PRIVATE EQUITY

# INSIGHT/OUT

## Yuriko Backes: **Rethinking Luxembourg as a Private Equity Hub**

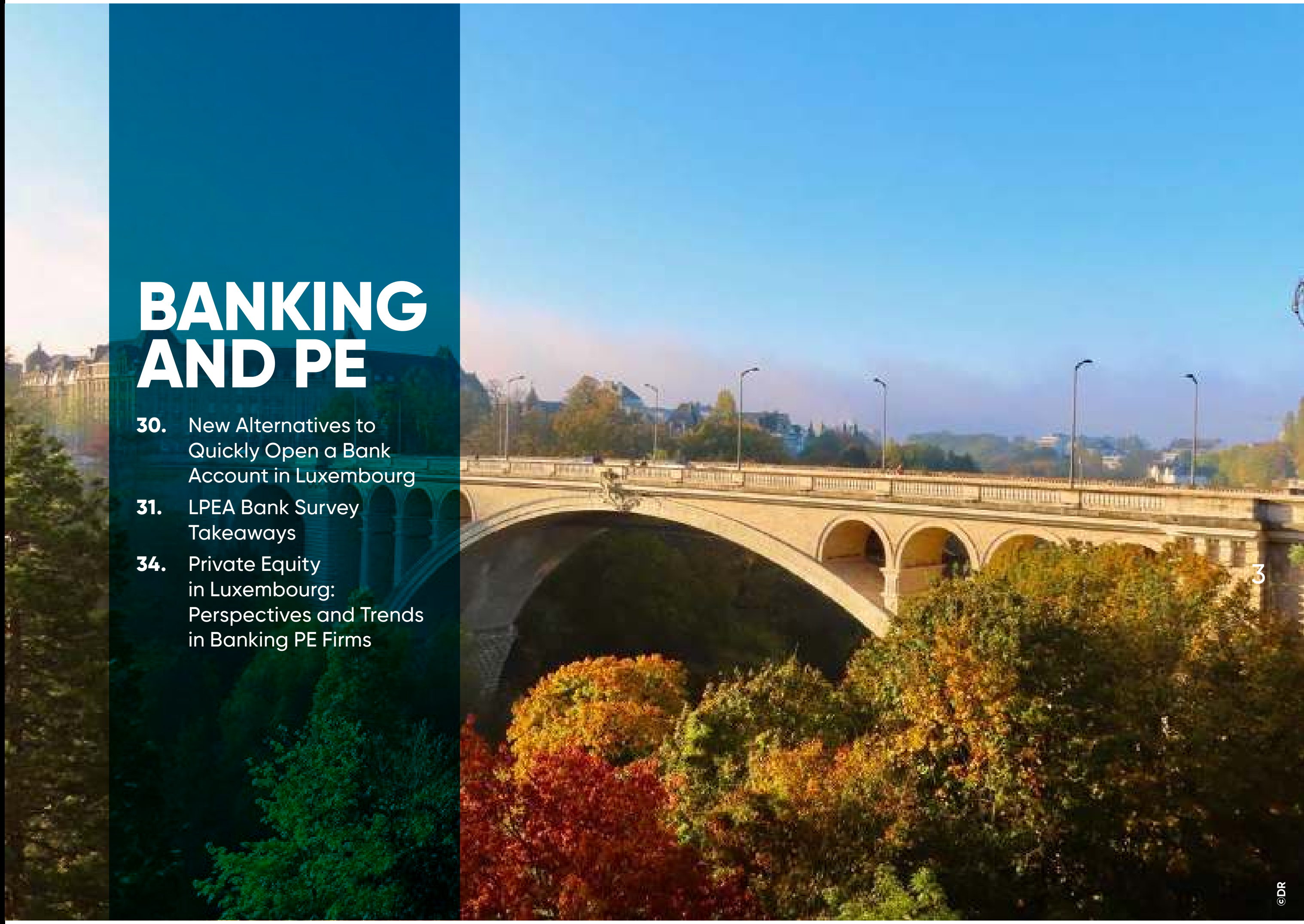
**The Building Blocks of a Fundraising Hub**

**Banking and PE**

Issue 23, October 2022

# CONTENT

ISSUE #23



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## BANKING AND PE

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THE LUXEMBOURG VOICE OF PRIVATE CAPITAL





## Dear members, friends and partners,

Welcome back, after hopefully some well-deserved holidays and restful moments with your beloved ones and family especially in such hectic and complicated times as we are experiencing right now.

Concerning this "special" Insight Out edition, it was really a great honour to interview H.E. our Minister of Finance Ms. Yuriko Backes and to be able to exchange on many important topics which matter to our community and industry. As a passionate team and association, it is of outmost importance for us to continue exploring many promising opportunities (e.g. investor relations, fundraising activities) hand in hand with the pioneers, best practitioners and experts of the Luxembourg financial centre and PE/VC hub. Always "top-notch" that's our core philosophy and whenever required we should, with all humility and collective intelligence, be able to do a quick self-assessment (SWOT, transparent analysis of the pain points combined with constructive solutions, enhanced partnerships) in order to fortify our position, prepare the future and the success of the next generation.

The LPEA "rentrée" started strongly with a well-attended kick-off event focusing on "Best practices in Board Governance" and the launch of our "Non-Executive Directors" Club, which has attracted lots of Affiliate members (mainly Independent Directors, NEDs). Just after the team packed again (luggage, roll-ups, magazines and stand) and was back on the road in Cannes (IPEM conference), which was a huge success (record attendance, many new players and success stories). The discussions between international GPs about the current market were quite interesting, sometimes mixed but always realistic and shared with transparency (year-to-date performance, outlook of the global economy, high inflation, raising interest rates, lack of certain resources, timing of new EU energy strategy, robustness of logistics and industrial production, potential delays in fundraising and deal execution, decreasing stock markets and specific sectors like tech,...). Nevertheless the robustness of our model (closed-ended, disciplined value creation), the recurring performance of the previous vintages, the strength and intelligence of the founders/deal teams/analysts, the profound experience of the Investment committees and external hands-on experts, the relentless appetite of the well-versed fundraising teams gave us an optimistic signal and the confidence that members will continue producing alpha, the expected returns and thrive as done over the last years and decade.

**Stephane Pesch**
CEO, LPEA

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**Claus Mansfeldt**
Chairman, LPEA

**The magazine of the Luxembourg Private Equity & Venture Capital Association**
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## LPEA Insights 2022: Fundraising

This year's LPEA Insights conference will focus on Fundraising and how Luxembourg is shaping its way into a European hub for Investor Relations. This event designed by and for GPs and LPs is also the perfect meeting point for all Private Equity and Venture Capital practitioners.

The conference will address the path towards an IR hub, showcase funds fundraising from Luxembourg, how to create successful IR teams and bring on stage different views from practitioners.

The Insights conference is LPEA's flagship event bringing over 300 professionals from the industry, both from Luxembourg and abroad.

**More information on LPEA Insights**

## NEW LPEA GROUPS

### Distribution and Pre-Marketing Technical Committee

In view of the growing will to fundraise from Luxembourg, the time was ideal to create a committee within the LPEA dedicated to this specific activity. Launching in Q3, the committee is open to all members involved in fundraising from the Grand-Duchy or willing to explore the business case of Luxembourg as a distribution market place.

### Non-Executive Director Club

The LPEA has seen a steady increase of its affiliate membership, and especially of its independent directors (ID). Given this trend, the LPEA created a dedicated club to discuss relevant topics: ID Mandates in Private Equity, Regulatory environment, GP-ID relations, selection criteria for ID etc.

## Career Adventure Day – The PE & VC Job Fair

Following three successful editions of the LPEA Job Fair in 2021 and 2022 with more than 750 attendees, we are currently preparing the 4th edition, which will take place on October 25th.

A full-day digital event that will connect some of the biggest PE/VC recruiters in Luxembourg with candidates from all across Europe.

The Job Fair is organised by the LPEA and participation is free of charge for candidates.

**Register or recruit here**

## PE/VC Vacancies

Looking for a job in Private Equity or Venture Capital? LPEA's vacancies page features job posts by LPEA members, a feature which is made available for free both for candidates as well as for LPEA members advertising their open vacancies.

**More Information: www.lpea.lu/careers**

## Launch of the Luxembourg Valuation Professionals Association

The past years have seen an increased focus on valuation of illiquid assets, which brought new needs to the growing community of valuation professionals. A group of these professionals started to lead a new initiative in November 2021 to create a valuation professional organization in Luxembourg, named Luxembourg Valuation Professionals Association (LVPA). Their objective is to lead and represent the valuation profession in Luxembourg, by promoting the highest standard of ethics, professional excellence and expertise, education for the ultimate benefit of its members and its community.

The LVPA's Founding Committee is composed of professionals from professional services firms, valuation functions from in-house AIFMs and external fund services providers.

LVPA is preparing a launch for the association to be held 15 November 2022 at PwC Luxembourg premises. One of the event speakers will be Nicholas Talbot, CEO of the International Valuation Standards Council (IVSC), who is supporting this initiative.

## Cascade Raises €1 Million

LPEA Member Cascade Lab, a Luxembourg based Fintech/Regtech firm providing Administrative, Compliance and Governance solutions just announced that it had successfully completed a €1 million funding. Cascade will use the funds to keep up with the fast growth of its clientele in Luxembourg and internationally, and develop the new features required by broader than expected client categories.

