



THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

PRIVATE EQUITY IN LUXEMBOURG

Your guide to set up and manage your Private Equity and
Venture Capital structure in Luxembourg



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ABOUT LPEA

The Luxembourg Private Equity and Venture Capital Association (LPEA) is the representative body of private equity and venture capital practitioners with a presence in Luxembourg.

With over 250 members, LPEA plays a leading role locally and actively promotes PE and VC in Luxembourg.

LPEA is the go-to platform for PE and VC investors and advisers, with a focus on the latest trends in the industry. International by nature, it allows members to discuss and exchange while learning via workshops and networking events held on a regular basis and often with distinguished partners.

CONTENTS

Foreword by the CEO of LPEA and
Message from the Minister of Finance

1. Executive Summary
2. Luxembourg – a Conducive Environment to the development of private equity
3. The LPEA GP Survey
4. Private Capital – Legal Framework
5. Private Debt
6. The Luxembourg Tax Environment
7. Accounting Framework for Luxembourg PE Vehicles
8. The Alternative Investment Fund Managers Directive (AIFMD)
9. The Regulations on European Venture Capital Funds (EuVECA)
10. Regime for European Long-Term Investment Funds (ELTIF)
11. Private Equity Services Provision
12. How to Set Up a Private Equity Fund in Luxembourg

Appendix 1: Double Tax Treaty Network

Appendix 2: Glossary

Appendix 3: Useful References

Appendix 4: LPEA Members



Foreword by the CEO of LPEA

At the heart of Luxembourg's success as an international PE hub lies the ability to reconcile long-term stability with short-term adaptability. Since the last edition of this brochure (November 2016), the most notable development is the tremendous success of the RAIF, the latest addition to our Luxembourg toolbox, which has attracted investors of all types to launch investment vehicles out of Luxembourg. This is to be seen in the perspective of the gradual shift towards dealmaking substance in Luxembourg-based structures, as driven by more stringent OECD requirements. PE in Luxembourg thus employs a several thousand people today, some of whom are middle or front office positions."

In practice, this ability to combine stability and agility means that PE investors who elect Luxembourg as a domicile for their structure and/or teams, be they GPs, LPs or Family Offices, are able to:

- Choose from a wide range of legal entities, to suit their AuM size, strategy and end investor base
- Work from an EU-compliant jurisdiction that stays abreast of the latest legal and tax developments
- Benefit from the support of public stakeholders who are well aware of the strategic importance of our industry for the local economy
- Get support from a professional and international pool of advisers who are able to work in different languages, all physically present in Luxembourg.

Our growing base of members, especially GPs and LPs, is a demonstration of Luxembourg's dynamism as a PE hub that can cater to a wide range of needs. With over 250 members, 50% of whom are end investors, LPEA also offers a great exchange platform for newcomers to Luxembourg - and intends to continue its work as "thought leader" and "matchmaker" between talent and money.

Rajaa Mekouar-Schneider

Message from the Minister of Finance of Luxembourg

Private equity continues to grow in popularity as an asset class. Searching for yield in a low-interest rate environment and looking for more consistent returns, many institutional investors are increasing their allocations to alternative asset classes. Over the past five years, the industry has had to adapt to a regulatory and tax environment, driven by BEPS and regulations such as AIFMD in Europe, and has been impacted by Brexit.

Luxembourg did not wish for Brexit and regrets seeing the UK leave the European Union. However, for Luxembourg's financial centre, the prospect of Brexit has so far also been a "real-live test" of the country's attractiveness as a pan-European hub for financial services. More than half of the 60 firms relocating activities or strengthening existing operations in Luxembourg as a result of Brexit are from the asset management industry, including private equity firms and alternative fund managers.

In fact, Luxembourg continues to stand out as a highly stable, open but also reliable partner in the heart of the European Union and the euro area.

Very few nations have such a long tradition of openness and stability and Luxembourg's AAA rating is a key asset for global financial institutions and asset managers as well as their investors, bolstering their confidence in Luxembourg.

In a changing global tax environment, Luxembourg has proactively embraced the latest principles put forward by the OECD and G20, and is committed to maintaining a competitive tax regime within this new international landscape. This has been welcomed by financial players and institutional investors, who are increasingly insisting on regulated onshore jurisdictions like Luxembourg. Today investors and financial players consider Luxembourg as a leading jurisdiction when it comes to transparency and compliance but also for sustainability.

While it is widely known as being home to the world's second largest fund industry and a prime location for international wealth management, Luxembourg has also further consolidated its position as a leading European hub for the PE/VC industry, having seen increased diversification of fund managers and specialisation.

The world's top 19 Private Equity players today have operations in Luxembourg and 9 out of 12 top PE players have substantially reinforced their presence in Luxembourg over the last couple of years. The whole sector now counts thousands of PE/VC professionals and represents EUR 400 billion of assets under management.



As the success of the Reserved Alternative Investment Fund (RAIF) and the limited partnership regime have shown, the government can play a key role in establishing a conducive environment for the growth of the PE/VC and alternative fund industry.

The government is committed to continue developing this important growth sector, and has identified it as a key priority in the coalition agreement.

At the European level, the strengthening and further completion of the European Single Market for financial services as well as the European Capital Markets Union will be beneficial for the development of Luxembourg's PE/VC sector. The EU will need to continue breaking down regulatory as well as digital barriers in order to increase its attractiveness and compete globally with the US and China, which are already home to the world's tech and Fintech giants as well as the leading VC firms.

Finally, I would like to underline that the strong support of the LPEA and its 220 members have contributed greatly to the success of the Luxembourg PE/VC industry. I encourage them to continue in their efforts, for which they have my full support.

It is only by working together with the private sector that Luxembourg will be able to further strengthen its role as a leading hub for innovative companies looking to develop and grow their business all across the European Single Market and beyond.

H.E. Pierre Gramegna



1. EXECUTIVE SUMMARY

Luxembourg has become one of the leading jurisdictions worldwide and the leading hub for setting up Private Equity and Venture Capital funds. Luxembourg can combine unique strengths that cannot be found elsewhere:

The right structures – the large range of available structures ensures that all fund promoters will find the suitable vehicle for their investors. Funds can be set up as regulated or unregulated vehicles for all asset classes with different corporate forms to choose from, as limited partnerships or mutual funds. In accordance with the type chosen, the tax status will vary accordingly. Luxembourg is an onshore **EU jurisdiction**, a prerequisite for many investors.

AIFM distribution capabilities – following the introduction of UCITS in 1988, Luxembourg turned into the most recognised hub for

distribution worldwide. With AIFMD Luxembourg is able to leverage on this unprecedented expertise.

Sophisticated **infrastructure of service providers** with a multilingual and technically **skilled work-force**.

Established and proven concepts such as third part AIFMs and outsourcing of back - and middle - office functions.

Luxembourg is a worldwide **recognised brand for investment** which results from the combination of its history as a banking and funds centre and an innovative approach that embraces financial sustainability and the adoption of financial technology.

In summary, Luxembourg provides an investment environment driven by innovation and by the ever - changing requirements of investors and fund managers.

2. LUXEMBOURG – A CONDUCIVE ENVIRONMENT TO THE DEVELOPMENT OF PRIVATE EQUITY

Choosing the right location for Private Equity firms means taking into consideration many different factors. The following features are Luxembourg's strengths – and the combination of these strengths makes Luxembourg attractive to Private Equity.

Political and economic stability

The political stability of Luxembourg is marked by a political culture of consensus where the traditional parties co-exist within the context of broad agreement on key issues. The business-friendly political environment is conducive to welcoming Private Equity promoters and entrepreneurs. Attracting international players is considered paramount in building an efficient business framework and economic growth and has enabled Luxembourg to establish a permanent and innovative business community.

With the UK exiting the EU in 2020, numerous players of the financial sector have already re-assessed their current set-up. A considerable number of AIFMs and management companies have decided to set up an own entity or to appoint a third party AIFM in an EU jurisdiction, such as Luxembourg. Against that background, Luxembourg has become the distribution hub for an ever-increasing number of reputed PE houses, which may have previously had these functions based in London. It is expected that this trend will continue.

The strength of the Luxembourg financial services industry

Luxembourg is the largest financial centre for investment funds in Europe and the second largest worldwide. Luxembourg-domiciled investment funds are distributed in more than 70 countries: 62% of authorisations for distribution granted to worldwide funds are allocated to Luxembourg funds¹. Luxembourg has been able to turn retail EU funds, i.e. UCITS funds, into a brand that stands on its own, not only within Europe but worldwide. In view of the fact that more than 47,000 people are employed in the financial services industry which contributes around 26% of the gross domestic product² it is easy to understand how the financial industry and government are working closely and smoothly together to ensure continued efficiency. Today Luxembourg hosts more than 265 authorised AIFMs and Management Companies and 600 registered AIFMs³. In addition, it hosts a

large number of support entities such as central administrators, domiciliary agents, law firms, auditors, consultants, depositaries and many more; it is an industry that continues to develop dynamically and is multilingual.

Business-friendly environment

Luxembourg has a unique system of social dialogue that involves regular meetings between the government, employers' representatives and unions, which is key to avoiding social conflicts and to reaching consensus on important decisions regarding economic and social affairs.

The government promotes a regular exchange with associations representing the financial sector, organises and takes part in economic missions abroad and creates a long-term dialogue with companies which are critical to the sector.

Historic development

Luxembourg is not only at the forefront in implementing new EU directives into national law, as was the case with UCITS in 1988 and AIFMD in 2013, but also in creating new, innovative structures that respond to market demand. The SICAR and the SIF, two entities introduced in 2004 and 2007 respectively, were the first regulated PE fund structures with oversight from a depositary. While many promoters shied away from this regulation, AIFMD introduced certain features that SICAR and SIF had already applied well before the arrival of the AIFMD. Similarly, the need for a limited partnership structure led to the introduction of the Luxembourg unincorporated Special Limited Partnership ("SCSp") and the revamping of the existing incorporated limited partnership in 2013, removing all inconvenient features inherent in other limited partnership structures existing in the market. In line with AIFMD requirements, Luxembourg was one of the first financial centres to have a considerable number of regulated and highly qualified Alternative Investment Fund Managers ("AIFM") providing third party management services to PE funds. Last but not least, 2016 saw the introduction of the Reserved Alternative Investment Fund ("RAIF"), a fund structure with the legal and tax features of the well-established SICAR and SIF, without those being subject to direct regulation from the Luxembourg financial supervisory authority but requiring the appointment of an AIFM, itself a regulated entity.

¹ PwC/Lipper: *Global Fund Distribution 2018*

² CSSF (March 2019 Newsletter) and Statec (Nov. 2018)

³ ALFI, December 2018

International distribution hub

The AIFMD requires a European marketing passport for AIFs, similar to UCITS. While Luxembourg has become the leading jurisdiction in the world for retail fund cross-border distribution, it is currently building on this experience and repeating this success story for Alternative Investment Funds (“AIFs”).

Proposed new EU legislation on cross-border distribution of UCITS and AIFs

In March 2018, the European Commission published a proposal for a directive amending Directive 2009/65/EC (“UCITS Directive”) and Directive 2011/61/EU (“AIFMD”) as well as a proposal of a regulation complementing the draft directive. These proposals have been submitted to the European Parliament Committee on Economic and Monetary Affairs (ECON) which issued its amendment proposals in December 2018. The purpose of these proposals is to facilitate the cross-border distribution of UCITS and AIF units and to better protect investors by (i) harmonising the regulatory framework in relation to marketing communication to retail investors, (ii) detailing a definition and rules for pre-marketing of AIFs to professional investors (and by excluding the recourse to reverse solicitation in the case of pre-marketing), (iii) establishing notification procedures in relation to changes to the relevant fund documentation and in relation to the discontinuation of cross-border marketing and (iv) standardising the publication of fees and charges regarding the notification of cross-border marketing. ESMA is mandated to develop draft regulatory technical standards and draft implementing technical standards and to create a central database in respect of fees and charges of national authorities and national legislation regarding marketing.

A highly innovative and dynamic market

Alongside one of its main pillars, namely the financial services industry, the Luxembourg government has identified other major industries as the core sectors to be developed in Luxembourg over the coming years. Major efforts are made to attract innovative companies to set up their FinTech business in Luxembourg.

The Luxembourg government is investing heavily in attracting talent from outside Luxembourg and in leveraging on the expertise that existing specialists of the local financial industry bring about.

Skilled and multi-lingual workforce

The Luxembourg labour market offers a pool of highly skilled and multilingual resources. With more than 170 nationalities represented, its workforce is truly international: almost 48% of residents and more than 70% of the active population are well-integrated foreigners. The Greater Region represents a natural extension of Luxembourg’s domestic market and also provides a solid workforce for Luxembourg’s business. Around 190,000 or 45% of the Luxembourg work force commute from neighbouring countries France, Germany and Belgium on a daily basis, contributing to the skillset available in Luxembourg. Many people in Luxembourg speak three or four languages (Luxembourgish, German, French, English, Portuguese, Italian, Spanish, etc.). This, combined with the high level of professional qualifications held by staff has allowed Luxembourg to respond to the requirements of multilingual and multicultural investors.

Commitment to Europe

Luxembourg is also well known for its role within the European Union. As a founding member of major international organisations such as BENELUX, the Council of Europe, the European Union, NATO, OECD and the United Nations, Luxembourg has influence that belies its physical size, especially within Europe. It is host to many European Union institutions amongst which are departments of the Commission, the Council and the Parliament, the Court of Justice, the Court of Auditors and the Statistical Office. Luxembourg also welcomes the headquarters of the European Investment Bank, the European Investment Fund and the European Stability Mechanism.

