisdiction can claim to be the home of the global fund industry, it is Luxembourg. The Grand Duchy is the second largest investment fund centre worldwide and the first in Europe, with an 8.8 per cent global market share in 2020 and is a prime location for alternative investment funds.

Yves Cheret, managing director of fund administration in CSC's Luxembourg office comments: "I think that, over time, the investment fund business in Luxembourg will become known as the US is known."

Luxembourg's attraction for fund managers is based on its political, financial, and political stability which fosters a culture of investor protection with strong support from the Commission du Surveillance du Secteur Financier (CSSF); a culture of innovation, with Luxembourg an early mover to support trends including environmental and social governance (ESG) demand; and a 'luxemburgish toolbox' for asset managers including the common limited partnership (SCS) and the special limited partnership (SCSp).

The jurisdiction's particular strength is in alternative investment says. Pierre Mifsud, managing director of depositary services: "For the last 10 years, if someone wants to launch an alternative investment fund, Luxembourg has been their first port of call. It is its own complete ecosystem – the service providers, the law firms, everything they need is here."

FIRST MOVER ADVANTAGE

Apart from the convenience factor of Luxembourg's geographical position for European alternative investment managers, the latest boom in popularity dates back to the 2013 AIFM Directive governing the supervision of alternative investment funds in the EU. Luxembourg was one of the first countries to implement the directive, which required funds to register with local regulators to manage or distribute their funds, giving it a clear advantage over rival centres such as Dublin and the UK.

Cheret comments: "Luxembourg has always been used to handling cross-border transactions and that is exactly what we see with the AIFM. Alternative investment funds have investments and investors outside of Luxembourg, so the fund is sold and distributed cross-border."

Luxembourg was also ideally placed to take advantage of opportunities offered by Brexit, Cheret adds. "Major UK private equity firms needed to use Luxembourg to ensure continuity for their business models post-Brexit, creating teams for the distribution business and offering a point of contact for investors," he says. While they continue to work closely with the installation management teams in the UK, official communication to investors is coming from Luxembourg, he adds.

Indeed, Luxembourg's relative stability is a major factor in its popularity with alternative investment funds, with a settled political and economic landscape, a cross-border approach through the international profile of its workers, and proper supervision of the industry.

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Yves Cheret managing director of Fund administration,
CSC Global Financial Markets

THE IMPORTANCE OF SUPERVISION

Luxembourg places great emphasis on the proper supervision of the industry, according to Mifsud, a reputation that regulators are keen to maintain and which places certain requirements on fund managers and service providers alike.

“Know Your Customer (KYC) is crucial,” he says. “As per the law, we are obliged to perform a full KYC analysis as part of central administration to ensure that funds coming from investors are clean.”

“The Luxembourg regulator is very sensitive to this because of systemic risk. If you were injecting money from corruption, or worse, from terrorism, that would hugely impact Luxembourg’s reputation,” Mifsud adds.

A BESPOKE SERVICE MODEL

CSC is a family-owned US firm headquartered in Delaware offering fund administration and depositary services to alternative investment funds in Luxembourg and across the world. It provides global solutions for managers engaging in private equity, real estate, venture capital, private debt, funds of funds, and other alternative investment strategies.

The company offers its clients a bespoke service model and prides itself on unrivalled service quality underpinned by the stability of experienced staff, together with a strong and common corporate culture throughout the different jurisdictions. And, their proprietary, best in class technology tools are integrated directly into the business process for greater client efficiencies and flexibility.

Mifsud says: “What makes CSC unique is that we have developed technology internally

so it is part of the business, and we can continue to develop tools internally. We rely on powerful IT tools to gain efficiency and flexibility.”

Whether an asset manager is launching a new fund, considering outsourcing or contemplating an alternative to their current third-party provider, CSC aims to be a global partner with a local perspective. The team works closely with clients to provide a cohesive offering across markets, fund structures, and asset types, with services including accounting, corporate secretarial, special purpose vehicle management, regulatory compliance and investor reporting.

Mifsud concludes: “Our image is very competitive. We work for our clients at the end of the day.” ■



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