The funding round was oversubscribed and led by the Digital Tech Fund, a joint public-private seed fund managed by Expon Capital that supports ICT start-ups in Luxembourg, with participation from LBAN, Luxembourg's business angels' network, and Project Rise, a Luxembourg Investment Initiative providing mentorship, alongside funding, to entrepreneurs.

## 2022 Global Investor Statement to Governments on the Climate Crisis

532 Investors representing USD $39 trillion, signed a statement in the context of "The Investor Agenda" advocating for governments to enact ambitious policies that would leverage the private capital required to effectively address the climate crisis. The statement is open for investors to join the unified call for government action ahead of COP27. The Investor Agenda is a common leadership agenda on the climate crisis that is unifying, comprehensive, and focused on accelerating investor action for a net-zero emissions economy.

## Working & Living in Luxembourg: the Next Generation by Luxembourg for Finance


**Watch the Video**

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Interview By **Stephane Pesch**
CEO of the LPEA

And by **Luis Galveias**
COO of the LPEA

Interview of Yuriko Backes, Luxembourg Minister of Finance

# Rethinking Luxembourg as a Private Equity Hub

Yuriko Backes says my Ministry is committed to ensure that Luxembourg maintains a favourable environment that allows the financial industry to innovate and reach international investors and clients. Interview with our Minister of Finance.



**The Private Equity ("PE") and Venture Capital ("VC") industries have evolved a lot and have boomed in Luxembourg over the last years, therefore and based on your observations how important has this specialised sector become for the Luxembourg economy, our financial hub and the Ministry of Finance?**

The private and venture capital industry, and the alternative fund sector more broadly, have indeed seen significant growth. A number of factors have contributed to the boom you mention. The sustained low interest rate environment over the past decade has driven a search for yield on the investor side, which together with a new comprehensive regulatory framework in Europe in the shape of the Alternative Fund Managers Directive, have strongly contributed to mainstreaming alternative asset classes and attracting new investors, ranging from large pension funds to family offices.

At the same time, the Ministry of Finance has proactively supported this growth, not only through the first-mover advantage of swiftly adopting EU legislation, but also by constantly updating and improving national legislation. The introduction of a limited partnership regime, modelled on Anglo-Saxon LPs, as well as the Reserved Alternative Investment Fund, are two prominent examples. My team and I at the Ministry are committed to continuing in this vein to help create a conducive environment for the sector to thrive.

It is also important to underline that this growth has been both quantitative as well as qualitative. On the one hand, we've seen yearly growth rates between 20 and 30% on average in assets in private equity and VC funds over the past few years. On the other hand, Luxembourg's PE and VC industries have been climbing up the value chain, with the arrival of new GPs, fund managers and service providers, the creation of new and additional job profiles, as well as the launch of new funds and increasingly larger funds. The role of Luxembourg in the value chain thus continues to grow, with the country today acting as the leading EU hub for private equity funds.

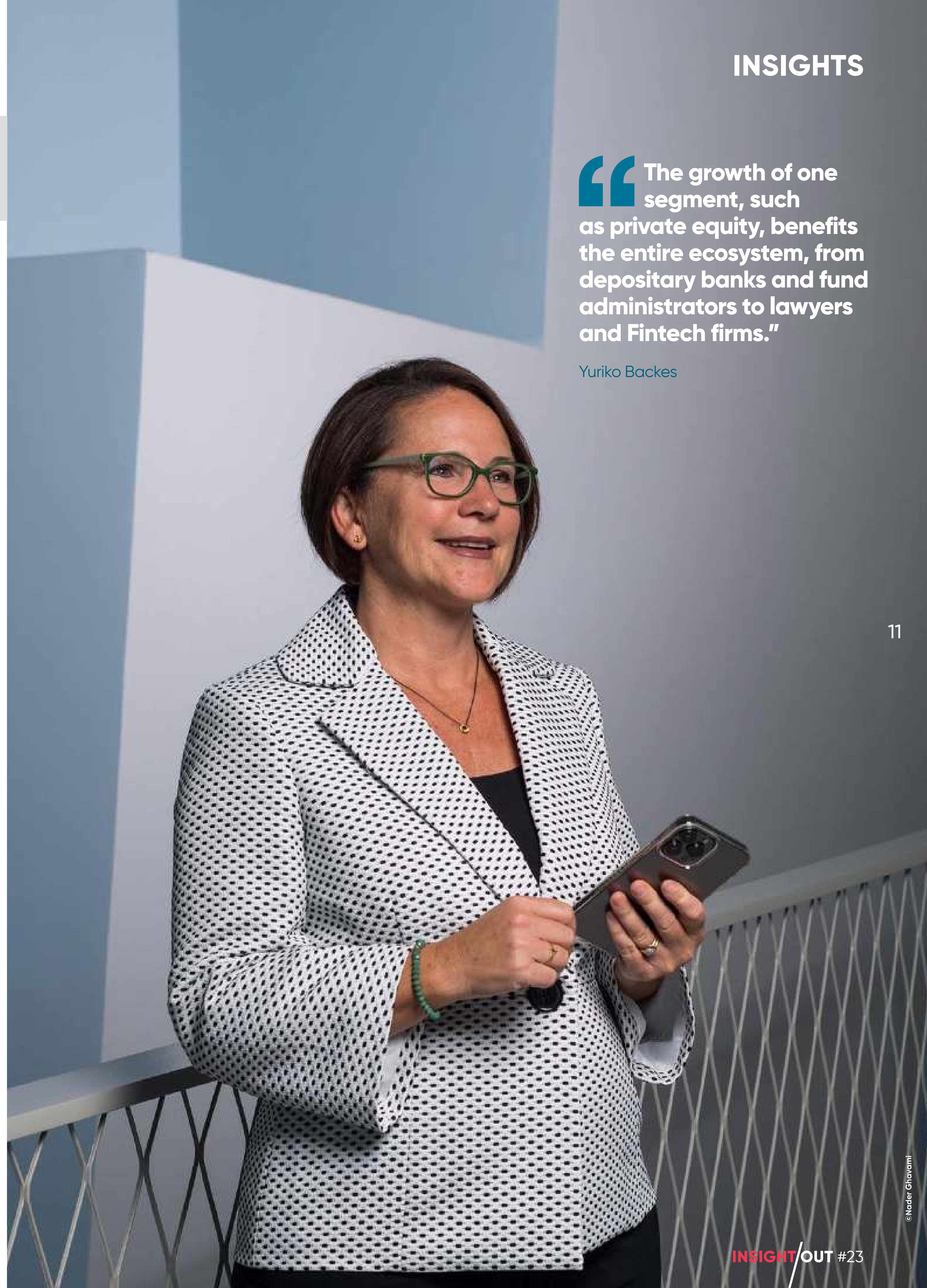
This is, by the way, something that was confirmed to me in various meetings I had with asset managers abroad, including most recently in London.
It is therefore fair to say that the importance of this sector to the financial centre as well as our economy has grown significantly over the past years. Having said that, I believe it is important to remind ourselves that one of the strengths of Luxembourg's financial centre is precisely its diverse and comprehensive financial sector ecosystem, ranging from funds and capital market activities to banking and insurance. The growth of one segment, such as private equity, benefits the entire ecosystem, from depositary banks and fund administrators to lawyers and Fintech firms. And vice-versa, this growth is made possible in the first place by having access to the expertise that has been developed in this ecosystem over many decades.

**International and local regulations have continued to increase over the last years and are sometimes becoming quite complicated to navigate. Do you see an end to this trend and can directives, new rules also represent business opportunities?**

The regulatory framework in Luxembourg is primarily determined by EU regulation. Since the global financial crisis in 2008, there has indeed been a sustained wave of financial sector regulation in Europe, but also in other parts of the world. Regulation, of course, needs to constantly evolve to remain







**"The growth of one segment, such as private equity, benefits the entire ecosystem, from depositary banks and fund administrators to lawyers and Fintech firms."**

Yuriko Backes

© Nader Ghavami

in step with new market developments: 10 years ago, no one talked about crypto-assets, for example. It is therefore inevitable that we will continue to see a sustained pace in regulation. However, I agree that this should not mean that regulation should by default become more complex to implement.

In negotiations at the European level, Luxembourg always advocates for smart regulation that is pragmatic and takes into account the realities of providing financial services and products across national borders within the single market and beyond.

Yuriko Backes & Luis Galveias.

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We defend the principle that the EU should remain open and connected to the rest of the world. Today, financial services, and the investment fund sector in particular, are international by definition. The pandemic has spurred protectionist reflexes, even among EU Member States. But creating a fortress Europe is in no one's interest and certainly not that of European businesses, savers and investors.

We have seen in the past that new rules and regulations can create new opportunities: UCITS, as the single most exported fund product in the world, is a case in point. In fact, Luxembourg's success as a financial centre is built on the existence of a common regulatory framework and the possibility of passporting within the single market. AIFMD has also brought new opportunities and increased investor confidence in alternative fund products. MiCA, which will regulate crypto-assets, is certainly also an opportunity as it will provide regulatory clarity across member states on an emerging asset class. The evolving EU regulatory landscape on sustainable finance will also encourage the development of new products and services thanks to a common set of rules and standards.

As it has done in the past, Luxembourg will strive to remain a first-mover in implementing EU legislation to give our financial centre a head start.