High quality living standards

Luxembourg has one of the world’s highest per capita gross domestic products and is one of the top ranking countries in terms of Human Development, Quality of Life, Personal Safety and Corruption Perceptions indices.⁴

⁴ IMF, UNDP, OECD Better Life Index, Transparency International 2018

3. LPEA GP SURVEY

Every other year the LPEA conducts a survey among its PE and VC members operating in Luxembourg⁵. The background to the survey are the changes that the industry has been going through over the past three years such as:

- Increase of administrative burdens through BEPS and AIFMD;
- Increasing substance requirements;
- Impact of Brexit;
- Improvement of Luxembourg's reputation due to higher transparency regulations;
- Large PE firms having established offices in Luxembourg;
- Wider adoption of RAIF and SCSp in detriment of SPVs and offshore structures.

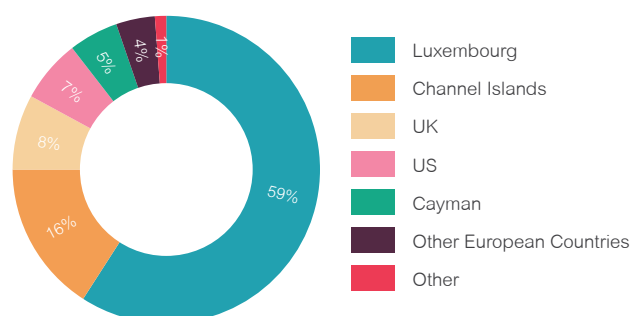
The profiles of the GPs differ widely; while there is no dominant strategy it was noted that infrastructure and buy-out strategies increased significantly.

Key factors to choose Luxembourg were:

1. Legal and regulatory environment;
2. Political and tax stability;
3. Investor's request;
4. Reputation;
5. Availability of skilled workers;
6. Cost.

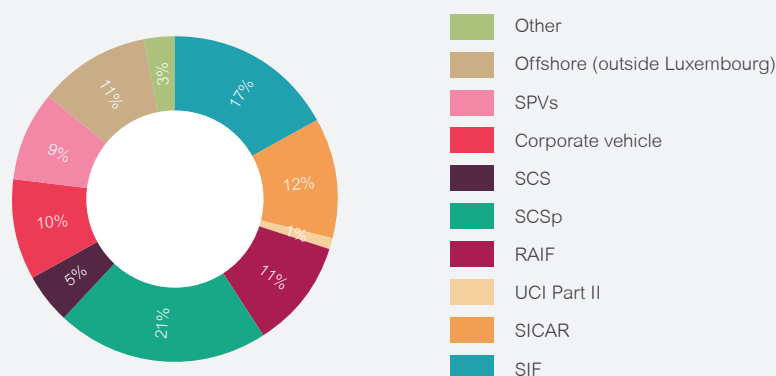
One of the key results of the survey is the adoption of different legal structures. Over the years Luxembourg has developed a complete legal toolbox to answer the different needs of GPs and investors. The answers to the survey show significant diversity, something which will most certainly change in the future with the growing adoption of RAIF and SCSp instead of SPVs and offshore structures.

Jurisdiction of Funds present in Luxembourg



Legal structures

Looking ahead, the industry's main challenges are very similar to those in other European jurisdictions and concern international tax and supervisory authorities, transparency, global tax harmonization, increasing regulation, KYC/AML and Brexit.



Source: LPEA GP Survey 2018

The complete LPEA GP Survey 2018 is available at www.lpea.lu.

⁵ The survey was conducted between January and March 2018 with 55 members without distinguishing between size and strategy. Input came from online questionnaires and interviews.



4. PRIVATE CAPITAL - LEGAL FRAMEWORK

Private Equity vehicles in Luxembourg may either be (i) any standard commercial companies, i.e. non-regulated structures, or (ii) investment structures that are supervised by the Luxembourg *Commission de surveillance du secteur financier* ("CSSF") and therefore regulated structures.

The specific (legal) features of all of these structures (non-regulated and regulated alike) are further explained in the next pages.

The aforementioned structures may qualify as an alternative investment fund ("AIF")⁶ under the Luxembourg implementation of the AIFMD, i.e. the Luxembourg law on alternative investment fund managers ("AIFM") of 12 July 2013, as amended (the "AIFM Law"). They would then potentially need to appoint an AIFM for the performance of the respective AIF's portfolio and risk management services within the meaning of the AIFM Law.



We have experienced Luxembourg as a very well established centre for Private Equity and investment management with the ability to attract well-qualified and experienced staff.

Peter Veldman, Head of Fund Management, EQT Fund Management S.à r.l.



⁶ According to article 1 (39) of the AIFM law, an AIF is any collective investment undertaking, including investment compartments thereof, which: (a) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (b) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC;



As a global private investment firm, having a presence in Luxembourg has provided our firm and our portfolio companies a huge advantage in the market by giving us access to cutting edge research talent, a massive financial services infrastructure, growth capital and offers us a central stepping off point for the rest of Europe.

Ken Pentimonti, Principal, Paladin



4.1 NON-REGULATED COMPANIES AND PARTNERSHIPS

Any standard commercial company under the Luxembourg law of 10 August 1915 on commercial companies (the “1915 Law”) can be used as a Private Equity structuring vehicle in Luxembourg. These vehicles may either be intermediate holding vehicles for an entity located abroad (typically a non-European Private Equity fund) or themselves be the investment vehicle for the end investors/beneficial owners of the structure.

To the extent that the corporate object of the vehicle is limited to the holding of participations in other (asset holding) companies (whether in Luxembourg or abroad) the most common non-regulated Private Equity structure in Luxembourg is the SOPARFI. SOPARFIs are ordinary commercial companies able to take any corporate form available under the 1915 Law. In practice this will often be a private limited company, i.e. a *société à responsabilité limitée*, S.à r.l., or a simplified limited company, i.e. a *société par actions simplifiée*, SAS.

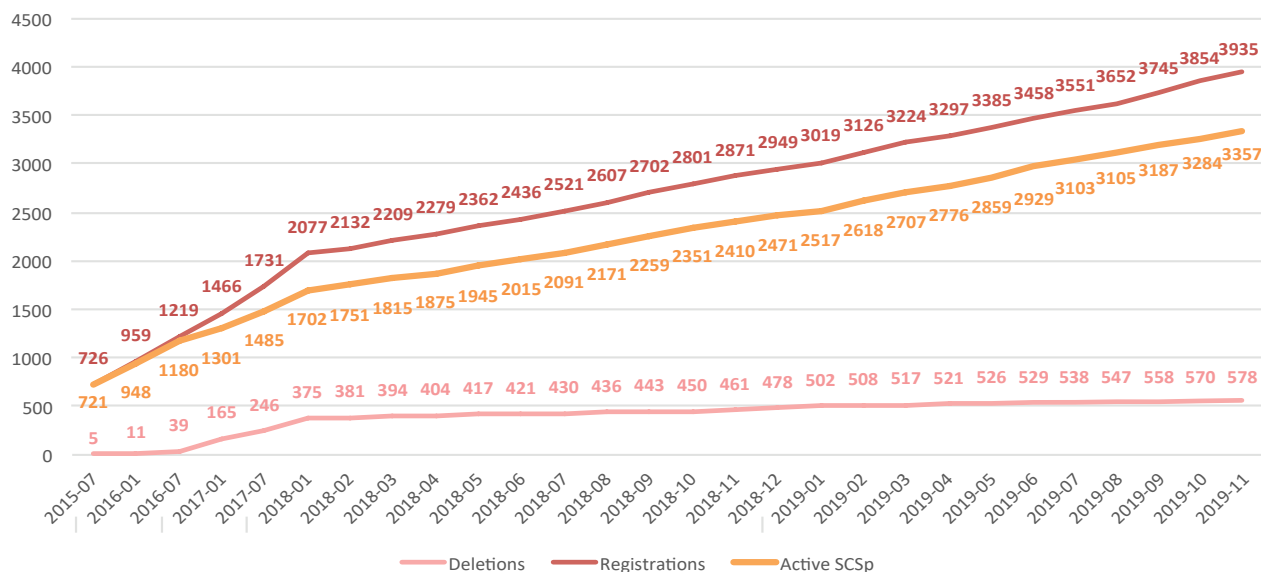
As an ordinary company, the SOPARFI is not subject to any risk-spreading requirements and may in principle invest in any asset class. SOPARFIs are used to invest and manage financial participations in Luxembourg or foreign companies. SOPARFIs can also undertake commercial activities which are directly or indirectly connected to the management of their holdings including the debt servicing of their acquisitions.

The Luxembourg law which implemented the AIFMD revamped and updated the legal framework for limited partnerships under the 1915 Law, i.e. the *société en commandite simple* (SCS). In addition, the law implementing the AIFMD also added another form of limited partnership under Luxembourg law, i.e. the *société en commandite spéciale* (SCSp), which, unlike the SCS, does not have legal personality itself. Both vehicles have increasingly been used for structuring private equity investments. Records of the Luxembourg trade register

show that by April 2019, 2,707 SCSp were active: while in total 3,224 had been set up since its introduction in July 2013, 517 had been deleted since 2013. On average 48 SCSp were set-up per month, peaking in 2019 with more than 100 entities launched within one month.

The SCSp in particular has seemingly substituted the former vehicles of choice, the S.C.A. and the S.à r.l. While the principal reasons for choosing the legal form of a Luxembourg private equity structuring vehicle may often be driven by considerations of applicable foreign (tax) law, the increased structuring flexibility of the SCS or the SCSp has added to its increased popularity. The limited partnership agreement will define their operational rules and fix its tax-transparent status (under Luxembourg tax law and subject to appropriate structuring under applicable foreign tax law, to the extent applicable).

Evolution SCSp market in Luxembourg



Source: RCSL - Statistiques de dépôt, PwC analysis

On 14 July 2016, bill of law n°6929 on reserved alternative investment funds (“RAIFs”) was adopted by the Luxembourg Parliament. Its purpose was to introduce a new type of Luxembourg investment vehicle that is reserved to Luxembourg alternative investment funds (“AIFs”) managed by an authorised external alternative investment fund manager (“AIFM”) within the meaning of Directive 2011/61/EU of 8 June 2011 on alternative investment fund managers (the “AIFMD”).

To a large extent, the RAIF vehicle offers similar structuring flexibilities as Luxembourg specialised investment funds (“SIFs”) or investment companies for risk capital investments (“SICARs”). However, in contrast

to SIFs or SICARs, RAIFs are not subject to supervision of the Luxembourg supervisory authority of the financial sector (the “CSSF”).

RAIFs are Luxembourg AIFs governed by the Luxembourg law of 23 July 2016 on RAIFs (the “RAIF Law”).

In addition, RAIFs adopting a corporate form are, unless it is derogated therefrom by the RAIF Law, subject to the general provisions of the 1915 Law. Moreover, as RAIFs qualify as AIFs managed by a duly authorised AIFM subject to the full AIFMD requirements, RAIFs will be subject to the so-called “AIFMD Product Rules” applicable to them. These AIFMD Product Rules include, among others, specific

AIFMD requirements in terms of (i) appointment of the RAIF’s depositary, (ii) appointment of the RAIF’s approved statutory auditor, (iii) minimum content of the RAIF’s annual report, (iv) valuation of the RAIF’s assets, and (v) investment and leverage rules regarding certain types of assets. However, in exchange for complying with all the conditions laid down in the AIFMD and provided that their AIFM is fully licensed, RAIFs may benefit from the AIFMD passport under certain conditions in order to be marketed to professional investors (and retail investors if permitted by the relevant Member States) in the EU.

4.2 DIRECTLY REGULATED OR INDIRECTLY SUPERVISED STRUCTURES

The CSSF regulates SICARs and SIFs. SIFs are regulated under the provisions of the law of 13 February 2007 on specialised investment funds (the “SIF Law”) while SICARs are regulated under the provisions of the amended law of 15 June 2004 (the “SICAR Law”) on investment companies for risk capital investment. Both SICARs and SIFs are registered on official lists maintained by and accessible on the website of the CSSF. SIFs and SICARs would typically also qualify as AIFs under the AIFM Law.

Amidst an international regulatory environment seeking to increase transparency and oversight, the SICAR and the SIF are tried-and-tested regulated Private Equity frameworks. The legal framework applicable to SICARs and SIFs offers a combination of a flexible and accessible regulatory infrastructure with strong investor protection features. They can only be subscribed to by “well-informed” investors (see the Glossary for a more detailed definition).

As of 31 August 2019, 255 SICARs comprising in total a volume of EUR 57.4 billion and 1,495 SIFs

comprising a total amount of EUR 578.6 billion were registered with the CSSF⁷.

SICAR

SICARs are investment vehicles designed specifically to suit the needs of Private Equity and Venture Capital. SICARs allow direct or indirect contributions of assets to be made to entities in view of their launch, development or listing on a stock exchange.

SIF

SIFs were created to replace a predecessor regime which was no longer suitable. In particular, with Luxembourg starting to position itself as an alternative funds domicile, the time was ripe for a complete overhaul of the then existing legal and regulatory framework. The SIF regime was thus created in 2007 in order to clearly establish Luxembourg as an AIF domicile further accommodating all alternative asset classes with hedge funds, real estate funds and private equity funds in particular.

Conversions between legal regimes

The unregulated SCS and SCSp can be converted into a regulated SIF or SICAR at any time.