**What about ATAD3, how important is it to fine-tune this proposal and to share constructive feedback with our EU peers and partners?**

With regards to ATAD 3, negotiations are ongoing. I welcome the good dialogue that we have established with partners and institutions on this issue. It allows me to better present our views, because I am certainly not interested in protecting so-called "letterbox companies". The draft went, however, far beyond that objective, raising many fundamental questions with the ultimate risk of making the EU single market less attractive for investments. This is why we are continuing to monitor closely how this file evolves over the coming weeks and months. Feedback from the industry at EU level is certainly important: The PE and VC industries play a growing role in the financing of our economy, from large companies to SMEs and start-ups. If the EU wants to increase and broaden access to capital market financing for European companies and entrepreneurs, it must avoid creating new and unintended barriers to achieving this goal.

**How can Luxembourg preserve or rather increase the competitiveness of its financial sector and of its PE/VC hub?**

Luxembourg needs to remain nimble and act as a first mover wherever it can. This has always allowed us to adapt and seize new opportunities. My Ministry is committed to ensure that Luxembourg maintains a favourable environment that allows the financial industry to innovate and reach international investors and clients. This also includes continuously modernising our legislative framework, as we have done recently for example in the area of distributed ledger technology or on securitisation.

I am now planning to present a draft law modernising certain features of the national fund legislation in a targeted manner this autumn.



> **"I am ready to exchange with the industry, and notably the LPEA, to see how we can expand Luxembourg's role in the value chain, including as an investor relations hub."**
>
> Yuriko Backes

As regards sustainable investments, we can confidently say that Luxembourg is already a leader in many respects. Luxembourg accounts for 43% of private asset impact funds globally and 44% of total assets under management in European ESG funds (Article 8 and Article 9 under SFDR).

It is, of course, not enough to just focus on such headline figures, we also need to ensure that Luxembourg develops the necessary expertise around ESG investing to support the growth of the market. It is in this spirit for example that the Ministry of Finance, together with the Ministry of Environment, has set up a partnership with the University of Luxembourg on sustainable finance, which includes a dedicated Chair and research, a Master's programme on Sustainable finance as well as professional certification.

Luxembourg is the regulatory and compliance nerve centre of the global fund industry: in line with new ESG reporting requirements and increased transparency on sustainability risks and building on pioneering initiatives such as LuxFLAG and the Luxembourg Green Exchange, this is certainly an opportunity to strengthen Luxembourg's sustainable finance ecosystem.

The Ministry of Finance is also championing sustainable investments through initiatives such as the International Climate Finance Accelerator (ICFA) to support emerging fund managers as well as blended finance projects such as the climate finance platform we set up with the European Investment Bank.

We are now launching a new innovative investment vehicle, with private sector partners, focusing on the transition to carbon-neutral economies in emerging markets. This impact investment strategy will channel investments from both the private and public sectors into climate mitigation, climate adaptation and the protection of water and biodiversity, with the objective to help close the climate finance funding gap.

**The LPEA proactively monitors new developments, trends and currently focuses on the democratisation of private assets and the continued evolution of our industry and community of practitioners (back, middle and front office). Could the implementation of an "investor relations" hub represent one of the next stages of our transformation?**

Luxembourg has developed a unique expertise in cross-border financial services and products over many decades, and has expanded its role across the value chain. As a result of Brexit, we have also seen new and additional roles being established in Luxembourg, including in the alternative fund space, as firms sought to ensure that they maintain access to client and investors within the EU.

Luxembourg is already today the main connecting point between asset managers, funds and investors. We have the product, the custodians, the fund administrators as well as the management companies and the General Partners in Luxembourg. The main competencies around fund distribution are thus bundled here. As I mentioned before, this is an opportunity to develop additional expertise in ESG reporting, for instance. This is definitely also true when it comes to fund marketing and investor relations.

I am ready to exchange with the industry, and notably the LPEA, to see how we can expand Luxembourg's role in the value chain, including as an investor relations hub.

**There is today, globally, a shortage of talents. How can Luxembourg attract more talents?**

The question of how we can attract and retain talent, but also help develop new talent, is one of my priorities. As our financial centre has grown, both quantitatively and qualitatively, so has the need to find the right talent. Firms in Luxembourg today look much further than the Greater Region to access talent.

While the budgetary impact of the pandemic and now the energy crisis is taking a toll on public finances, I am currently looking at targeted measures to support firms, including in the financial industry, in accessing the talent they need to continue to develop their activities. Tax measures and other incentives can definitely help, but talent is of course a "whole-of-government" issue covering multiple topics from housing to immigration, as well as schooling, where a lot has been done in the past few years: the government has put in place an inter-ministerial committee to address the topic holistically.

> **"The reality is that women remain underrepresented in the finance industry, certainly in management roles."**
>
> Yuriko Backes

I fully agree that education and training are fundamental when it comes to addressing the demand for talent. I certainly support and can only encourage partnerships between the industry and the University, notably its Department of Finance, to develop dedicated programmes and certifications.

We also need to continue and even step up our efforts to promote Luxembourg as a great place to live and work. Very often, the first hurdle is to convince people to come to Luxembourg, as they are not aware of the broad range of career opportunities in the financial centre. Once people have made the move, they want to stay. Luxembourg for Finance has been running a fantastic campaign on living and working in Luxembourg. This is indeed a topic we need to tackle collectively: individual companies, industry bodies as well as government.

To me, increasing diversity and addressing the gender gap is part of the solution to a shortage of talents. The reality is that women remain underrepresented in the finance industry, certainly in management roles. Since I've taken up my new position, I've organised several networking sessions with women leaders in the financial sector to exchange views and get their insights. Together with the LHoFT, we have also launched a year-long campaign on women in finance and tech. Failing to empower women and girls in the financial and tech sectors is ultimately a wasted opportunity when it comes to addressing talent gaps.

Private equity is traditionally seen as being a male-dominated sector, although the proportion of women working in the sector is increasing -- from 17.9% globally in 2017 to 20.9% today. The sector can proactively address this by promoting senior women in the industry, who can act as role models, create dedicated networking opportunities for women but also by encouraging mentoring - by women and men. I commend the LPEA for efforts is has already taken in the context, such as its PE4W initiative encouraging women to take up a career in the sector. ●

INSIGHTS

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Interview of
**Gareth Hewitt**
Co-Founder and CEO of LemonEdge

and **Jamie Nascimento**
Co-Founder and COO of LemonEdge

and **Lauren Iaslovits**
Co-founder of Investran and Investor/Strategy Advisor to LemonEdge

# A Digital Platform Breaking the Habits

**Could you please introduce LemonEdge?**

**Jamie Nascimento:** LemonEdge is a new solution for asset managers and administrators, to manage the LP, GP and fund level accounting, built on our API, low-code platform with an investor portal. We deliver the real-time, straight-through processing required by the industry to deal with the most complex and nuanced requirements.

**Lauren Iaslovits:** A next-generation solution for managing private markets fund and portfolio accounting at scale with user experience centerstage – it's user-friendly and fast.

**Gareth Hewitt:** We're all industry veterans that for over 20 years have evolved the solutions for this industry across four different software products. LemonEdge leverages that benefit of hindsight, and combined with a low-code platform, is built from the ground up to address the fundamental requirements of the market for multi-tiered fund structures and partnership accounting while being able to automate all the related processes.

**As a newer entrant to the market, why have you chosen a focus on Luxembourg?**

**JN:** Luxembourg is uniquely positioned to touch many complex areas: multi-currency, multi-ledger, multiple asset classes, intricate allocations and complex transactions. It's always been our belief that solving for the complex end of the market first should be a priority

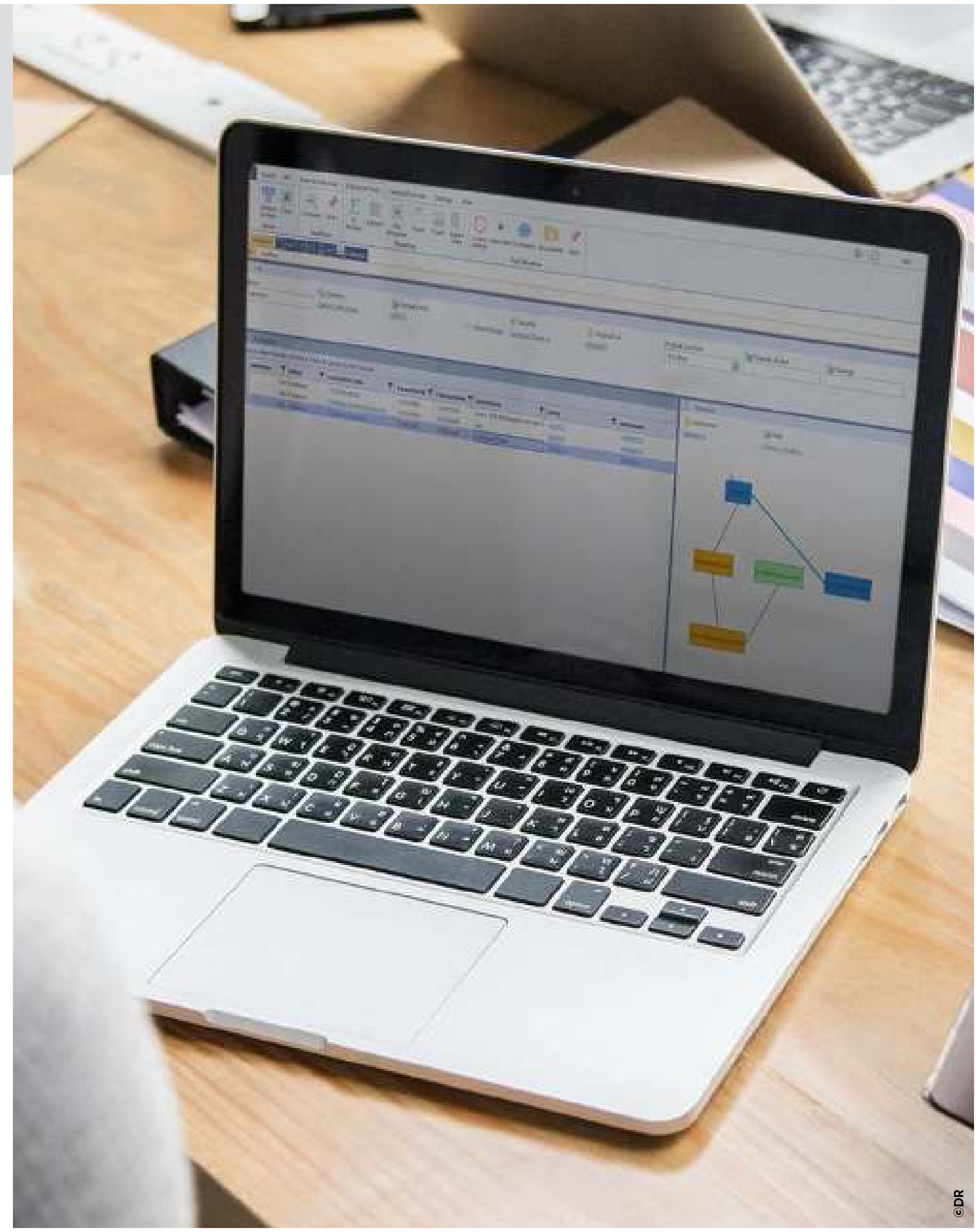
**What is the challenge of technology usage in the capital markets?**

**GH:** Technology broadly is being more widely adopted across the industry now – and there are more innovative companies in the space than ever before. This is exciting and we're partnering with as many of these firms as possible.

The challenge has always been the industry knowledge, and for back-office accounting, where we're focused, the barrier to entry has been extremely high allowing the legacy vendors to barely innovate for the last decade. However, this barrier is being overcome, with experienced professionals launching new solutions driven by market demands and a shift in the user expectation for enabling technologies.

**Lauren, as a veteran of the industry, how do you see the market changing?**

**LI:** Given the growth in private market assets over the last 20 years, it's become a requirement to have systems that facilitate efficiency and manage the business functions – accounting and operations, portfolio monitoring, investor on-boarding, etc. We've seen the market adopt best of breed solutions across these functions which represent a leapfrog vs first generation vendors in terms of enhanced speed, automation and flexibility thereby allowing managers to continue to grow their assets without growing their headcount and associated costs.



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> **"At our core, we provide an accounting platform that specializes in complexity, scale and automations."**
>
> Gareth Hewitt

**Which are the main issues you are addressing?**

**JN:** We answer the three biggest issues the market is facing. Scale, complexity and customisation. You want to remove reliance on Excel, automate processes and manage the business in your own way, rather than being beholden on the vendor. This lead us to a new accounting engine, platform and suite of tools. Canvas is one in particular clients love.

**GH:** Our target clients are educated consumers in the market. They've been on a legacy system for the last 10 or so years, they've been looking in the market every three or so years, they know the industry and the market – and despite wanting something better haven't been able to switch. This describes a large segment of the current market – and they appreciate the functionality we can offer, the automations, and the new approaches that change the solution from a traditional record keeping system to one that actually drives and automates your event processing.

**What's next?**

**LI:** There is an exciting opportunity to finally bring together a partnership accounting solution which addresses both open and closed strategies. We have the technology and experience to make this leap forward.

**JN:** Since launching in 2020, we've grown to a team of 35 with plans to be 70 by the end of the year, stretching from the west coast of the US to India. We continue to build out our team and partnerships across other vendor systems and consulting groups, to deliver service to our clients.

**GH:** At its core, we provide an accounting platform that specializes in complexity, scale and automations. We're looking forward to working with our current partners (and new ones!) to build out functionality on the platform to address other asset classes, allocation requirements and more with the aim of being one platform that can take care of all the back-office accounting. ●


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Interview by
**Luis Galveias**
COO of the LPEA

# Strong Fundamentals for ESG Investments in Africa

We talked with Sandrine Henton, Managing Director of EG Capital, a fund based in Nairobi, Kenya and making Private Equity investments in the Health, Food, Education and Climate Resilience sectors in some of Africa's fastest growing economies.



**EG Capital has a strong alignment with the UN Sustainable Development Goals (SDGs), can you tell us more about it?**
EG capital was created in 2016 to tackle the UN SDGs, particularly in essential sectors such as food, health, education and climate, with a regional focus in East Africa and Zambia. The main purpose of this fund is to bring more private capital to essential sectors that are chronically underinvested. If we take the education sector, for instance, that represents less than 2% of capital in the world, and less than 2% of foreign aid. We predict - and can see from the UN Education Commission reports, that by 2030 we are looking at 1.4 billion young people in low to middle-income countries that will not go beyond the first year of secondary schools. To put it in perspective, 1.4 billion is approximately the entire population of the African continent, so we can only imagine the consequences of not investing in sectors like healthcare and education and the impact in terms of migration, security and enabling young people to lead productive lives.

**You are therefore an impact fund by design...**
Yes, we are currently working on Article 9 classification of the SFDR regulation. We think this European regulation is actually an opportunity for impact funds like us to have measurable returns and measurable impact, and therefore to attract more private capital. We see this new regulation as an opportunity as it opens new pools of capital, which in the past would not have looked at a fund like us. Investors now have much more incentive to, as capital allocators, demonstrate impact.

**Coming back to your sectors of investment, there is also a gender lens approach.**
These sectors are very strategic. We know due to the volume of the demographic wave we are looking at for 2030, as well as what we learned from the pandemic, that these sectors are strategic. We are talking about food, health, education, climate... These are the basic essentials that everybody needs. They are very defensive sectors, especially in a downturn and they are particularly relevant to women and young people, especially women who are farmers, nurses and teachers. In Africa, these are also the women that actually pay the bill, the grocery fees, the healthcare bill and the school fees. So, when you talk about food, health, education and climate you are really touching the heart of consumer economy of Africa (young people and women) and we really believe that you can generate a lot of measurable impact and commercial returns by investing with a gender lens.

**Moreover, you personally, where did the interest and commitment for this region and challenges come from?**
I have always had a focus on emerging markets in my career and I covered India, Asia and also Africa. What we can see is the challenges between emerging and developed markets are converging. Such challenges, whether leverage, volatility or inflation will be the same across markets. The difference between the BRICs economy versus the frontier markets is capital lacking. There is still dearth of private capital coming to Africa, as opposed to some of these other geographies that are more well known to investors. I had experience of India and Africa and I just put numbers together. When Michael Porter was working on the first Social Progress Index, I looked at countries that were growing quickly





INSIGHTS

> **There are strong fundamentals in choosing East Africa and Zambia [...] for investments in the recovery sectors of Health, Food, Education and Climate Resilience."**
>
> Sandrine Henton

but that were leaving their youth population behind such as in many African countries.

For the strategy of the Fund, it was really a big discussion to look at India or to look at Africa and, within Africa, which regions of Africa. It was a lot of work to see where could we demonstrate returns and impact in those sectors, and where could we learn on a small scale. If you talk about India the scale is huge but if you talk about one region in Africa it becomes easier. At the time, if you were to compare, teachers in India did not have a mobile phone or an email address - even in Delhi or Mumbai, whilst in East Africa, with the adoption of mobile technology, literacy rates were actually much higher and, combined with a rising middle-class, provided a really good platform to make new investments and to demonstrate the success for the first fund.

### A test bed for other Impact Funds to come...

The ambition is to grow more funds across different regions in Africa and the Middle East. It is for us important to choose the East Africa region because it is one of the most stable regions in Africa. To give you an example, during the pandemic it was the only region in Africa (and perhaps the world) that posted positive GDP growth. That is because of the resilience of the informal sector, the middle class, the entrepreneurial culture, and the fact that they have really built their own internal demand, as opposed to just being exports oriented. There are really strong fundamentals in choosing East Africa and Zambia, and with offices in both Nairobi and Lusaka the EG Capital is well poised to attract quality investments in the recovery sectors of Health, Food, Education and Climate Resilience.

### According to demographics projections, by the end of the century, Sub-Saharan Africa will represent one third of the world population but remains largely unexplored as an investment market today.

It is a huge market and if you look at the GDP growth per capita of some of the regions in Africa and how that compares with China and adjust it with FDI (Foreign Direct Investment), we know that FDI in Africa is lacking and has reduced over the pandemic. The fact that they are still able to show GDP per capita net income gains in such difficult context is remarkable.

### What do you think could attract more investors like you to Africa?

Two things on that. I think there are perceptions of risks we need to reckon, from especially Europe or the US that have a perception of risk of emerging markets and particularly Africa that are not what it is. We need to work on correcting that perception. We also need to look at fund managers capabilities, having fund managers that understand the local markets and are able to mitigate some of the risks that you get in emerging economies.