Advantages of starting off with an unregulated fund are:

- *Quick set-up as no CSSF approval needed*
- *No depositary needed (cost savings)*
- *Contractual relationship means that parties have freedom to negotiate contractual contents, no regulation prescribes any rules. Note, however, that the costs for setting up legal documents is slightly higher than for a SCS/SCSp in the form of a SIF, SICAR or RAIF as all details have to be defined individually and negotiated with the signatory parties.*
- *When the unregulated SCS or SCSp has reached a certain volume and/or additional external fundraising is foreseen, it may be interesting to (i) convert the SCS/SCSp into a regulated SIF or SICAR (regulation on fund level) and (ii) nominate an alternative investment fund manager (AIFM) under the AIFMD regime (regulation on the manager level) to benefit from the distribution freedom in the EU under the AIFMD regime.*



Our international investors appreciate the stable and reliable regulatory and fiscal environment offered and sustained by Luxembourg authorities.

Diana Meyel, Partner, Cipio Partners GmbH



⁷ CSSF (October 2019 Newsletter)

4.3 FEATURES OF LUXEMBOURG PRIVATE EQUITY VEHICLES

RAIF (indirectly supervised via its AIFM)	SIF (CSSF regulated)	SICAR (CSSF regulated)	EuVECA (CSSF regulated)	Unregulated vehicle
<p>AIF qualification under the AIFM Law mandatory</p> <p>Not admitted for <i>de minimis</i> AIFs</p> <p>Not admitted for internal management under the AIFM Law.</p>	<p>May qualify as an AIF under the AIFM Law^[1]</p> <p>Internal management under the AIFM Law possible</p>		<p>Eligible for (i) any AIF which is a qualifying venture capital fund, i.e. a collective investment undertaking that intends to invest at least 70% of its aggregate capital contributions and uncalled committed capital in assets that are qualified investments under Regulation No. (EU) 345/2013 and (ii) which is managed by a <i>de minimis</i> AIFM.</p>	<p>May qualify as an AIF under the AIFM Law. Internal management under the AIFM Law possible</p>
<p>Choice of legal form: Corporate vehicles and common funds Corporate vehicles:</p> <ul style="list-style-type: none"> • Public limited company (SA) • Simplified limited company (SAS) • Private limited company (S.à r.l.) • Corporate partnership limited by shares (SCA) • Common limited partnership (SCS) • Special limited partnership (SCSp) <p>The aforementioned corporate vehicles will all qualify as investment companies with variable capital (<i>société d'investissement à capital variable-fonds d'investissement alternatif réservé</i>, SICAV-RAIF), i.e. their capital will be allowed to increase or decrease freely without the need to convene a shareholders' meeting to that effect.</p>	<p>Choice of legal form: Corporate vehicles and common funds Corporate vehicles:</p> <ul style="list-style-type: none"> • Public limited company (SA) • Simplified limited company (SAS) • Private limited company (S.à r.l.) • Corporate partnership limited by shares (SCA) • Common limited partnership (SCS) • Special limited partnership (SCSp) <p>The aforementioned corporate vehicles will all qualify as investment companies with variable capital (<i>société d'investissement à capital variable-fonds d'investissement spécialisé</i>, SICAV-SIF/FIS), i.e. their capital will be allowed to increase or decrease freely without the need to convene a shareholders' meeting to that effect.</p>			
<p>Contractual form or commonfund: <i>fonds commun de placement-fonds d'investissement alternatif réservé</i> (FCP-RAIF)</p>	<p>Contractual form or commonfund: <i>fonds commun de placement-fonds d'investissement spécialisé</i> (FCP-SIF)</p>			
<p>Tax Treatment</p> <p>Transparent:</p> <ul style="list-style-type: none"> • Common fund (FCP-RAIF) • Common limited partnership (SCS) • Special limited partnership (SCSp) <p>Not transparent (taxable vehicle in Luxembourg):</p> <p>All corporate vehicles (see above).</p> <p>All these corporate vehicles are otherwise fully taxable in Luxembourg (unless they opt for the special tax status outlined in the next box below similar to the SIF and SICAR regimes only available to RAIFs).</p>	<p>Tax Treatment</p> <p>Transparent:</p> <ul style="list-style-type: none"> • Common fund (FCS-SIF) • Common limited partnership (SCS) • Special limited partnership (SCSp) <p>Not transparent (all vehicles in principle taxable in Luxembourg):</p> <p>All corporate forms (see above)</p>		<p>Tax Treatment</p> <p>Transparent:</p> <ul style="list-style-type: none"> • Common limited partnership (SCS) • Special limited partnership (SCSp) <p>Not transparent (taxable vehicle in Luxembourg):</p> <p>All corporate vehicles (see above).</p> <p>All these corporate vehicles are otherwise fully taxable in Luxembourg.</p>	
<p>SIF regime for RAIF respecting the principle of risk spreading (<i>mutatis mutandis</i> CSSF Circular 07/309):</p> <p>Annual subscription tax (<i>taxe d'abonnement</i>) at a rate of 0.01%. Some RAIFs are exempted from the subscription tax.</p> <p>RAIFs are not subject to any Luxembourg taxes on capital gains or income.</p> <p>The vehicle should in principle benefit from certain double tax treaties.</p>	<p>SIF regime, i.e. vehicles respecting the principle of risk spreading (CSSF Circular 07/309):</p> <p>Annual subscription tax (<i>taxe d'abonnement</i>) at a rate of 0.01%. Some SIFs are exempted from the subscription tax.</p> <p>SIFs are not subject to any Luxembourg taxes on capital gains or income.</p> <p>The corporate vehicles may in principle benefit from certain double tax treaties.</p>			

RAIF (indirectly supervised via its AIFM)	SIF (CSSF regulated)	SICAR (CSSF regulated)	EuVECA (CSSF regulated)	Unregulated vehicle
SICAR regime for RAIF investing in risk capital (<i>mutatis mutandis</i> CSSF Circular 06/241): Subject to income tax in Luxembourg, but any income arising from securities held by the SICAR does not constitute taxable income. May benefit from certain double tax treaties. Capital gains realised by non-Luxembourg residents are not subject to tax in Luxembourg. Dividend and interest payments made are exempt from withholding tax.		SICAR regime for funds investing in risk capital (CSSF Circular 06/241): Subject to income tax in Luxembourg, but any income arising from securities held by the SICAR does not constitute taxable income. May benefit from certain double tax treaties. Capital gains realised by non-Luxembourg residents are not subject to tax in Luxembourg. Dividend and interest payments made are exempt from withholding tax.		
Duration Unlimited or limited period of time				
Form of participation (Registered) shares or units (FCP-FIS/SIF or FCP-RAIF): ordinary, preference, beneficiary (the latter not for SIFs)* Partnership interests or capital accounts (for SCS and SCSp)				
Redeemable Voting and non-voting (only voting for SIF) bonds and/or notes.				
* issuance of registered shares of any vehicle recommended in order to ensure proper monitoring of eligible investors (i.e. professional investors to the extent vehicle qualifies as an AIF).				
Listing In principle possible				
Redemption In principle possible				
Capital calls/Distributions Capital calls and distributions to investors are subject to the rules provided in the constitutive documents Flexibility on issue price Preferential rights may be limited or cancelled				
Permissible asset classes Any kind of asset class.	Permissible asset classes asset classes as set out in SIF Law (as amended by RAIF Law).	Restricted asset classes Investment in risk capital (according to definition of "risk capital" in CSSF Circular 06/241).	Restricted asset classes Investment in at least 70% of its monies in qualifying investments according to rules set out in Regulation (EU) No. 345/2013, as amended.	Permissible asset classes Any kind of asset class.
Risk spreading: Risk diversification requirement (<i>mutatis mutandis</i> CSSF Circular 07/309) If SICAR investment policy, no need for risk diversification.	Risk spreading: Risk diversification requirement (as contained in CSSF Circular 07/309).	No risk diversification requirement.	No risk diversification requirement, but minimum of 70% investment in qualifying investments and up to 30% in other assets according to rules set out in Regulation (EU) No. 345/2013, as amended.	No risk diversification requirement.
Compartments/Sub-funds Possible.	Compartments/Sub-funds Possible.		Compartments/Sub-funds not possible.	Compartments/Sub-funds not possible.

RAIF (indirectly supervised via its AIFM)	SIF (CSSF regulated)	SICAR (CSSF regulated)	EuVECA (CSSF regulated)	Unregulated vehicle
<p>Capital: Fixed or variable EUR or foreign currency equivalent. Minimum of EUR 1,250,000 (including share premium), to be reached within 12 months of formation as RAIF. Minimum of EUR 12,000 for S.à r.l. and EUR 30,000 for SA/SCA. Partly paid shares must be paid up to at least 5% No restriction for SCS/ SCSp Contribution in kind and/or in cash permissible. Commitment or subscription based model.</p>	<p>Capital: Fixed or variable EUR or foreign currency equivalent. Minimum of EUR 1,250,000 (including share premium), to be reached within 12 months of authorisation provided at incorporation. Minimum of EUR 12,000 for S.à r.l. and EUR 30,000 for SA/SCA Partly paid shares must be paid up to at least 5% No such restriction for SCS/SCSp. Contribution in kind and/ or in cash permissible. Commitment or subscrip- tion based model.</p>	<p>Capital: Fixed or variable EUR or foreign currency equivalent. Minimum of EUR 1,000,000 (including share premium) to be reached within 12 months of authorisation, provided at incorporation. Minimum of EUR 12,000 for S.à r.l. and EUR 30,000 for SA/SCA. Shares must be paid up to at least 5%. No such restriction for SCS or SCSp. Contribution in kind and/ or in cash permissible Commitment or subscrip- tion based model.</p>	<p>Capital: Fixed or variable EUR or foreign currency equivalent. Minimum of EUR 12,000 for S.à r.l. and EUR 31,000 for SA/SCA at incorporation only Shares must be paid up to 25% for SA/SCA and 100% for a S.à r.l. No such restriction for SCS or SCSp Contribution in kind and/or in cash permissible. Commitment or subscription based model.</p>	
<p>Management bodies: Board of directors, manager(s) or managing GP - depending on corporate form</p> <p>No approval requirements for board members by the CSSF.</p>	<p>Management bodies: Board of directors, manager(s) or managing general partner – depending on corporate form</p> <p>Approval of board members by the CSSF.</p>		<p>Management bodies: Board of directors, manager(s) or managing GP – depending on corporate form</p> <p>No approval requirements for board members by the CSSF.</p>	
<p>Supervisory reporting: An- nual audited report due six months after year end. AIFM supervised by respon- sible authority to report on RAIFs it externally manages.</p>	<p>Supervisory reporting: Monthly reporting. Annual audited report due six months after year end.</p>	<p>Supervisory reporting: Semi-annual reporting. Annual audited report due six months after year end.</p>	<p>Supervisory reporting: In principle, annual audited report due six months after year end (at least for CSSF and for investors only upon request, unless required already by the corporate vehicle itself).</p>	<p>Supervisory reporting: Not applicable (as long as no AIF or AIFM nomination). Otherwise reporting rules of AIFM Law apply.</p>
<p>Filing requirements with trade register: Within seven months after year end, annual accounts have to be filed. RAIF List RAIF will have to be registe- red on RAIF list kept by RCS</p>	<p>Filing requirements with trade register: Within seven months after year end, audited annual accounts and appendix have to be filed.</p>	<p>Filing requirements with trade register: Within seven months after year end, audited annual accounts have to be filed.</p>	<p>Filing requirements with trade register: Within seven months after year end, audi- ted annual accounts have to be filed.</p>	<p>Filing requirements with trade register: Within seven months after year end, annual accounts have to be filed.</p>
<p>Depository: Luxembourg depository required for RAIF</p>	<p>Depository: Luxembourg depository required (regardless of AIF qualification)</p>		<p>Depository: Not required but audi- tor required to check if assets of EuVECA are properly recorded as its assets.</p>	<p>Depository: Not required unless the relevant entity qualifies as an AIF, which is not a <i>de minimis</i> AIF.</p>
<p>Publication of PRIIPs KID?</p> <p>A PRIIPs KID has to be published for any investment vehicle which is also offered to retail investors. A vehicle exclusively offered to professional investors does not have to prepare such a PRIIPs KID. The latter vehicle will have to justify to the CSSF that it is not under the obligation to prepare a PRIIPs KID or rather indeed only sold to professional investors.</p>				
<p>Administrator</p> <p>Administrator to be appointed unless own infrastructure</p>				
<p>Auditor Independent approved Luxembourg auditor required.</p>	<p>Auditor Independent approved Luxembourg auditor required.</p>			<p>Auditor Independent Luxembourg auditor in certain circumstances only (see section 5.1 of this brochure for further details).</p>

5. PRIVATE DEBT

Private Debt has steadily grown in Luxembourg over the past years with funds offering an alternative to bank lending, thereby contributing to the financing of businesses in all European countries⁽⁸⁾⁽⁹⁾.

In line with all structures covered in section 4.3, loan funds can use the same fund structures, i.e.:

- RAIFs;
- SICARs;
- SIFs;
- Regulated Part II funds; and
- Securitisation vehicles.

Regulated and indirectly regulated funds

In absolute terms, EUR 65 billion were invested in Luxembourg loan funds of which EUR 49 billion in regulated or semi-regulated funds. Out of the EUR 49 billion, 75% were invested in SIFs, 13% in RAIFs, 11% in Part II funds and 1% only in SICARs. Of all loan

funds 52% were structured as open-ended funds.

The initiators or promoters of Debt Funds in Luxembourg are to a large extent of European origin: 83% come from the EU, 16% from North America and 1% from Central and South America.

Out of all regulated and semi-regulated funds, almost 50% had a maturity of up to eight years, 33% were evergreen funds and only 11% had maturities between nine and twelve years.

Investment strategies centre around three main loan strategies: senior loans (35%), high yield bonds (22%) and direct lending (18%).

LPs are predominantly institutional investors, constituting 65% of all investors, followed by HNWI (14%) and Private Banks (8%). The majority of all investors are domiciled in the EU, i.e. 47% and

the rest is predominantly divided among the US, the Middle East and the Asia Pacific region.

Reportly wise, 41% produce quarterly NAVs, report fair value (42%) and use Lux GAAP (60%), the latter being linked with 61% not consolidating their assets.



Having moved to Luxembourg after 15 years in London as a GP/LP, I am pleasantly surprised by the quality of the ecosystem to actually operate in PE from here. And this is not just to domicile a PE fund... whether it is investor access, international travel connections or financial talent Luxembourg is a very solid base. I am convinced more and more PE teams will come here, which will further strengthen Luxembourg as a PE hub.

Rajaa Mekouar Schneider, Head of Private Equity for a Luxembourg Single Family Office and CEO of LPEA



⁸ Source: Loan fund survey 2018 issued by KPMG in cooperation with ALFI.

⁹ Only regulated and indirectly regulated funds are included.

6. THE LUXEMBOURG TAX ENVIRONMENT

One of the key factors in favour of Private Equity operations in Luxembourg remains its tax environment. A stable tax framework, a highly competitive social security system (for companies, employers and employees) and the lowest VAT rate in Europe greatly contribute to making Luxembourg one of Europe's most attractive jurisdictions for Private Equity operations and investments. Of key importance remains, however, the double tax treaty network that Luxembourg has built up over many years.

Luxembourg's Double Tax Treaty Network

Luxembourg has bilateral tax treaties with all EU Member States (except Cyprus) and with a number of other countries (including almost all OECD Member States). This network of tax treaties is constantly being expanded.

SICARs and SOPARFIs as Luxembourg taxable companies are, from a Luxembourg perspective, entitled to treaty benefits and therefore benefit from double tax treaties concluded between Luxembourg and third countries.

The application of tax treaties to SIFs in a corporate form is to be assessed on a case-by-case basis depending on the wording of the treaty provisions and their interpretation by the relevant foreign authorities. Fiscally transparent SIFs and RAIFs themselves may generally not benefit from treaty provisions due to their tax transparency.

Taxation of Luxembourg PE vehicles

The Luxembourg tax environment is extremely beneficial for Private Equity structures, both regulated and unregulated.

The SOPARFI:

As a standard commercial company subject to normal corporate taxation and not subject to a specific regulatory regime, the SOPARFI benefits from Luxembourg's extensive network of double-taxation treaties and from the EU Parent-Subsidiary Directive. Despite being a fully taxable company, the SOPARFI allows for tailor-made structuring providing, under certain conditions, for a full exemption for dividends and capital gains upon exit.

The SICAR:

SICARs can be created using different corporate forms.

- SICARs in the form of a limited partnership (SCS):

The SICAR, organised in the form of an SCS, is tax transparent and thus not subject to corporate, municipal business and net wealth tax. Income and gains received or realised are thus not subject to tax in the hands of the SICAR. Income and gains may furthermore be paid to investors without any Luxembourg source taxation.

- SICARs in the form of a corporate partnership limited by shares (SCA):

The SICAR, organised as an SCA, is a fully taxable company; income from transferable securities is however exempt under specific conditions; the SICAR in the form

of an SCA will equally not be subject to net wealth tax. Dividend distributions will also not be subject to Luxembourg taxation at source.

The SIF:

SIFs, whether organised as a limited partnership or a corporate partnership limited by shares, are not subject to any Luxembourg taxes on capital gains or income; the sole tax due is a subscription tax of 0.01% based on the quarterly net asset value. SIFs in corporate form can moreover claim access to certain double tax treaties.

The RAIF:

In principle, RAIFs will be subject to the same tax regime as SIFs (see above). However, optionally, RAIFs investing in risk capital can opt for the SICAR regime (see above).

Highlights of Luxembourg's Tax Framework for Private Equity

- Effective carried interest structuring;
- Extensive double tax treaty network;
- Legal basis for provision of tax confirmations;
- Lowest VAT rate in the EU (17% currently), VAT exemption on management services rendered to RAIFs, SIFs and SICARs and free trade zone for valuable goods;
- Competitive effective tax rates and low social security charges for individuals.

6.1 DIRECT TAXATION OF CORPORATIONS

Luxembourg companies are subject to the following taxes

- Income taxes at a combined rate of 24.94% in Luxembourg city in 2019, including municipal business tax.
- Annual net worth tax levied at a rate of 0.5% on the company's worldwide net worth on 1 January up to a value of EUR 500 million, and 0.05% on any amount in excess, subject to certain adjustments (e.g. qualifying shareholdings). A minimum flat net worth tax of EUR 4,815 applies to most holding and financing companies which have a low or negative net worth.

Taxation for Luxembourg entities

Corporate income tax applies to all tax resident corporations and to Luxembourg permanent establishments of foreign corporations. Partnerships, other than those limited by shares, are regarded as tax transparent for Luxembourg tax purposes and are therefore not subject to corporate income tax and net worth tax at their own level. Income distributed by such entities will be considered, from a Luxembourg tax point of view, as flowing through the entity and are thus allocated directly to investors.

Resident taxpayers are liable to tax on their worldwide income, unless income is exempt under the provisions of applicable tax treaties or specific domestic tax law. There is a possibility of obtaining tax credits for foreign taxes paid. Non-resident taxpayers are liable to tax on their Luxembourg-sourced income only, e.g. income realised by and allocable to a Luxembourg permanent establishment.

Thin capitalisation rules generally require a debt to equity ratio of 85:15 in the context of fi-

nancing of participations or real estate. Following the example of other European countries, the Luxembourg direct tax authorities have clarified the tax treatment of Luxembourg group financing companies. Besides appropriate operational infrastructure, the relevant guidance provides that the equity of the financing company should be sufficient for the functions it performs, the assets used and the risks it assumes.

Capital gains taxation for non-residents

If a non-resident shareholder is resident (for tax purposes) in a country that has a double tax treaty with Luxembourg, the treaty will generally allocate the right to tax to the country of residence of the relevant shareholder. In the event that no such double tax treaty exists or can be applied, capital gains on the sale of shares in a Luxembourg company are subject to tax in Luxembourg only if the non-resident shareholder has held a substantial interest in the Luxembourg company and the transfer occurs within six months of the acquisition or in the event of a transfer after six months, the nonresident individual shareholder has been a Luxembourg resident taxpayer for more than 15 years and has become a non-Luxembourg taxpayer less than five years before the disposal takes place. For this purpose, a substantial interest exists if a shareholder, either alone or together with certain close relatives, has held a shareholding of more than 10% in a Luxembourg company at any time during the five year period preceding the transfer.

Municipal business tax

Municipal business tax varies from 6% to 12% (levied on income of businesses operating in Luxembourg), depending on the

municipality where companies have their registered office. For companies operating in the city of Luxembourg, the rate is 6.75%. A deduction of EUR 17,500 applies to the municipal business tax base for entities liable to corporate income tax (EUR 40,000 for other businesses). Municipal business tax is cumulative with corporate tax and is non-deductible.

Net wealth tax

Net wealth tax is levied at a rate of 0.5% (or 0.05% when the net worth exceeds EUR 500 million) on the company's worldwide net worth on 1 January of each year. Qualifying shareholdings under the participation exemption regime net of allocable debt (allocable debt that exceeds the value of the shareholding is deductible against other assets) are excluded from the taxable base. Luxembourg corporate income tax is creditable to the net worth tax provided certain conditions are met.

Withholding taxes

A withholding tax of 15% is levied on dividend payments (17.65% if the dividend tax is not charged to the shareholder) unless an applicable tax treaty provides for a lower rate or the Luxembourg participation exemption regime reduces withholding tax to 0%. Liquidation proceeds are not subject to withholding tax. Arm's length fixed or floating rate interest payments are generally not subject to withholding tax. Interest paid on certain profit sharing bonds and profit sharing interest paid on loans is subject to 15% withholding tax unless a lower tax treaty rate applies. Royalty payments are not subject to withholding tax provided they are not connected with non-resident artists' performances and sportsmen's activities in Luxembourg.

Automatic Exchange of Information

On 28 March 2014, Luxembourg entered into an intergovernmental agreement (“Luxembourg IGA”) with the United States of America with respect to the US Foreign Account Tax Compliance Act (“FATCA”), which was implemented into Luxembourg law by the law of 24 July 2015 (“FATCA Law”). Under the Luxembourg IGA and FATCA Law, Luxembourg financial institutions (including in certain cases SICARs, SIFs, RAIFs or SOPARFIs) are required to provide certain information about their US account holders to the Luxembourg tax authorities, which will share that information with the Internal Revenue Service (“IRS”) on an annual basis. Luxembourg financial institutions that do not comply with their FATCA obligations risk being subject to a 30% US withholding tax on their US source income in addition to local penalties.

Largely inspired by FATCA, the OECD has developed a global standard for the automatic exchange of financial account information, the Common Reporting Standard (“CRS”). The CRS has been implemented at European Union level through the Directive on Administrative Cooperation (Directive 2014/107/UE), transposed into Luxembourg law by the law of 18 December 2015 (“CRS Law”). Under the CRS Law, Luxembourg financial institutions (including in certain cases SICARs, SIFs, RAIFs or SOPARFIs) are required to collect certain information about their account holders that are fiscally resident in a EU Member State or in a country with which Luxembourg has a tax information sharing agreement, and to report this information to the Luxembourg tax authorities. The Luxembourg tax authorities will thereafter automatically exchange the information with the foreign tax authorities on an annual basis. Luxembourg financial

institutions that do not comply with their CRS obligations may be subject to local penalties (no withholding tax penalty system).

Value Added Tax (“VAT”)

The Luxembourg VAT standard rate of 17% is the lowest in the EU, compared with an average of 21% in the other EU Member states. The Luxembourg VAT regime furthermore exempts from VAT management services provided to investment funds. Since July 2013, the exemption has been available for all alternative investment funds covered by the law of 12 July 2013 transposing the AIFMD, including unregulated funds. This exemption is applicable on portfolio management, advisory services and administrative services. Due to this exemption and the low VAT rate, the VAT burden of SICAR, SIF and other alternative investment funds is very limited. This exemption is however not available to SOPARFIs unless they qualify as an AIF. Assuming their activity is limited to the ownership of shares, SOPARFIs are not obliged to register for VAT except in the unlikely case they acquire goods from abroad. They cannot recover the VAT incurred on their costs.

Luxembourg has no “use and enjoyment” rule obliging, as in some Member States, holding companies, which are not VAT taxable persons, to self-assess the local VAT on services received from non-EU service providers without allowing the deduction of this VAT.

A Freeport, operational since September 2014, in the vicinity of Luxembourg airport, benefits from the VAT-free zone regime on transactions in valuable goods, including their storage. Certain types of investment funds (i.e. passion funds, investing into art and other collectibles) may take advantage of the Freeport.

Registration duty and transfer taxes

A fixed registration duty of EUR 75 is due upon incorporation and modification of the articles of association of a Luxembourg company or upon transfer of the statutory seat or place of central administration of a company to Luxembourg.

Transfer taxes on the sale of local real estate amount to 7% or 10%.

Tax treatment of carried interest

In the law transposing the AIFM directive, a regime for the taxation of carried interest from AIFs was also introduced.

The share of profits derived from an AIF and paid to AIFM employees is treated as ordinary income and is thus subject to the highest marginal rate of tax for the recipient (42% for 2019) on global income. However, if the employee satisfies certain conditions, the carried interest would be taxable at one quarter of the global tax rate. The conditions to be fulfilled are:

1. *The recipient was neither resident in Luxembourg nor subject to Luxembourg tax on his/her professional income during the five preceding years*
2. *The recipient becomes a Luxembourg tax resident*
3. *No advance payments were received by the recipient*
4. *The entitlement to carried interest is conditional on the investors having priority in recovering their initial investment.*

The individual can benefit from this tax treatment for up to ten years after having started his/her professional activity in Luxembourg.

The beneficial tax rates do not apply to capital gains realised on the sale of interests in the AIF, which are subject to standard capital gains rules.

Implications of OECD BEPS

In February 2013, the Organization for Economic Development (OECD) issued a report entitled “Addressing Base Erosion and Profit Shifting” (“BEPS”), followed by an action plan with 15 actions in July 2013 (“Action Plan”). The BEPS project is supported by the G20 and is not limited to OECD member countries only, but also includes a number of developing countries. The Action Plan is intended to prevent taxpayers operating internationally from shifting profits to low- or no-tax jurisdictions and thereby reducing their tax base. While BEPS was not aimed at the fund sector, many of the actions and recommendations will likely have an impact on private equity and venture capital funds and/or their portfolio companies. The recommendations include rules to deal with hybrid instruments and entities, a review of harmful tax practices of Member States and associated countries, a framework for mandatory spontaneous information exchange on tax rulings covering certain regimes, rules against treaty abuse as well as an update of transfer pricing rules for intangible assets. In addition, groups would be required to draw up a “country-by-country-report” that is to be made available to tax authorities and should allow tax authorities to get a more global view on a group’s worldwide operations, also functioning as a risk assessment tool.

Many countries have started to consider or are already implementing some of the solutions suggested by the OECD. Many of the recommendations are primarily targeted at multinationals seeking to minimise their tax burden, rather than through-bound

investment and financing structures typically used by Private Equity. There may be an effect on the businesses into which Private Equity Funds invest, however the primary areas, for example deduction of interest expense and transfer pricing, had already been the subject of focus by many of the key larger economies. It will therefore be important to regularly review existing structures to ensure they are not adversely affected by tax law changes implemented as a result of the BEPS project.