The other aspect is currency risk. African economies are much more prone to currency risk volatility and are export dependent, which makes them vulnerable to external shocks. That is a pity, because you can say: "Well, the US economy is producing just as poorly" but everybody is holding their dollar and therefore they are still able to maintain their currency, whereas in a country like Zambia, their local currency takes a 20% depreciation. That obviously impact returns because many funds are in hard currencies. We mitigate currency risk through our investment strategy, MIGA insurance and the underlying structure of our investments to reduce some of those risks to some extent. This is necessary to attract commercial private capital and to actually realize the opportunities of the region.

On a macro level, there is a strategic opportunity that the African continent represents, and few people have realized that yet. It has the energy, the land, the water and can be a source of sustainable food production, forestry, climate change and clean energy. Africa can leapfrog potentially in many thematic where other countries in the West have not.

### You are backed by Waterloo Foundation and have already attracted commitments of over USD 60 million (out of USD 100m target fund size). Generally, what kind of investors are interested in these funds?

That's a great question actually, because we've done particularly well. For most Impact Funds and Private Equity funds in Africa, circa 80% of the AuM comes from public sector investors located in Europe or the US. We've been able to raise a significant amount of capital (c.70% of the fund target size) from private institutional investors, including African (40%) and European (30%) investors (pension funds, banks, sovereign wealth funds, family offices). We were one of the first fund managers 'buy-rated' for the African Women Impact Fund (AWIF) managed by Stanlib Multi-Manager, part of the Standard Bank Group in Africa. We also were one of 43 deals selected by the African Development Bank for the Africa Investment Forum and we have a number of very large pension funds in Africa that are committed to the strategy and the team. Indeed, the Waterloo Foundation was the first backer since December 2020.

That's one of the innovations that I think is important to talk about, because the drivers for where is private capital coming from in Africa and Europe is very different. In Europe it's a regulatory drive I would say, because if you look at FSDR and the impact that it's having, big allocators are looking into trying to produce more genuine return impact and therefore they would be looking at us.

If we look at Africa, governments are over-leveraged, and they do not have access to foreign aid and foreign direct investment is decreasing. They cannot cope with the youth population growing at 30% every year in terms of building the number of schools, health services and social infrastructure that their population need. Therefore, it is really an interesting opportunity for African pension funds that operate in a regulatory environment where they can allocate 10% of their assets to PE funds. Why not do it with thematic PE funds that dedicate to sectors like health, education, food, climate and energy to be able to make government funding a lot more efficient? Without putting one dollar into the system, just by reallocating pension assets to investment in the real economy and local economy…

### ...instead of investing in global markets.

Exactly! Then you have a lot of return and development impact and better use of government funding. We're starting to see in Africa government pension funds really trying to make strategic allocations. The focus of our capital allocation is actually fostering local resilience of African economies, and you can see this happening in terms of where our capital is coming from (e.g. 40% of the target fund size is coming from local institutional African investors) as well as where our capital is being deployed into local businesses within the essential sectors in Food, Health, Education, and Climate that prioritise local production, local jobs, reduce import dependencies in critical and strategic industries.

### Does philanthropy play a role?

There's a big role of philanthropy in Europe that's connected to Africa, and which is moving towards making catalytic capital contributions into funds. There's also a lot of family offices, banks, insurance companies and corporates in Europe that are starting to make investments as well.

### How is your future linked with Luxembourg?

We're looking at setting up a structure in Luxembourg for all European investors. The team is locally based in Africa to access investment opportunities, but we understand that Europeans are comfortable with a jurisdiction that they know, that they're familiar with. Therefore, we expect our Luxembourg structure to facilitate discussions with European investors.

### It's the next stage of your journey...

It has been a long journey. We only made it here with strong partners such as IQ-EQ – we are now part of their Launchpad programme, a unique initiative which aims to support women launching their first fund and we are part of the 2X Challenge which is the G7 commitment to invest in women fund managers in emerging markets. Both initiatives are helping women fund managers to get access to capital. Hogan Lovells has also been helping us on the fund formation, documentation and the launch of the funds over the past few years. ●

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By **Johann Herz**
Head of Events and Communication at LPEA

# The Building Blocks of a Fundraising Hub

In this interview, Gilles Dusemon lays down his vision on how to bring Luxembourg at the forefront of international fundraising for Private Equity. Gilles will also share his views on stage at the upcoming LPEA Insights 2022 conference, which is dedicated to fundraising.

### Luxembourg is already a Private Equity operational hub but you believe it can go one step further and also become a fundraising hub?

The short answer is yes and actually yes it must. Luxembourg AIFs are today the smallest common denominator in the European private funds industry and the "AIF made in Luxembourg" brand name is widely recognised as the most relevant international market standard by GPs and international investors alike.

In furtherance to the implementation of the AIFM Directive, since 2013, many GPs have been establishing their alternative investment fund management (AIFM) operations in Luxembourg. In total there are more than 300 authorised AIFMs based in Luxembourg today.

Now, fundraising is a multi-faceted process typically organised between prospective investors and the manager. It is a critically important process since the money raised will fuel the investment activities of the manager for the AIF.

The fundraising process may potentially be sliced into a regulatory/compliance part and a commercial part. Every fundraising process should in principle start with the preparation of the regulatory and compliance process. Be it a pre-marketing notification or a marketing passport activation, this process will typically be vested with the AIFM based in Luxembourg. Will it be sufficient that the AIFM merely handles such notification or activates the marketing passport? The answer is no. These initial formalities are merely the tip of the regulatory distribution iceberg. And they merely follow quite some regulatory and commercial preparatory work.

Then, there is of course the commercial part, being the interaction with investors. The actual investor interactions or investor sourcing can take many different shapes and forms. These interactions may be directly undertaken by the AIFM or its affiliates or indirectly via placement agents, distributors and other intermediaries, often locally. In each such situation, there are a number of regulatory and compliance topics to be addressed and these will need to be organised and monitored. And then, there will be investor negotiations, investor onboarding and investor monitoring requirements going forward.

Hence, looking at the investment management value chain, the AIF is established in Luxembourg, the AIFM is located in Luxembourg, the central administration, transfer agency and depositary functions are all established in Luxembourg. However, the very critical fundraising function was not necessarily established in Luxembourg. Using the past tense here because the situation is changing as a direct consequence to additional regulation and Brexit. A very important part of the European fundraising capabilities are indeed located in London. Due to Brexit, firms established there have been cut-off from their fundraising activities within the EU. Alternative solutions are thus needed. This is where Luxembourg based AIFMs step-in.

### What does it take to make that journey?

At first, it's a compliance process, which requires a very good understanding of the entire fundraising journey and steps. The better the journey and its formalities are understood, the better the investor experience may be. While a pre-marketing notification or marketing passport activation are only the visible parts of the process, a lot will need to happen behind the scenes in Luxembourg and outside of Luxembourg.

The fundraising function is a highly complex function. It is also a high added value function. It requires highly trained professionals that can handle the various facets of the fundraising process. Whilst the function may be naturally situated with the AIFMs based and operating out of Luxembourg, the market will have to be trained and experienced professionals from outside of Luxembourg will certainly be added over time.

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Now is however a good time to put more emphasis on the development of this function. And the financial centre does not start from scratch since the distribution of funds goes back as long as public funds and their managers are active in the Luxembourg market. With the rapid emergence of Luxembourg as main European private funds hub and the occurrence of Brexit, the dynamics have been fundamentally altered. This is already showing in the market as a growing number of managers are beefing up their distribution and marketing operations in Luxembourg.

### How can the public and private sectors play a role in this process?

The Luxembourg financial centre has a great message to share but it also needs to understand what it takes getting there.

We need to ensure that the industry in Luxembourg and outside understands that a great product and a great salesforce go hand in hand. Why would you want to be disconnected from some or all of your distribution channels. This is where the government, the supervisory authority and the industry need to join forces.

The Luxembourg financial services and investment management (including product rules, i.e., toolbox) frameworks are considered to be second to none within the EU. We do however need to ensure that it stays that way.

> **"We need to ensure that the industry in Luxembourg and outside understands that a great product and a great salesforce go hand in hand."**
>
> Gilles Dusemon

As an example of what could be done, while Luxembourg was one of the first countries to introduce the "well-informed" investor status (applicable to SICARs, SIFs and RAIFs) in 2004, other EU countries followed suit and introduced similar semi-professional investor concepts. Luxembourg was thus at the very forefront of the industry developments back in 2004 with the SICAR regime and 2007 with the SIF regime.

In the context of a certain retailization or democratisation of private fund offerings within the EU, the outcome of that market trend today is a threshold of EUR 100,000 in several EU countries furthermore confirmed by the recent EU legislative proposal to modify the European professional investor definition in that same direction. Notwithstanding such proposed alignment at EU level which will probably come through in 2025, the EU gold standard already sits at EUR 100,000 and Luxembourg should introduce the same standard across all Luxembourg AIF solutions.

Besides updating our toolbox, there are a few other regulatory tweaks that



INSIGHTS

could substantially improve operating conditions of Luxembourg AIFMs. The next frontier would thus be the digitalisation of the fundraising process. Many important decisions have already been taken by the Luxembourg legislator and supervisory authority in that respect and we are merely a few steps away from a framework that is both legally certain and sound.