EU Anti-tax avoidance directives

The EU issued two anti-tax avoidance directives (known as ATAD I and II) in response to the OECD’s BEPS project. Luxembourg introduced its transposition law in December 2018, with the provisions having effect from 1 January 2019. In broad terms ATAD I, and Luxembourg’s transposition law, include provisions in respect of the following areas:

1. *The limitation of the deductibility for tax purposes of interest in certain circumstances.*
2. *Rules in respect of controlled foreign companies (known as CFCs), which broadly speaking seek to counter the use of low tax jurisdictions for the earning of passive income, unless such arrangements have a genuine business purpose and do not have the purpose of reducing or avoiding taxation of such passive income.*
3. *Rules to counter the use of hybrid financing instruments between EU companies, where such a hybrid financing instrument results in a tax deductible expense in one jurisdiction, but where the corresponding item of income is not subject to tax in the recipient jurisdiction due to a different legal characterisation of the item of income from the jurisdiction of the payee.*

4. *The introduction of a consistently worded general anti-abuse rule (GAAR) across the EU’s Member States.*

Member States are required to implement the provisions of ATAD II into domestic legislation such that the provisions have effect from 1 January 2020. This directive includes rules to further expand the anti-hybrid rules contained in ATAD I so as to cover situations involving third countries, and also covers not only financing instruments, but also hybrid entities. The directive also includes provisions relating to tax residency mismatches which result in a double deduction for the same item of expense, and mismatches regarding the recognition of permanent establishments by the country of residence of a company and the country where the permanent establishment is regarded as being situated by the first country (but not the second country).

The measures introduced by the two directives are not specifically targeted at private equity business, however, the content of the directives are very likely to have an impact, to a lesser or greater degree depending on the circumstances, potentially on the entire ownership chain in a private equity owned business.

6.2 MISCELLANEOUS CHARGES AND FEES

Chamber of Commerce Fee

All Luxembourg commercial companies are subject to an annual contribution (cotisation) ranging from 0.02% to 0.025% based on the relevant taxpayer's profit generated in the penultimate fiscal year before the relevant contribution generating year. This contribution is capped at EUR 3,000 for SOPARFIs, however the company in question must be coded with

the correct NACE code in order to benefit from this cap.

CSSF Fees

Prudential oversight comes at a cost to the entities supervised. Authorisation: EUR 4,000 for single-compartment structures and EUR 8,000 for multi-compartment structures. Annual fee: for single-compartment structures EUR 4,000. In case of SIFs, for

multi-compartment structures the charge varies according to the number of compartments:

1-5 compartments: EUR 8,000
6-20 compartments: EUR 15,000
21-50 compartments: EUR 24,000
More than 50 compartments: EUR 35,000.

The annual fee for SICARs is fixed at EUR 4,000 (single compartment) and EUR 8,000 (multi-compartment).

6.3 PERSONAL TAXATION

Luxembourg has some of the lowest effective taxes and social security charges for individuals among EU Member States.

Social security

Social security contributions are computed on the annual gross remuneration capped at EUR 124,266. Self-employed persons are subject to a 23% rate on their gross professional income, also capped at EUR 124,266.

In addition, employees and self-employed persons are subject to a 1.4% dependency contribution (*assurance dépendance*) assessed on their annual gross professional income (uncapped). This dependency contribution applies to all income (and not only to employment or self-employed income) in the hands of taxpayers who are subject to the Luxembourg mandatory State social security regime.

Income tax

Resident taxpayers are subject to income tax on their worldwide income. Non-resident taxpayers are only subject to income tax on Luxembourg-sourced income. Taxable income is assessed on the basis of total income less exemptions, deductible expenses and allowances. The law provides for many exemptions and deductions especially for families with children. Income tax is progressive with rates between 0% and a maximum

40% and is assessed on the basis of the taxpayers' family status. This tax rate is itself increased by an employment fund contribution of 7% or 9% (depending on the family status and level of income) resulting in a top marginal rate of 42%.

In principle personal tax is assessed on the basis of an annual tax return that must be lodged by taxpayers. A withholding tax is levied on employment income (progressive withholding tax scale) and directors' fees (20% flat withholding under conditions). Withholding taxes on employment income and director's fees are creditable against the taxpayer's final income tax liability.

A special regime for highly skilled workers ("HSWs"), who are seconded to a Luxembourg undertaking belonging to an international group or are recruited from abroad by a Luxembourg undertaking, has been applicable since 1 January 2011. This special regime consists – subject to certain conditions – of an exemption from Luxembourg personal income tax on certain expenses and allowances paid to or on behalf of HSWs due to their expatriation. However these expenses and allowances remain tax deductible costs for the Luxembourg undertaking.

Net wealth tax

There is no net wealth tax for individuals.

Inheritance/Gift tax

Inheritance tax is due on the value of all property inherited from a Luxembourg resident whereas transfer tax is due on the value of real property located in Luxembourg that is inherited from a non-resident. Where the heir is a direct descendant or a spouse with children, there is in principle no inheritance tax liability. Gift tax rates vary according to the degree of kinship between the donor and the donee, ranging from 1.8% to 14.4%.

Summary of tax-related features:

- *Attractive effective tax rates;*
- *Broad participation exemption regime;*
- *Significant exemptions from withholding tax on dividends;*
- *No withholding tax on interest, royalties and liquidation proceeds;*
- *No capital / stamp duties on the sale of shares in a Luxembourg company;*
- *Use of international exchange of information standards;*
- *Extensive double tax treaty network;*
- *Transfer pricing and thin capitalisation adhering to international standards;*
- *Advance tax clearance system;*
- *Specific tax regimes for investment funds, securitisation activities, risk capital and reinsurance;*
- *Competitive personal income tax regime and low social security contributions for employers and employees.*

6.4 STRUCTURING BY MEANS OF LUXEMBOURG VEHICLES

The following examples illustrate how PE investments could be structured via a variety of Luxembourg vehicles, including options to locate the PE fund itself in Luxembourg.

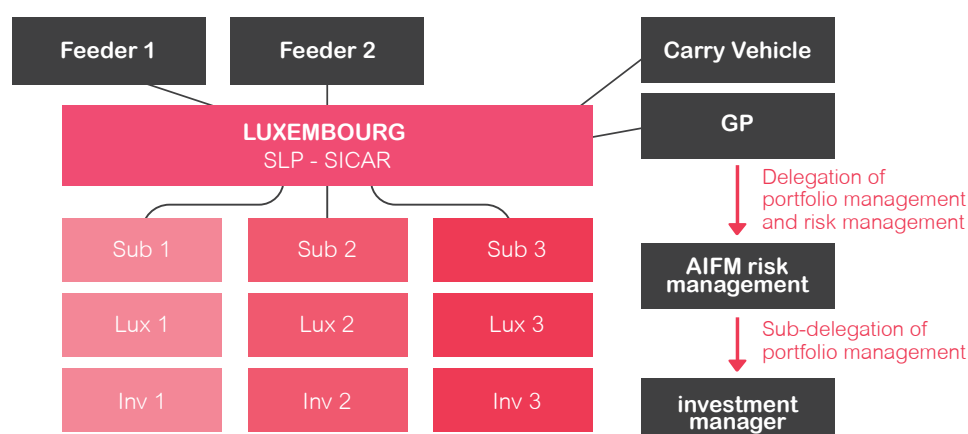
Luxembourg structures typically consist of either a SOPARFI, RAIF, SCSp, SICAR or SIF or a combination of the latter two with one or more SOPARFIs.

In the case of an FCP-SIF, an SCS or an SCSp, each qualifying as a tax transparent vehicle, the use of intermediate companies is usually recommended to benefit from double tax treaties and national law implementing EU directives (such as the directive on the participation exemption) that only companies can benefit from, unlike an FCP-SIF or tax-transparent companies such as the SCS or the SCSp.

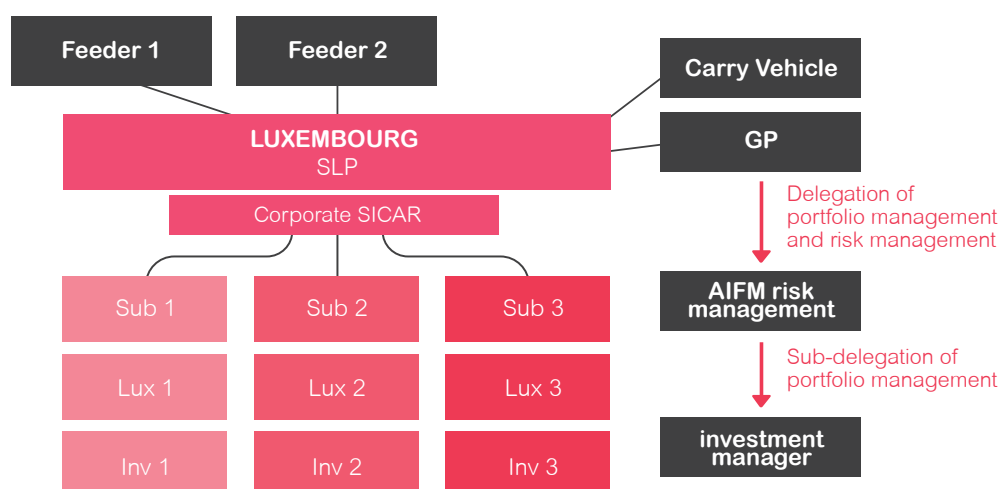
Investors can invest either directly into the Luxembourg vehicle or indirectly via an additional Luxembourg-based or non-Luxembourg-based feeder vehicle.

The following charts are examples of typical Luxembourg Private Equity structures and do not purport to be or should not be interpreted to be legal advice:

SLP / SICAR



Example 1: Traditional investment via a Luxembourg SOPARFI. The financing structure respects the thin capitalisation rule of 85:15 debt/equity ratio. Any reference to B2B financing must be eliminated as this implies conduit financing structures.



Example 2: Intransparent / corporate form



Luxembourg has clearly become increasingly important for the PE industry in Europe and beyond. Luxembourg has managed to offer an appropriate and stable environment to structure funds, operations and transactions. Investors are also familiar and comfortable with the local environment.

Dörte Höppner, COO, Riverside Europe



7. ACCOUNTING FRAMEWORK FOR LUXEMBOURG PE VEHICLES

Accounting standards and audit requirements

With the exception of the Contractual Joint Venture (“SNC”), the Partnership limited by Shares (whose annual turnover does not exceed EUR 100,000 ex-VAT and whose partners with unlimited liability are not all limited liability companies) as well as the Special Limited Partnership, companies can choose any accounting framework. All Luxembourg vehicles may choose to adopt Luxembourg Generally Accepted Accounting Principles (“Lux GAAP”) or International Financial Reporting Standards (“IFRS”) as adopted by the EU. In addition, with specific approval from the local Accounting Standards Board a company may use any alternative internationally accepted accounting framework such as US GAAP. In practice, the standalone annual accounts of Luxembourg Private Equity vehicles are very frequently prepared under Lux GAAP

whereas consolidated annual accounts (whether legally required – see below – or contractually required – for example through the raising of external financing) are frequently prepared under IFRS as adopted by the EU. Through its international exposure, Luxembourg service providers have in most cases significant experience in the application of IFRS.

Note that while most companies are required to prepare annual accounts there are specific size thresholds that will determine if an audit by an approved statutory auditor under International Standards on Auditing (“ISA”) is required by law.

Valuation Rules

As a general rule, Luxembourg accounting rules have always been a primarily prudence-focused framework permitting the booking of investments at

cost less durable impairment with the recognition only of unrealised losses and not of unrealised gains in the profit and loss accounts of a company. In recent years, with the creation of vehicles such as the SICAR and the SIF and with the harmonisation derived from recent EU accounting directives, the possibility of using fair value in the financial statements of Luxembourg companies has been introduced. Depending upon the corporate structure and nature of a private equity vehicle, different valuation principles are thus allowed.

Companies adopting IFRS as an accounting framework have to apply valuation policies depending on the type of instruments being valued. Under Lux GAAP there is a certain level of additional flexibility and possible choices as outlined in the following table:

Type of vehicle / Regulatory framework	Valuation under Lux GAAP
Unregulated SCS and SCSp	The valuation rules to follow can be freely determined in the partnership agreement. In practice these rules will follow internationally recognised principles for determining fair value (see below).
Other unregulated vehicles	<p>Valuation rules are governed by the Law of 19 December 2002, as amended.</p> <p>There are two valuation options:</p> <ul style="list-style-type: none"> a) Acquisition cost/principal less any durable impairment b) Fair Value. <p>The choice of which method to use rests with the management of the company. As a general rule, companies tend to adopt option a).</p>
SICAR, SIF, RAIF	SICARs, SIFs, RAIFs may freely determine their valuation methodology, while the legal default position remains a valuation at fair value. Generally the constitutive documents of the relevant SICAR, SIF, RAIF (i.e. its Offering Memorandum ("OM"), and / or its Partnership Agreement or Article/By-laws) will contain more detailed explanations with regard to the applicable valuation.

The International Private Equity and Venture Capital Guidelines dated December 2018 are typically used as a reference basis for calculating the fair value of private equity type investments.



Mangrove's activity, both on the investor as well as the portfolio level, is highly international.

Luxembourg is all set to provide the instruments you need to set up international investment projects – since the home market is small, everything is geared to accommodate the legal, fiscal and regulatory requirements to invest both in Europe and overseas.