> **"The private sector must recognize that there is an opportunity here to add significant value to existing AIFM and investment firms. The industry must do what it takes to make it work."**
>
> Gilles Dusemon

### Going back to the profiles and skills, how do we train the workforce for the new investor relations roles?

If head-hunters operating in the Luxembourg market have been on the lookout for risk and portfolio managers trained in Luxembourg over the last almost 10 years, I would very much like to tell them that they should now be on the look-out for IR professionals trained in major EU financial centres. This is also where Luxembourg can go back to its roots as a multicultural gateway jurisdiction bringing such customer facing professionals together.

This does however not mean that we are starting from nowhere in Luxembourg. The Luxembourg environment is a fast-learning environment which can leverage on the decades of knowledge of the investment management value chain. With a little digital or fintech help, some of the processes may actually be turbocharged and the market be trained rather quickly.

For all of the above to happen, the importance of the distribution function needs to recognised by all stakeholders. Thereafter, this is a function that needs to be organized, recognized and then managed – managers may then scale it in any way or direction.

Some AIFMs will then add branch operations in certain target jurisdictions or provide their distribution services cross-border. The value chain would thus be complete.

### Do you think this investor driven approach will also attract investors to set up here?

Many institutional investors have set-up operations in Luxembourg over the past thirty plus years. Many will have set-up their own investment fund platforms taking advantage of the Luxembourg toolbox to deploy their own investment programs at a global scale. Many of these investors are pensions plans, insurance undertakings, corporates, private banks, family offices and other institutional investors.

The presence of these investors has played an important role in the development of the Luxembourg funds sector.

The more investors will set-up their own investment platforms in Luxembourg or invest into Luxembourg funds from abroad, the more, the Luxembourg product thesis will be validated and the deeper the market will actually be.

### Is there anything else the private sector can do?

The private sector must recognize that there is an opportunity here to add significant value to existing AIFM and investment firms. The industry must do what it takes to make it work, firstly through thought leadership and then on the implementation side and by training the market. And from there, it will gather momentum. Fortunately, as from where we stand today, some of the leading European asset managers have already chosen Luxembourg as their distribution hub.

While it will not be possible to convince all market participants to go into this direction, the financial centre is very well positioned to capture the market dynamics around highly regulated fund distribution activities. Luxembourg can legitimately claim to play an important role in a high added-value function to connect investors with investments through Luxembourg funds. This is after all, a very simple value proposition that can easily be understood and shared. ●

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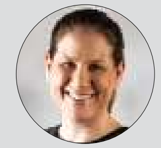
Interview of
**Frank Dornseifer**
Managing Director of BAI



By **Maren Stadler-Tjan**
Partner at Clifford Chance

and **Carmen von Nell-Breuning**
Senior Advisor
at Clifford Chance

# Voicing Germany's Interests

Interview of Clifford Chance Luxembourg with Frank Dornseifer, Managing Director of the German Association of Alternative Investments, the "Bundesverband Alternative Investments e.V." (BAI)

**Clifford Chance: We are very happy to have you with us, Frank. Let's speak first about the BAI, of which you have been the managing director since 2009. This summer the BAI celebrated its 25th anniversary. What would you name as the biggest achievement of the association since its inception? Where do you see your top three priorities over the next 12 months?**

**Frank Dornseifer:** From my point of view, establishing BAI as an industry association covering a broad range of alternative asset classes and strategies and thereby mirroring modern institutional portfolios was really forward thinking and unique and thus our key for success. After a hedge fund origin, we developed private equity quite early, then infrastructure, followed by private debt, and there is more to come. Looking ahead at the next 12 months, ESG implementation is, of course, one top priority for us, our members and their investors. Number two is, digital transformation, as it greatly affects the entire asset management industry, on the one hand the infrastructure around it, and on the other hand, the portfolio. And on the regulatory side, several review processes, including, for example, AIFMD, ELTIF, Solvency, CRR, etc. all also require a lot of attention and input from us. We have to ensure that regulation is enabling and not prohibiting. For the first step, we need functional fund structures, whilst for the second step we need regulation that allows investors efficient access to those fund structures without (and this is the third step) encountering bureaucratic tax hurdles. This is another development that we observe, but do not understand: even well-established fund structures face an increasingly generalised suspicion from tax authorities, and this is counterproductive.



**CC: Many German asset managers have fund structures in Luxembourg, and the financial markets of both countries have been closely working together for many years. What would you consider the biggest asset of this cooperation? Can you see anything where Luxembourg could improve?**

**FD:** The cooperation between Luxembourg and Germany shows that the internal market in Europe for investment funds works. Cross-border distribution, cross-border servicing, etc., help to create efficient fund structures for the benefit of retail and professional investors, but we also need to have competitive funds and structures in the global context. It is good to share the work: Luxembourg is very strong for middle- and back-office operations. The front office is often located in other countries.

> **"Political and supervisory bodies recognise the further increasing importance of our industry and the role it plays in financing not just the green deal, but also infrastructure, SMEs, etc. all over Europe and beyond."**
>
> Frank Dornseifer

**CC: In line with its positioning as the largest European fund hub, Luxembourg maintains its market leader position also in terms of sustainable fund products. About one-third of the assets managed by European sustainable funds are domiciled in Luxembourg, and about 10% of these assets stem from German asset managers.* The trend towards ESG funds will further increase. How do you view the latest decisions on Taxonomy Regulation by the European Parliament? What impact will these decisions have on the overall efforts to increase sustainable financing?**

**FD:** The controversial inclusion of nuclear power and natural gas in the EU classification system for sustainable investment has, in my view, several dimensions. In the political context, the credibility of the taxonomy - and also that of the standard setters themselves - is massively weakened by this decision. In this regard it fails to meet its objective of preventing greenwashing. This is, in my view, fatal and, of course, also has implications for the investment context. The fund industry will therefore think very carefully about whether it will go along with this step. Because the bland taste of nuclear power and natural gas in the portfolio will remain, many investors who really want to invest sustainably will not continue to invest in these sectors despite the decision. Finally, there are considerable legal doubts about this decision, which call for restraint in such investments. So, all in all, it's a pretty messy situation. Nevertheless, sustainable investing will remain the mega trend for decades. There is so much still to do, and hopefully this decision will, at the end of the day, be just a footnote in the ESG success story.

**CC: How do you see the trend towards a democratisation, or let's call it, retailisation of the alternative investments industry? What role will ELTIFs play in this context? And what do you expect to be the role of Luxembourg in this context?**

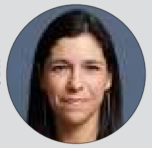
**FD:** I observe, indeed, the opening of alternative asset classes for private investors, and this is a good sign, even if we still have to differentiate where it really makes sense. With the ELTIF reform, I am confident that we have sophisticated and well-regulated vehicles to allow access to private investors. Luxembourg might take once again a leading role, however, other jurisdictions might also catch up in this new chapter of investing.

**CC: Looking at the geopolitical, economic and climate-related challenges in the world, do you see that politicians in Germany and at European level are changing their view of the alternative investment industry? Do you regard this as an opportunity for the alternative investment industry to be better integrated into society and the political perception going forward?**

**FD:** Our annual institutional investor survey, in which constantly more than 100 investors managing more than 1.9 billion Euro participate, documents that alternative investments are an integral part of the institutional portfolio. Our industry has become well acknowledged over the past years, and we do not see, in general, any relevant reservations with regard to alternative investments. On the contrary, political and supervisory bodies recognise the further increasing importance of our industry and the role it plays in financing not just the green deal, but also infrastructure, SMEs, etc. all over Europe and beyond. Overall, I am delighted.

**CC: Thank you for sharing these insights, Frank.** ●

*Source: Morningstar Direct.



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By **Delphine Gomes**
Senior Associate at AKD

and **Ana Bramao**
Partner at Elvinger Hoss

# New Alternatives to Quickly Open a Bank Account in Luxembourg

This article was drafted by the LPEA committee "Financings in Private Equity of the LPEA" under the coordination of Delphine Gomes (AKD) and Ana Bramao (Elvinger Hoss Prussen). The purpose of the committee is promote the benefits offered by Luxembourg law for private equity financing operations, to increase the awareness of private equity actors of such benefits and advocate for changes to the Luxembourg legal framework which will consolidate its place as a leading European and international financial centre.

Anti-money laundering (AML) and know-your-customer (KYC) policies and processes have been slowing-down the opening of bank accounts in Luxembourg (from a few weeks to several months) and are therefore not adapted to the pace of private equity deals where time is of the essence.

> **"Alternative banking platforms have developed a specific offer ensuring to open bank accounts in a shorter timeframe – approximatively 10 days."**

Traditional banks generally streamline their onboarding procedures across their entire client portfolio. Such standardised processes are sometimes not suited for specific entities such as securitisation vehicles, alternative investment funds but also more and more plain vanilla holding companies.

In this demanding context, alternative banking platforms have developed a specific offer ensuring to open bank accounts in a shorter timeframe (approximatively 10 days). These new actors are operating as electronic money institutions (EMI) directly from their headquarters located in the United Kingdom or in a European Union Member State or through Luxembourg branches and do not (yet) hold a banking licence in Luxembourg. The funds stored on the e-money accounts opened in the name of the account holders with the platform are in fact held on a main collection account opened with an authorised credit institution (which may be located in Luxembourg or abroad).

The EMI should therefore ensure that the funds belonging to one specific holder are safeguarded and segregated from those of any other clients but also from the monies of the EMI itself, in particular in the event of insolvency or claim against the EMI.

This dual structure raises questions as to the granting of pledges over such e-money accounts. Which of the EMI or the authorised credit institution should be considered as the account bank? Which law shall govern the pledge? Should it be the law applicable to the collection account or to the e-money account? How to determine which law is applicable to a bank account? We will give insights on those interesting questions in the next newsflash on this hot topic. ●





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By **Benoit Dewar**
Group Product Head of Depositary Services at Alter Domus

# LPEA Bank Survey Takeaways

Opening a bank account in Luxembourg has become increasingly difficult for alternative asset managers. The issue has been raised by some LPEA members and by several other associations. This is now becoming an industry-wide concern.
Indeed, opening a bank account is one of the first steps in a long journey to establish an operational structure or fund in Luxembourg. Being unable to do this in a smooth and time-efficient manner is a real showstopper for GP's. This issue has the potential to put the country's appeal at risk.
The ABBL has facilitated LPEA's outreach to the banking industry, and has invited us to share our concerns with the representatives of mostly local banks in order to establish a constructive dialogue aimed at understanding the rationale behind the current situation.
We realized that difficulties encountered by banks are multifaceted: the ever-increasing compliance burden, low interest rates, decreasing or low revenues, a business model increasingly deemed "risky," in some cases working with onboarding teams that lack adequate experience with alternative structures, and an increasingly challenging talent acquiring landscape. Consequently, there is no easy solution that would have a significant impact on all aspects of the issue.
The LPEA has launched a survey to take the pulse of the alternative asset management industry in order to better understand the practitioners' points of view on their banking expectations and plans in Luxembourg.

## Taking the pulse of GPs in Luxembourg

We have obtained the feedback of 60 GPs operating in Luxembourg— 70% of whom are managing more than EUR 500 million and 20 entities. 50% of the respondents are private equity managers that also manage other asset classes, such as real estate, infrastructure, venture capital, and multi-strategy.

## Loyalty to bank partners

It is interesting to note that around 60% of respondents have a banking relationship with less than three banks, while less than 25% of respondents work with more than five banks. This shows a relatively high captivity and loyalty of private equity fund managers towards the banks they partner with.

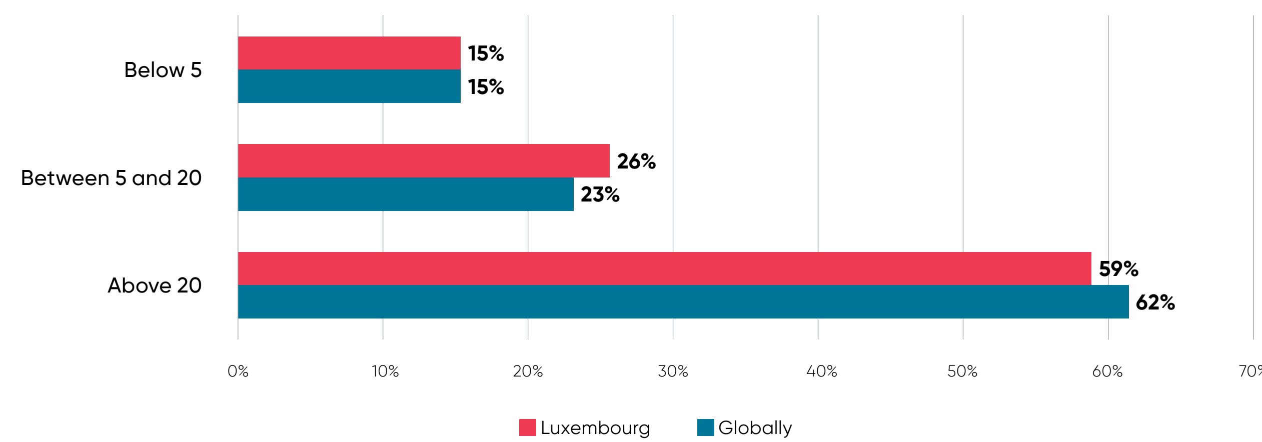


**Figure 1:** Entities (AIFs + SPVs) Under Management

## Attractiveness of Luxembourg

Nearly 75% of the respondents have more than 20 bank accounts opened in Luxembourg and more than a third reported plans to open the same volume within the next 12 months, while the vast majority of them do not plan to open more than five bank accounts outside Luxembourg.

This is a good illustration of the perceived attractiveness of Luxembourg

## Additional Opportunities for Banks

Banks could improve the risk/cost ratio of services provided to alternative asset managers by expanding the range of services offered to the same client.

We consequently asked whether requesting bridge financing activities and FX services to banks in Luxembourg, which typically create positive margins for banks, was part of their plans.

The answers disclose a very positive outcome and clearly shows diversification opportunities to banks in Luxembourg.

This also shows that the alternative investment industry is becoming more and more professionalized and expects additional services from banks. The "bank account only" relationship era seems to be behind us, at least for larger players.

## Bank Account Opening KYC Process

The KYC steps that need to be taken before opening a bank account seem to be a pain point both on the bank side as well as on the client side. This section of the survey was aimed at measuring the gap between reality and expectations relating to KYC and identifying potential ways to improve the situation.

Results showed a significant variability in the time needed to get an account opened, with 50% taking more than one month and 50% less than a month. Based on the distribution of the answers, the time to have an account opened is between three to four weeks. In the meantime, the expected time for GPs to open a bank account is approximatively 50% lower, around ten to fifteen days.



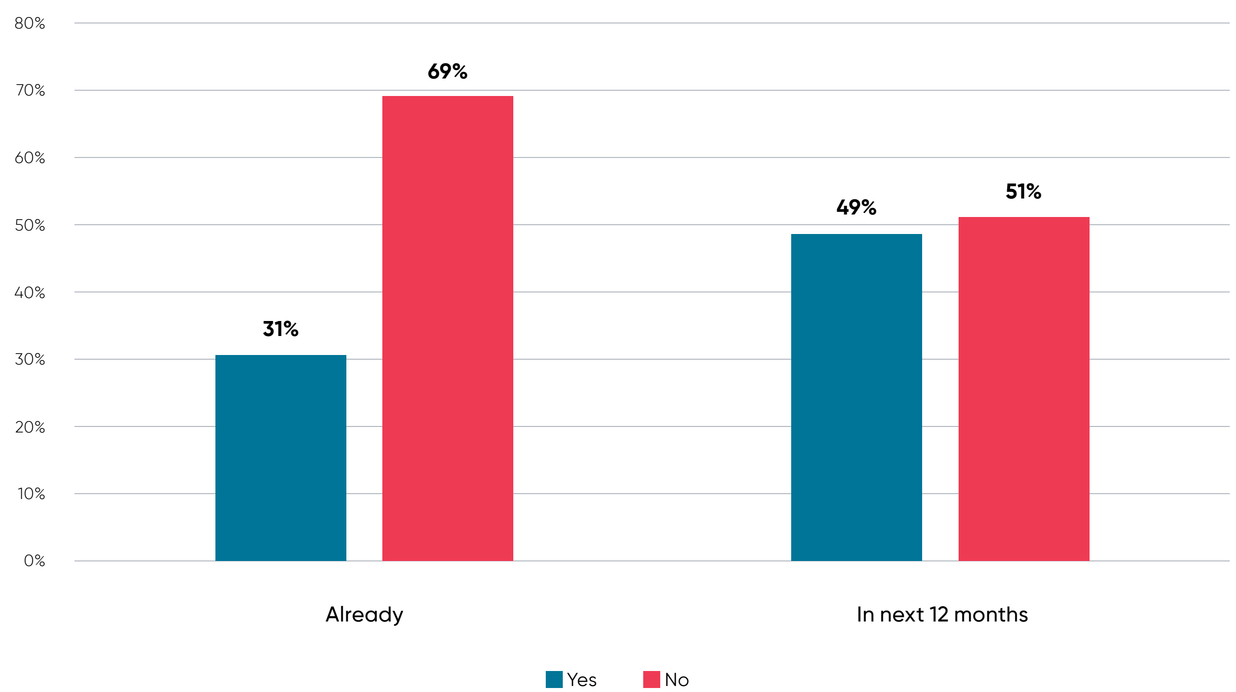


**Figure 2:** Bridge Financing Solutions for Entities in Luxembourg



BANKING AND PE

> **"The gap in bank account opening times doesn't seem irreconcilable, especially when we look at the areas of improvement proposed by the respondents."**
>
> Benoit Dewar

The gap doesn't seem irreconcilable, especially when we look at the areas of improvement proposed by the respondents.

Indeed, considering the answers received and far beyond the other hurdles identified in the answers, the operational process is the main factor that stands to be improved.

We believe that there is room to improve the bank account opening experience without making drastic changes to the process. For example, directly agreeing the timelines with prospects, and potentially differentiating timelines between new clients and new accounts for existing relationships might be a good step forward.

## Conclusion

Alternative asset managers do consider Luxembourg and the Luxembourg banks as a concrete option for bank accounts but also for other profitable services such as bridge financing and FX services. Given the steep growth of the industry, current players will need to fine-tune their operational processes to cope with demand and GPs' expectations.

This robust growth will also create space for new players— such as EMIs— entering the business of opening bank accounts.