Concerning fund formation and management you can achieve all you need towards your investors here in Luxembourg and there are no structural disadvantages. In addition the Government is keen to diversify the economy and open for exchange with GPs.

Hans-Jürgen Schmitz, co-Founder, Mangrove Capital Partners



Unregulated Vehicles

Principles: Luxembourg law requires that limited liability companies, as well as the SNC and the SCS whose (general) partner (*associé commandité*) with unlimited liability are typically limited liability companies that control another company (i.e. the SNC or SCS, etc.) and thus prepare and publish consolidated financial statements. SCSs are generally not required to produce consolidated financial statements. If consolidated annual accounts are required, most companies today ensure that their preparation is actually done in Luxembourg, either internally or through specialised service providers.

Consolidation exemptions are foreseen in the following cases:

• Exemptions

- **Sub-group exemption:** any parent company which is also a subsidiary undertaking of a parent undertaking may be exempted from the obligation to draw up consolidated accounts and a consolidated annual report under certain conditions. The parent undertaking might be governed by the law of a Member State of the EU or not, but different conditions apply. This exemption is not applicable if the Luxembourg parent company has its securities (shares and/or bonds) listed on an EU regulated market.

- **Threshold exemption:** consolidation is not required for consolidated groups which do not exceed the following metrics: balance sheet total: EUR 17.5m / total turnover: EUR 35m / total employees: 250. However, the "threshold exemption" is not applicable if the relevant company has its securities (shares and/or bonds) listed on an EU regulated market.

- **Financial Holding exemption:** no consolidation is required if the parent company has not intervened in the management of the subsidiary, has not exercised its voting rights in respect of the appointment of the management within the current and the last five years, has not granted loans to the subsidiary and, if the conditions were met, has received an exemption granted by the Luxembourg authorities. This exemption is quite rare in practice.

• Exclusions

Specific investments may be excluded from the consolidation requirement if they meet one of five possible exclusions as set out by the 1915 Law. These are: immateriality, severe restrictions or disproportionate costs on obtaining financial information, subsequent resale or diverging activities.

However, in these cases, the consolidated accounts will still have to be published in Luxembourg according to the local requirements and the notes to the annual accounts of the excluded company must disclose the name and registered office of the parent undertaking and the exemption from the obligation to draw up consolidated accounts and a consolidated annual report.

Specific application of the "subsequent resale" exclusion for private equity holding vehicles: In December 2009, the Luxembourg Ministry of Justice, through the Accounting Standards Board, issued a recommendation relating to the "subsequent resale" exclusion that allows private equity companies (for which all their subsidiaries are held for subsequent resale) not to present consolidated financial statements if six conditions are fulfilled:

1. *The company is subject to the 1915 Law and is held by one or more well-informed investor(s);*

2. *The company's exclusive corporate object is to invest in risk capital, which is defined as direct or indirect contribution of funds to one or several entities in view of their launch, development and their listing on a stock exchange. These investments are held with the intention to sell them at a profit;*

3. *An ex-ante exit strategy has been formally defined and documented in writing, communicated to investors, and it is part of the investment policy, implying the intention to divest on a mid-term basis (generally three to eight years);*

4. *The company's objective is to provide its investors with the benefit of the results of the management of its investments in return for the risk which they incur;*

5. *If the investments are not carried at fair value on the face of the balance sheet, the fair value is disclosed in the notes to the financial statements;*

6. *Any event, guarantee or uncertainty that might have a significant impact on the entity's ability to continue as a going concern, on its cash-flow situation, on its available liquidities or on its solvency has to be disclosed adequately in the notes to the annual accounts.*

• IFRS 10 Consolidated Financial Statements

IFRS 10 specifies the requirements for preparing consolidated financial statements for those subsidiaries that the relevant entity controls. An entity is not required to consolidate its subsidiaries if it qualifies as an “investment entity”. An investment entity is defined as an entity that:

1. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

2. commits to its investor(s) that its business purpose is to invest

funds solely for returns from capital appreciation, investment income or both; and

3. measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity is however required to account for its investments at fair value through profit or loss.

It is important to note that the determination as to whether a company is in scope of the investment entity exemption under IFRS 10 is a significant judgement and will be impacted by the way the Pri-

vate Equity investment(s) is (are) managed from Luxembourg.

Regulated Vehicles (SICARs and SIFs, RAIFs)

The SICAR, the SIF and the RAIF are specifically exempted by law from the consolidation requirement.

Profit Repatriation

Through the use of appropriate financial instruments and an adequate regulated or non-regulated structure, the tax charge levied on profit repatriation can be minimised both at investment level and investor level.

(RAIF)-SICAR (regulated / indirectly regulated)	(RAIF)-SIF (regulated / indirectly regulated)	SOPARFI (unregulated)
Distribution of dividends (*) Not subject to specific restrictions except compliance with minimal capital requirements and limitations provided for in the articles of incorporation/management regulations.	Distribution of dividends (*) Not subject to specific restrictions except compliance with minimal capital requirements and limitations provided for in the articles of incorporation.	Distribution of dividends For SA, SAS, SCA and S.à r.l. subject to the requirements of the 1915 Law.
Withholding tax on distributions Distributions, whether paid to resident or non-resident investors, are not subject to withholding tax in Luxembourg.	Withholding tax on distributions Distributions, whether paid to resident or non-resident investors, are not subject to withholding tax in Luxembourg.	Withholding tax on distributions Except for specific situations, no withholding tax should apply to liquidation proceeds or interest payments. Dividend payments are subject to 15% withholding tax (exemptions are available under certain conditions).
Non-resident capital gains taxation Non-residents are not subject to capital gains tax in Luxembourg.		

(*) For vehicles with variable capital, the Luxembourg manager should pay attention to the qualification of distributions between return of capital and income. This analysis should take into account the specific tax situation of the investors in the various countries in which they are tax residents. In the light of ATAD I and II the above table might be affected in future.

8. THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

On 11 November 2010 the European Parliament adopted the Alternative Investment Fund Managers Directive ("AIFMD"). The AIFMD came into force in July 2011 and had to be implemented by 22 July 2013 in all European Member States.

The AIFMD creates a regulatory framework that primarily affects managers of alternative investment funds, as well as alternative investment funds (AIFs) that includes private equity funds based in the EU and, in specific circumstances, managers and investment entities established outside the EU.

The AIFMD introduces, amongst others, a marketing passport (the "Passport") permitting the offer or placement of qualifying AIFs in all EU Member States without additional authorisation or registration requirements and which is intended to fully replace, after a transitional period still in place for non-EU AIFMs or non-EU AIFs, the fragmented national private placement regimes that currently existing within some EU Member States.

While many see AIFMD as a burden, as it has increased costs for managers, the Passport is equally seen as an opportunity that will make AIFs and Private Equity in particular a more widely accessible and attractive asset class. While the UCITS passport, introduced in 1988, revolutionised the European fund market and put Luxembourg at the forefront, Luxembourg is now determined to provide the same opportunities to Private Equity players under AIFMD.

Luxembourg is a unique place for Private Equity and provides Private Equity houses with advantages

not only in terms of political, economic and fiscal stability, infrastructure and manpower but also constitutes a legacy of more than 20 years of being the world's second largest, most mature and sophisticated fund domicile.

When the regulated Luxembourg Private Equity structures, the SICAR and the SIF, were introduced in 2004 and 2007 respectively, they displayed many of the features that became a standard feature under AIFMD, i.e. they already had the highest compatibility standards compared to other existing vehicles for Private Equity. Light and pragmatic supervision, stringent custody requirements and sophisticated reporting represent the recognised standards in Luxembourg which service providers are familiar with. Last, but not least, the Passport represents the ultimate benefit of the AIFMD, a concept Luxembourg is not only familiar with but for which the country is recognised worldwide.

The introduction through the law of 12 July 2013 of the SCSp provides for an attractive revamping of limited partnerships.

AIFMD Passport versus National Private Placement Regimes.

While the distribution of certain AIFs in the EU is still subject to various national private placement regimes ("NPPR"), the introduction of the Passport will enable a non-EU AIFM to market a Luxembourg AIF to professional investors in any Member State without an additional authorisation or registration obligation. The AIFMD requires a precise mapping exercise in order to determine its scope of application. The AIFMD thus applies to:

- Luxembourg funds that are managed by non-EU fund managers, for as long as NPPRs have not been phased out and depending on the decision of each individual EU country; and
- managers of some closed-ended AIFs existing at the final date of transposition may benefit from grandfathering clauses, namely:
 1. managers of closed-ended AIFs "which do not make any additional investments" after mid-2013;
 2. managers of fully subscribed closed-ended AIFs which had their final close prior to July 2011 and have a maximum life that requires them to be liquidated by mid-2016 at the latest, with certain exceptions that need to be respected;
- small and mid-sized AIFMs falling below the *de minimis* thresholds of either EUR 100 million or EUR 500 million (leveraged and non-leveraged respectively);
- Luxembourg SOPARFIs*; and
- Luxembourg securitisation vehicles*.

*on a case-by-case basis

9. THE REGULATIONS ON EUROPEAN VENTURE CAPITAL FUNDS (EuVECA)

The regulation of the EU Parliament and the Council of 17 April 2013 on European venture capital funds (EuVECA) entered into force on 15 May 2013, although the majority of its articles applied from 22 July, the same date as the AIFM Directive.

The objective of the Regulation is to create an optional legislative framework tailored to the needs of the managers to make it easier for them to raise funds across the EU. The EuVECA label was introduced together with an EU passport to allow EuVECA managers to market their funds across the EU and to grow while using a single set of rules, provided that they comply with certain qualifying requirements.

With regards to the Regulation, several characteristics can be extracted and summarised as follows:

- **Optional regime:** The manager can decide whether or not he wants to comply with the Regulation in order to make use of the status and benefit from the EU passport regime.
- **Conditions to be complied with by the manager:** The manager must be registered by the competent authority of its home Member State; in Luxembourg, the CSSF. Established in one of the EU Member States, the manager also needs to comply with the condition to have total assets under management below the EUR 500 million threshold laid down in the AIFM Directive.
- **Conditions to be complied with by the fund:** The fund must be a collective investment underta-

king qualifying as an EU AIF under the AIFM Directive and established in an EU member state. It is also subject to some investment restrictions.

Generally, it must invest at least 70% of its aggregate capital contributions and uncalled committed capital in qualifying investments as they are defined in the Regulation.

- **Conditions to be complied with by the investors:** The fund may only be offered to certain eligible investors.
- **Conditions in relation to the depositary:** the Regulation does not contain any provision imposing a depositary on EuVECA funds.
- **Connection to the AIFM Directive:** The Regulation is in certain respects complementary to the AIFM Directive as it offers a Passport to small AIFMs. Thus, acquiring the Passport via the EuVECA Regulation seems less burdensome than the need for small AIFs to opt in to compliance with the entire AIFM Directive.
- **Connection to the UCITS Directive:** The managers may additionally manage UCITS for which they need to comply with the UCITS Directive.

EU Commission Technical Standards for EuVECAs

The EU Commission Regulation of 3 June 2014, which entered into force on 7 June 2014, lays down implementing technical standards with regard to the format of the notification according to Article 16(1) of the Regulation.

EU Commission delegated Acts for EuVECA

On 3 February 2015, ESMA published the final report containing its technical advice to the EU Commission on the delegated acts to be adopted in relation to the EuVECA Regulation (2015/ESMA/227).

ESMAs Q&A on the EuVECA Regulation

On 26 March 2014, ESMA published a Q&A (updated from time to time) on the application of the EuVECA regulation. The questions covered relate to the management of EuVECA by AIFMs, registration and the management and marketing of AIFs by EuVECA managers.

10. REGIME FOR EUROPEAN LONG-TERM INVESTMENT FUNDS (ELTIF)

The ELTIF Regulation (2015/760) of the EU Parliament and Council of 29 April 2015 on European long-term investment funds (the “ELTIFs Regulation”) was published in the Official journal on 19 May 2015. The ELTIFs Regulation came into force on 8 June 2015 and has been applicable since 9 December 2015.

The ELTIFs Regulation created a legislative framework for long-term EU funds which only invest in businesses that need money to be committed for long periods of time. Furthermore it also aims at increasing the non-bank financing available for companies that are investing in the real economy within the EU.

With this objective, the optional ELTIF regime can be considered as some kind of hybrid between the institutional AIF product and the retail UCITS and PRIIP products. By definition, ELTIFs are EU AIFs that are managed by authorised EU AIFMs in accordance with the AIFM Directive, meaning that they need to comply with both the AIFM Directive and the ELTIFs Regulation.

The main characteristics of the ELTIFs Regulation are summarised below.

(i) Authorisation: The ELTIF designation shall be reserved only for EU AIFs, or compartments of EU AIFs, that are marketed in the EU by an authorised EU AIFM. As a result, both ELTIFs and their managers will be subject to the AIFM Directive rules.

(ii) Eligible assets: The ELTIF will only be authorised to invest in limited categories of eligible investment assets as referred to in Article 9 of the ELTIFs Regulation.

(iii) Prohibited activities: Pursuant to the ELTIFs Regulation, an ELTIF is not authorised to undertake certain activities, such as the short-selling of assets.

(iv) Cash borrowing: An ELTIF may borrow cash, but its borrowing is subject to strict conditions such as appropriately disclosing the borrowing in its prospectus.

(v) Investment policies and restrictions: In general, an ELTIF is required to invest at least 70% of its capital in ELTIF eligible assets, and the remaining 30% can be invested in UCITS eligible assets by a date no later than five years or half the life of the ELTIF. In addition to this 30% / 70% ratio, diversification requirements and concentration limits still apply under certain conditions. Also, the ELTIFs Regulation provides that where an ELTIF comprises more than one investment compartment, each compartment shall be regarded as a separate ELTIF for the purposes of the investment policies and restrictions.

(vi) Target Investors: Investors targeted by ELTIFs include both professional and retail investors within the meaning of the MIFID. Marketing of units or shares to retail investors is subject to specific disclosure requirements. In addition, the manager of an ELTIF shall only be able to market the units or shares of that ELTIF to retail investors provided that additional specific requirements in relation to the facilities or the internal process for the assessment of the ELTIF are fulfilled.

(vii) Redemption and Secondary Market: Due to the illiquid nature of an ELTIF's assets, redemption to investors shall in principle only

be possible as of the day following the date defining the end of life of the ELTIF. To protect retail investors, however, the ELTIFs Regulation provides for redemption rules that would enable an ELTIF which has enough liquid assets to organise, under certain conditions, the possibility for redemption before the end of life of the ELTIF.

(viii) Distributions: In order to compensate the lack of early redemption possibilities, the ELTIFs Regulation contemplates favouring the provision of steady income to investors. In particular, an ELTIF may regularly distribute to investors the proceeds generated by the assets contained in its portfolio as well as the capital appreciation realised after the disposal of an asset, as long as such income is not required for future commitments of the ELTIF.

(ix) Disposal of the assets: Each ELTIF shall adopt an itemised schedule for the orderly disposal of its assets in order to redeem investors after the end of life of the ELTIF and shall disclose this to the competent authority of the ELTIF at the latest one year before that date.

(x) Transparency requirements: The ELTIFs Regulation contains various transparency rules where ELTIFs are being advertised to investors, in particular the prior publication of a prospectus, including the constituent documents attached as an integral part thereof, and, in the case of marketing to retail investors, the publication of a KID pursuant to the PRIIP KID Regulation will be required before the ELTIF is marketed.

(xi) ESMA Consultation on RTS (Regulatory Technical Standards): On 8 June 2016 ESMA published draft regulatory technical standards to be adopted under the ELTIFs Regulation in order to determine the expected criteria for establishing the circumstances in which the use of financial derivative instruments solely serves hedging purposes, the

circumstances in which the life of a European long-term investment fund ("ELTIF") is considered sufficient in length, the criteria to be used for certain elements of the itemised schedule for the orderly disposal of the ELTIF assets, costs disclosure and the facilities available to retail investors. This final report contains the RTS that ESMA has

developed.

The RTS set out in this final report have been submitted to the European Commission for endorsement. From the date of submission the European Commission should take a decision on whether to endorse the RTS within three months.

11. PRIVATE EQUITY SERVICES PROVISION

The dense network of recognised and highly professional service providers is a major component of the success of Luxembourg.

Context and overview

The Luxembourg Private Equity fund administration sector basically falls into two categories: large international administrators servicing all fund ranges, including Private Equity funds, as well as independent local and international specialist Private Equity administrators. The former category usually consists of the local banks and branches of international banks, usually offering custody banking and administrative services as well as a large range of other banking services. Management services, such as AIF Management, are often provided only for the bank's own range of funds.

The latter category consists of administrators that have their origins in Luxembourg, traditionally servicing corporate vehicles but having expanded into servicing PE funds, as well as administrators that have set up branches in Luxembourg. Of this second category, several have obtained depositary and/or AIFM licences to complement their range of services.

Today, the vast majority of Private Equity administrators offer the full range of central administration services, including domiciliation, administration, accounting, tax filing and company secretarial services to AIF, including their controlled special purpose vehicles located in Luxembourg or abroad.

Depositary services

Under AIFMD, funds generally need to appoint a depositary, though exceptions do exist. Depositary services for regulated Private Equity structures comprise the following two specific components: the safekeeping and the monitoring of the structure's assets.

The depositary services for funds investing in financial instruments, i.e. UCITS funds, are only performed by credit institutions or investment firms. The AIFMD Law permits certain closed-ended AIFs to appoint as depositary non-banking institutions provided the relevant AIF and assimilated structures generally do not invest in assets that must be held in custody (i.e. financial instruments). This depositary function is only open to qualifying PSFs serving as professional depositaries of assets other than financial instruments. Funds need to appoint a depositary in the country of domicile of the fund.

Monitoring function

As Private Equity fund assets are usually not physically safeguarded by the depositary itself, the depositary usually focuses on its oversight duties. In such cases the scope of the supervision and oversight function of the depositary implies:

- *handling of the legal documentation relating to the transactions carried out;*
- *compliance monitoring of the cash and securities flows linked to transactions;*
- *control of any single transaction including settlement;*
- *implementation of an internal verification check list and escalation procedure;*
- *monitoring of subscriptions and redemptions; and*
- *valuation duties.*

Safekeeping of assets

Following a steep learning curve after the introduction of the SICAR in 2004, Luxembourg based depositaries are today very well positioned to perform these legal duties under the AIFMD.

The know-how of Luxembourg-based depositary institutions in providing a full range of customised services for Private Equity

structures is nowadays widely recognised.

The services cover all investment and divestment processes, such as:

- *follow-up of board approval process as well as the collection of underlying agreements and documentation relating to the transactions;*
- *supervision and monitoring of investments and divestments;*
- *asset registration in the name of the vehicle under the supervision of the depositary;*
- *compliance checks with the investment policy as described in the private placement memorandum/offering memorandum.*

In addition, the depositary, in its role as paying agent or in cooperation with the transfer

agent, may also offer, among others, the following services:

- *processing of payments linked to the underlying investments;*
- *collection of interest income and dividends from underlying investments;*
- *processing of corporate events on underlying investments;*
- *liaison with local correspondents, lawyers, notaries and others service providers;*
- *recording of documentation and data back-up;*
- *collateral management services;*
- *tax reclaim management services (withholding tax treaties);*
- *collection of subscription proceeds;*
- *payment of redemption amounts; and*
- *execution of dividend payments to investors.*

Banking services

Luxembourg banks offer cash management services, treasury, foreign exchange management, bridge financing and management of escrow accounts to their Private Equity clients.

For funds using the services of a depositary without a banking licence, the fund needs to open its accounts with a local banking institution.

Legal, tax and audit services

Luxembourg avails itself of significant expertise in legal and tax matters through numerous local and international law firms, tax advisers and audit firms experienced in Private Equity structuring and servicing.



For most European investors, Luxembourg vehicles are the new 'gold standard'. The quality of service providers in general, large international contingent from all over Europe and excellence of the financial services industry also add tremendous benefit to funds in Luxembourg.

Raphael Cwaigenbaum, Vice-President - Private Funds Advisory at Moelis & Company



12. HOW TO SET UP A PRIVATE EQUITY FUND IN LUXEMBOURG

The table below provides an overview of the most relevant steps in setting up a Private Equity structure in Luxembourg.

It particularly focuses on those issues that are specific to Luxembourg.

Each project obviously being individual, the table purports to provide general guidelines only.

Phases	Activities in Luxembourg	Activities outside Luxembourg	Comments
Analysis	Domicile of Investors Countries of target companies: <ul style="list-style-type: none"> • Choice of fund jurisdiction • Choice of other jurisdictions required in efficient tax structuring • Choice of legal/tax advisors 	Domicile of Investors Countries of target companies: <ul style="list-style-type: none"> • Choice of fund jurisdiction • Choice of other jurisdictions required in efficient tax structuring • Choice of legal/tax advisers 	
Preparation	Definition of Legal and Tax Structure Preparation of the term sheet. Selection of all service providers (Central administrator, AIFM, depositary, auditor).		Depositary only for RAIF, SICAR and SIF, auditor depending on certain criteria.
Pre-Filing	Preparation of Legal Documentation Preparation of application file to the CSSF: <ul style="list-style-type: none"> • PPM • Subscription Agreement • Articles of Association of all companies • CVs of all directors/ managers • Certificate of good standing • Service provider agreements • CSSF "information request for authorisation" questionnaire • Risk Management and Conflict of Interest Procedures Client Acceptance Procedure (Transfer Agent and GP). 		Only for regulated SICAR and SIF. All legal documentation and filing with the CSSF can be done in English, German or French.
Filing	Filing	Final presentation of documentation to Limited Partners. Final fundraising stage.	Only for SICAR and SIF.
Implementation	Approval of the File Incorporation of the company. Registration of the company on the Luxembourg Trade and Companies Register (RCS) and publication of the Deed of Incorporation in the Mémorial (RESA) and registration of the data concerning beneficial owners with the Register of Beneficial Owners (RBE) ¹⁰ . Setting up of funds with service providers.	Signature of subscription agreements. First capital call.	Only for SICAR and SIF.

¹⁰ The law of 13 January 2019 has implemented the new transparency measures organised by EU directive 2015/849 on the presentation of the use of the financial term for the purposes of money laundering and terrorist financial (the "AML directive")



APPENDIX

Appendix 1: Double Tax Treaty Network

Appendix 2: Glossary

Appendix 3: Useful References

Appendix 4: LPEA Members

APPENDIX 1: DOUBLE TAX TREATY NETWORK

Luxembourg has an extensive double tax treaty network which includes 83 tax treaties that are in force, of which many under the 26-5 of the OECD model (*) are in the list below. There are also 20 tax treaties and four protocols pending (**).

Albania **
Andorra *
Argentina **
Armenia *
Austria *
Azerbaijan
Bahrain *
Barbados *
Belgium *
Botswana * **
Brazil
Brunei *
Bulgaria
Cape Verde **
Canada *
Chile * **
China
Croatia *
Cyprus *
Czech Republic *
Denmark *
Egypt **
Estonia *
Ethiopia **
Finland *
France * **
Georgia
Germany *

Chana **
Greece
Guernsey *
Hong Kong *
Hungary *
Iceland *
India *
Indonesia
Ireland *
Isle of Man *
Israel
Italy *
Japan *
Jersey *
Kazakhstan *
Kosovo * **
Kuwait **
Kyrgyzstan **
Laos *
Latvia
Lebanon **
Liechtenstein *
Lithuania *
Macedonia *
Malaysia
Mali **
Malta *
Mauritius *
Mexico *
Moldavia
Monaco *
Mongolia
Morocco
Netherlands *
New Zealand **
Norway *

Oman **
Pakistan **
Panama *
Poland *
Portugal *
Qatar *
Romania *
Russia *
San Marino *
Saudi Arabia *
Senegal *
Serbia *
Seychelles *
Singapore *
Slovakia * **
Slovenia *
South Africa **
South Korea *
Spain *
Sri Lanka *
Sweden *
Switzerland *
Syria **
Taiwan *
Tajikistan *
Thailand
Trinidad & Tobago
Tunisia *
Turkey *
Ukraine *
United Arab Emirates *
United Kingdom * **
United States of America **
Uruguay *
Uzbekistan * **
Vietnam

APPENDIX 2: GLOSSARY

AIF	Alternative Investment Fund as defined in the AIFMD Law
AIFMD	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
AIFMD Law	The Law of 12 July 2013 implementing Directive 2011/61/EU into Luxembourg law.
Capital Call	Written notice to Limited Partners requesting them to make a capital contribution to the fund vehicle (within the limits of their subscription commitment) in order to permit the fund vehicle to pay for its investments or to pay expenses.
Carried Interest	Carried interest or carry is a share of the profits of the fund vehicle that is paid to the general partner and/or the investment manager/adviser in excess of the amount that the general partner/manager/adviser contributes to the fund vehicle. In order to receive carried interest, the fund vehicle must first return all capital contributed by the investors, and, in certain cases, the fund must also return a previously agreed-upon rate of return (the "hurdle rate" or "preferred return") to investors.
CSSF	<i>Commission de Surveillance du Secteur Financier</i> , the Luxembourg supervisory authority of the financial services sector.
ESMA	European Securities and Markets Authority, the independent EU authority set up to enhance investors' protection and promote stable and orderly financial markets.

FCP	<i>Fonds Commun de Placement</i> , an undivided co-ownership of assets or proprietorship managed by a management company.
GP	The general partner of either a corporate partnership limited by shares (SCA), a common limited partnership (SCS) or a special limited partnership (SCSp). The managing general partner is normally jointly and severally liable with the partnership for any liabilities which may not be satisfied out of partnership assets.
AIFMD Law	The Law of 12 July 2013 implementing Directive 2011/61/EU into Luxembourg law.
IFRS	International Financial Reporting Standards.
1915 Law	Law of 10 August 1915 on commercial companies, as amended.
LP	The limited partner, typically an investor or limited shareholder in a fund vehicle; limited partners enjoy limited liability (i.e., up to the amount invested or committed for investment).
LPEA	Luxembourg Private Equity and Venture Capital Association.
Lux GAAP	Luxembourg Generally Accepted Accounting Principles. Most frequently used accounting framework in Luxembourg for PE vehicles.
PSF	<i>Professionnel du Secteur Financier</i> , a professional of the financial services sector; each PSF is subject to prior authorisation by and the ongoing prudential supervision of the CSSF.
RAIF	Reserved Alternative Investment Fund, a fund structure with legal and tax features of the well-established SICAR and SIF, without those being subject to direct regulation.
RCS	<i>Registre de Commerce et des Sociétés</i> ; the Luxembourg register of commerce and companies.
SA	<i>Société Anonyme</i> ; public limited liability company.
SAS	<i>Société par actions simplifiée</i> ; a simplified limited liability company.
S.à r.l.	<i>Société à Responsabilité Limitée</i> ; a private limited liability company.
SCA	<i>Société en Commandite par Actions</i> ; a corporate partnership limited by shares.
SCS	<i>Société en Commandite Simple</i> ; a common limited partnership.
SCSp/SLP	<i>Société en Commandite Spéciale</i> ; a special limited partnership without legal personality introduced into Luxembourg law by the AIFMD Law.
SICAR	<i>Société d'Investissement en Capital à Risque</i> ; an investment company investing in risk capital only.
SICAV	<i>Société d'Investissement à Capital Variable</i> ; an investment company with variable capital.
SICAV	Specialised Investment Fund; a collective investment scheme governed by the law of 13 February 2007 on specialised investment funds, as amended.
SIF	<i>Société d'Investissement à Capital Variable</i> ; an investment company with variable capital.
SOPARFI	<i>Société de Participation Financière</i> ; a mere marketing acronym used to designate an ordinary commercial company governed by the 1915 Law and which is used as a vehicle for holding participations in Luxembourg or foreign companies or other instruments.
Subscription Tax	Also: <i>Taxe d'Abonnement</i> ; a tax of one basis point assessed on the net asset value and payable by certain collective investment schemes only.
UCI	Undertakings for Collective Investments; collective investment schemes governed by the law of 17 December 2010 relating to undertakings for collective investment, as amended.
UCITS	Undertaking for Collective Investments in Transferable Securities; collective investment schemes organised in accordance with Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).
VAT	Value Added Tax.
Well-informed investors	Well-informed investors are: <ul style="list-style-type: none"> • Institutional investors • Professional investors • Any other investor who declares in writing that he/she/it is an informed investor, and either invests a minimum of EUR 125,000 or benefits from an appraisal from a bank, an investment firm or a management company certifying that he/she/it has the appropriate expertise, experience and knowledge to adequately understand the investment made in the relevant collective investment scheme.

APPENDIX 3: USEFUL REFERENCES

- Luxembourg Private Equity & Venture Capital Association - LPEA: www.lpea.lu
- Invest Europe: www.investeurope.eu
- Association of the Luxembourg Fund Industry - ALFI: www.alfi.lu
- Luxembourg for Finance, the agency for the development of the financial services industry: www.lff.lu
- Regulator of the Luxembourg Financial services industry - CSSF (*Commission de Surveillance du Secteur Financier*): www.cssf.lu
- EU Regulator of Securities and Markets – ESMA: www.esma.europa.eu
- List of PSF: www.cssf.lu/surveillance/psf
- List of registered SICARs: www.cssf.lu/surveillance/vgi/sicar
- List of registered SIFs: www.cssf.lu/surveillance/vgi/fis
- List of registered AIFMs: www.cssf.lu/surveillance/vgi/gfia-aifm
- Questionnaire of the CSSF for applications for SICARs: www.cssf.lu/surveillance/vgi/sicar
- Q&A of the CSSF concerning SICARs: www.cssf.lu/surveillance/vgi/sicar/questionsreponses
- Questionnaire of the CSSF for applications for any other vehicle regulated by the CSSF (OPC/FIS): www.cssf.lu/documentation/formulaires/
- List of double tax treaties: www.impotsdirects.public.lu/conventions/conv_vig/index.html
- Law of 1915: www.legilux.public.lu/leg/textescoordonnes/guides/law_commercial_companies
- Law of 12 July 2013 implementing the AIFMD: www.legilux.public.lu/leg/a/archives/2013/0119/index.html
- Law of 28 July 2014 on the immobilisation of bearer shares: www.legilux.public.lu/leg/a/archives/2014/0161/index.html
- EuVECA Regulation No. 345/2013:
www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:115:0001:0017:EN:PDF
- EuSEF Regulation No. 346/2013 of 22 July 2013:
www.eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:115:0018:0038:EN:PDF
- Grand-Ducal Decrees of 21 December 2017 and 1 March 2019 on CSSF fees:
<http://legilux.public.lu/eli/etat/leg/rgd/2019/03/01/a110/jo>
<http://legilux.public.lu/eli/etat/leg/rgd/2017/12/21/a1121/jo>
- Circular CSSF 18/698 of 23 August 2018: Authorisation and organisation of investment fund managers incorporated under Luxembourg law: <https://www.cssf.lu/en/supervision/financial-crime/aml-ctf/circulars/>

APPENDIX 4: LPEA MEMBERS

LPEA membership as of January 1st, 2020 (Total: 250)

Investment Firms (129)

3i Investments (Luxembourg) S.A.
 2be.lu Investments SCS
 AC Nordic Investments S.à.r.l.
 AI Global Investments CY & S.C.A.
 Allegro S.à.r.l.
 Allianz Capital Partners GmbH Luxembourg Branch
 Alpha Private Equity Fund Mgmt. Cy.
 Amethis Investment Fund Manager S.A.
 AMI (Luxembourg)
 Aquasourca S.A.
 Argos Wityu Partners S.A.
 Astorg Asset Management S.à.r.l.
 Bain Capital Luxembourg S.à.r.l.
 Bamboo Finance S.A.
 BC Partners
 BIL Manage Invest S.A.
 Bioqube Ventures
 BIP Capital Partners S.A.
 BlackRock
 Blackstone Europe Fund Management S.à.r.l.
 Bock Capital Investors S.à.r.l.
 Bridgepoint Services S.à.r.l.
 CA Indosuez
 Canna Luxembourg S.à.r.l.
 CapDecisif Management SAS
 CapMan Plc
 Castik Capital S.à.r.l.
 Castlake LP
 Centerbridge Partners
 Cinven Luxembourg S.à r.l.
 Cipio Partners S.à r.l.
 CIR International S.A.
 Cofima S.A.
 Collier Capital
 Compagnie Fiduciaire La Luxembourgeoise S.A.
 CORDET Capital Partners LLP
 CPP Investment Board Europe S.à.r.l.
 Creon Capital S.à.r.l.
 Cube Infrastructure Managers
 CVC Capital Partners (Luxembourg)
 Davy Investment Fund Services
 De Tiger Capital S.à.r.l.
 EDIFY S.A.
 Encevo
 Enki Capital Luxembourg GP
 EQT Management S.à r.l.
 Equinox S.A.
 Ergon Capital Management S.A.
 Eurazeo Funds Management Luxembourg
 European Investment Fund
 Expon Capital
 Fexson Capital S.à.r.l.
 FGB Invest S.A.
 Fieldpoint
 Five Arrows Managers
 Fuchs Asset Management S.A.
 Full Circle Capital
 G4Partners SAS
 GBL Verwaltung S.A.
 Genii Capital S.A.
 H.I.G. Global Holdings S.à.r.l.
 Halisol General Partner S.A.
 HgCapital (Luxembourg) S.à r.l.
 HLD Associés Europe
 ICG Luxembourg S.à.r.l.
 IDI Emerging Markets
 IK Investment Partners Luxembourg S.à r.l.
 Ilavská Vuillermoz Capital S.à.r.l.
 ImmoFinRE
 International Advisory Services Company S.A.
 Investindustrial S.A. (Bi-Invest Advisors S.A.)
 Kharis Capital
 Kredietrust Luxembourg S.A.
 Lemanik Asset Management
 L-GAM Advisers S.à.r.l.
 Loizelle S.A.
 Lone Star Capital Investments S.à r.l.
 Luxempart S.A.
 Mangrove Capital Partners
 Mantra Management S.à.r.l.
 Marguerite Adviser S.A.
 Mercer Private Markets (Luxembourg) S.à.r.l.
 Monitor Clipper Partners
 Montagu Luxembourg S.à.r.l.
 MPEP Luxembourg Management S.à.r.l.
 Neuberger Berman AIFM S.à.r.l.
 New Angle Capital
 NNS Luxembourg S.à.r.l.
 Norbert Becker
 Nordcap S.à.r.l.
 Nordea Investment Funds S.A.
 Norvestor Capital Partners (GP) S.à.r.l.
 Oakley Capital Holdings S.à.r.l.
 Oaktree Luxembourg CoopSA
 Odysseus Alternative Ventures
 Odyssey Impact Investments S.à.r.l.
 OneLife
 Oraxys
 PAI Partners
 Paladin Europe Capital Management SCS
 Partners Group (Luxembourg) S.A.
 Pergam S.A.
 Permira Luxembourg S.à r.l.
 POST Capital S.A.
 Private Equity International S.A.
 Q Group S.à.r.l.
 Radian Investment Management
 Riverside
 Roylton Partners S.A.
 Schroder Investment Management (Europe) S.A.
 Sienna Capital S.à.r.l.
 Sofina Private Equity SCA, SICAR
 StepStone
 SwanCap Investment Management SA
 Sweetwood Ventures GP S.à.r.l.
 The Carlyle Group Lux S.à.r.l.
 Time Partners
 TJ Capital I S.à.r.l.
 TPG Capital Luxembourg S.à r.l.
 Trilantic Capital Partners LP Inc.
 Triton
 Trois I S.A.
 Turenne Capital Partenaires
 Vediohold S.A.
 VIY Managers

Warburg Pincus S.à r.l.
 Wert Investment Holdings S.à r.l.
 Winvest Conseil S.A.
 WRM Capita Asset Management S.à r.l.

Private Equity Services Providers (112)

ABN AMRO BANK (Luxembourg) S.A.
 AKD Luxembourg S.à r.l.
 Allen & Overy Luxembourg
 Alter Domus
 Amicorp Luxembourg S.A.
 Apex Fund Services Limited, Luxembourg Branch (Ipes)
 Arendt & Medernach S.A.
 Arendt Regulatory & Consulting S.A.
 Ashurst LLP, Luxembourg Branch
 Astris S.à r.l.
 Atoz S.A.
 Augentius (Luxembourg) S.A.
 AVEGA S.à r.l.
 Aztec Financial Services (Luxembourg) S.A.
 Baker & McKenzie Luxembourg
 Banque de Luxembourg
 Banque et Caisse d'Épargne de l'Etat, Luxembourg (BCEE)
 BDO Tax and Accounting
 BGL BNP Paribas S.A.
 BIL Luxembourg
 BNP Paribas Securities Services
 Bonn & Schmitt
 Bonn Steichen & Partners
 Brown Brothers Harriman (Luxembourg) S.C.A.
 Caceis Bank Luxembourg
 Carne Group
 Casa4funds S.A.
 CBP Quilvest S.A.
 Centralis S.A.
 Citco Luxembourg
 Clément & Avocats
 Clifford Chance
 CM Law (Collin Marechal S.à r.l.)
 CMS Luxembourg
 Credit Suisse Fund Services
 Crestbridge S.A.
 Dechert (Luxembourg) LLP
 Deloitte S.A.
 Dentons
 DLA Piper
 DMS Governance
 EASE S.A.
 Edmond de Rothschild Asset Management (Luxembourg)
 EFA
 Elvinger Hoss Prussen
 Ernst & Young
 Estera (Luxembourg) S.à r.l.
 Etude Loesch
 Eversheds Sutherland (Luxembourg) LLP
 Fiduciaire Jean-Marc Faber
 FIDUPAR S.A.
 Fieldfisher (Luxembourg) LLP
 FundRock Management Company S.A.
 Goodwin Procter (Luxembourg)
 Grant Thornton Tax & Accounting
 GSK Luxembourg S.A.
 Halsey Group S.à r.l.
 Hauck & Aufhäuser (Oppenheim Asset Management Services)

Hogan Lovells (Luxembourg) LLP
 HSBC France, Luxembourg Branch
 ING Luxembourg S.A.
 Intertrust (Luxembourg) S.à r.l.
 IPCONCEPT (Luxembourg) S.A.
 IQ-EQ (SGG S.A.)
 J.P. Morgan Bank Luxembourg S.A.
 JTC (Luxembourg) S.A.
 KBL European Private Bankers S.A.
 KPMG
 Label R Corp
 Link Asset Services (before Capita Fiduciary SA)
 Linklaters LLP
 LIS S.A.
 Loyens & Loeff
 LRI Invest S.A.
 LTCO – The Luxembourg Tax Compliance Office
 Luther Law Firm
 Maples and Calder (Luxembourg) S.à r.l.
 Mazars Luxembourg SA
 MDO Management Company S.A.
 Molitor Avocats à la Cour
 Nomura Bank (Luxembourg) S.A.
 Northern Trust Luxembourg Management S.A.
 Norton Rose Fulbright SCS
 Ober Law Firm S.à r.l.
 Ocorian Luxembourg S.à r.l.
 Ogier
 Pandomus
 PricewaterhouseCoopers
 Quilvest Luxembourg Services S.A.
 RBC Investor Services S.A.
 RBS International
 RDT Dr. Dautel Steuerberatungsgesellschaft mbH & Co. KG
 RFA
 RSM Tax & Accounting Luxembourg S.à r.l.
 Sanne Group (Luxembourg) S.A.
 Selectra Management Company S.A.
 Simmons & Simmons Luxembourg LLP
 Société Européenne de Banque - Intesa SanPaolo
 Société Générale Bank & Trust
 SS&C GlobeOp (Luxembourg) S.à r.l.
 State Street (Alternative Investment Solutions)
 Stibbe Avocats
 TMF Luxembourg S.A.
 Trustmoore Luxembourg S.A.
 TS & P S.A.S.
 United International Management S.A.
 ValuePartners S.A.
 Van Campen Liem Luxembourg
 Vandenbulke
 Vistra Luxembourg S.à r.l.
 VP Bank (Luxembourg) S.A.
 Wildgen S.A.

Affiliate Independent Directors (5)

André Birget
 Charles Muller
 Eryn Zander
 Jens W. Beyrich
 Raymond Schadeck

Other Affiliates (4)

François Masquelier
 Shanu Sherwani
 Karin Schintgen
 Olivier Dorier



THE LUXEMBOURG VOICE OF PRIVATE CAPITAL

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