Longer term solutions may also come from a centralization of KYC onboarding at country level. ●



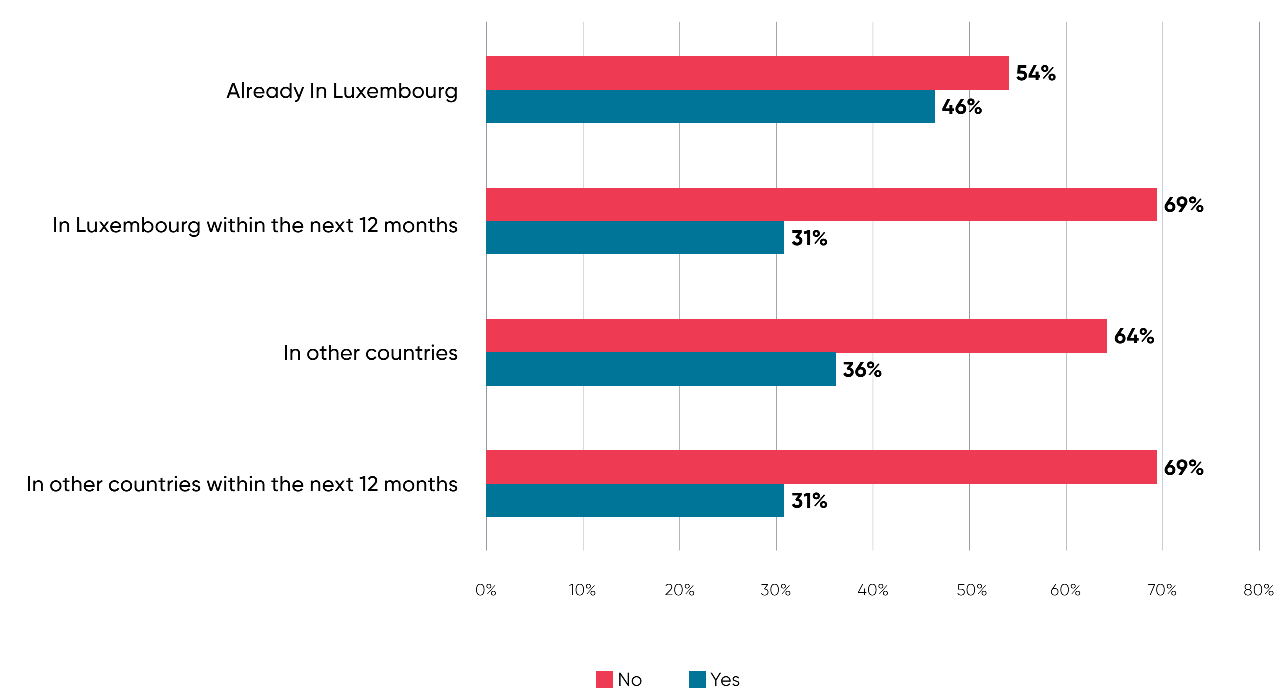


**Figure 3:** Currency Exchange Services for Luxembourg Entities

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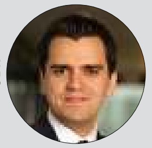

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Interview of
**Andrea Nini**
Head of Multinationals and member of the Executive Committee at HSBC Continental Europe, Luxembourg

By **Johann Herz**
Head of Events and Communication at LPEA

↘ Private Equity in Luxembourg

# Perspectives and Trends in Banking PE Firms

Andrea Nini showcases solutions around opening a bank account for PE firms and the added value provided by HSBC's global footprint.

**How has HSBC's offering for wholesale (corporate and institutional) clients in Luxembourg evolved in recent years?**

Initially focussed on cash management for corporates, since 2012 we have been expanding the product range to FX, trade finance, lending, notional pooling, etc. We added regional treasury centre coverage responsibilities for BeLux, and thanks to the central booking approach we have put in place, we continue to leverage our HSBC Continental Europe hub and balance sheet based in Paris. In addition to our corporate client base, in the last years we have seen increasing demand from private assets firms (private equity / real estate / private debt) and have been adapting our product offering to cater for this sector. As the industry has been developing, demand from this sector for new account openings at HSBC has been growing since 2020. The sector has reached a new level of maturity in Luxembourg. Thanks to our local investments both in terms of products and coverage, we have been able to meet the high demand for transaction banking products.

**Tell us about HSBC's relationship with LPEA and the PE ecosystem in general?**

Many LPEA members have chosen to bank with HSBC and we are working to welcome more on a weekly basis. We appreciate that without a solid network of banks open for business, the PE players will face issues in establishing new entities/SPV/funds and opening bank accounts in Luxembourg, and as result the country risks losing competitiveness. As we are keen to help strengthen the Luxembourg market further, HSBC has responded to the call from LPEA for ideas and solutions: for example, we have recently given our input for the creation of a new LPEA 'Treasury club' led by Francois Masquelier (ATEL), to create an opportunity for treasurers and finance managers of PE firms to share and exchange best practices in the treasury field. Furthermore, as Luxembourg is more and more used as a European platform by our customers, we connect them to our network in Continental Europe, and worldwide, to help develop their business and leverage our regional and global expertise.

**What key solutions has HSBC adopted to support PE customers in Luxembourg?**

(i) From Luxembourg, our team collaborates and exchanges closely with other HSBC offices globally, including the main PE locations like New York, London, Hong Kong, Paris, Singapore, and many more: if a good solution is identified in one place, we look at ways to roll it out in other sites. (ii) A customer already banking in one location can authorise HSBC to share existing KYC information with another HSBC office, hence simplifying the on-boarding and KYC process there. (iii) We do not accept manual payments; all payments must be instructed by the customer electronically via our state-of-the-art online banking or host-to-host or swift connectivity. Overall, we are witnessing an accelerating trend of sophistication and digitalisation in payments, bringing PE closer to corporate practices in the payments space. (iv) When it comes to KYC and compliance, our compliance team has decades of experience both in corporate and securities services/funds clients and hence a deep knowledge of complex KYC structures. (v) We are able to support waterfall incorporations, pledges and a variety of cash management and transaction banking solutions that are in high demand among PE firms in Luxembourg.

> **"We are able to support waterfall incorporations, pledges and a variety of cash management and transaction banking solutions that are in high demand among PE firms in Luxembourg."**
> Andrea Nini

**What lies ahead?**

As a network branch within HSBC, our primary mission in Luxembourg remains to support existing HSBC clients from other locations, from Global Banking or Commercial Banking, and allow them to use our bank products also in Luxembourg: we can easily open the door to new PE customers that value our global network and want to use HSBC in usually at least 3 countries – but often in an entire region - and across multiple products. While we keep investing in our digital solutions to streamline the on-boarding process and adding new products to our range, our strategy is to grow our client base in a sustainable manner so as to maintain good service levels for our long-standing customers. To support the growth of referrals and account openings from the PE sector and accelerate the average account opening timelines, we have been investing in our team as well - especially in KYC and front office teams. I am optimistic about the future of the industry and the role that LPEA and HSBC, together with other actors, will continue to play so that the Luxembourg private equity ecosystem can thrive. ●

HSBC has been present in Luxembourg for over 40 years, with a focus on Wholesale Banking, Securities Services and Private Banking: a dynamic and diverse team with 350 employees, 30 nationalities and 25 languages spoken. While Securities Services and Private Bank have been around for longer in Luxembourg, the Corporate and Institutional banking business ('Wholesale banking', comprising Global Banking-GB and Commercial Banking-CMB clients) was created in 2009: since then HSBC Luxembourg has grown in size and products offering, and supports many private equity and institutional clients that value the bank's global footprint.



BANKING AND PE


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Interview By **Luis Galveias**
COO of the LPEA

# The Gift of Foresight:

## A Personal Success Story, from Sanne LIS to Apex

Pierre Weimerskirch has been appointed as regional head of Apex in Luxembourg. This comes post the deal completion where Sanne LIS (Luxembourg Investment Solutions) joins the Apex Group. Interview with one of LPEA's most active members and his personal success story.



**You left EY and created LIS together with Thomas Goergen and Daniel Kranz in 2011, one of the first third-party management companies focusing on alternative funds. Tell us more.**

Thomas is a good friend that I have known for some time. He worked together with Daniel at Cominvest Asset Management. I was at EY at that point and was heavily involved since day one on the initial drafts of the upcoming AIFM directive. Thomas, coming from the liquid space, was looking to set up something on his own and asked me to join forces. We agreed to do something in the alternatives space. We came up with the business plan to set up a management company focusing on alternative funds and we needed a third person to do the actual job. Daniel with his wealth of industry knowledge and deep experience in the operations of fund administration was the final piece and that's when we set up LIS (Luxembourg Investment Solutions).

**What made you think the market was set for a new world of opportunities?**

I was working on the new AIFM Directive to come and further to my experience with PE and RE managers I always thought, these guys are deal guys, they want to do transactions, speak to investors and raise money with LPs. They don't like the administration, compliance and production of long risk reports… that's probably something they want to outsource to an established and trusted specialist service provider in order to continue focusing on what they do best and what's their core strengths. That was my analysis, which I shared with Thomas and Daniel. Together, we were convinced that building a model, focusing on specialist skills for alternative funds and focusing on alternative managers would be key to our success.

**You were among the first movers in AIF administration.**

We established our business in 2011 with a clear strategy and had first mover advantage as one of the first players to submit our file to the CSSF. We were the first third party AIFM to receive authorization in 2013.

**Was it something specific to Luxembourg or did you see firms in other markets going the same route?**

It was really Luxembourg as a key international finance centre who was a first mover in this field. Later you saw the trend in countries like Ireland, Germany and France… We played our cards as there were alternative funds out in the market which were still in the phase of raising and investing capital. They needed an AIFM and the fastest way to get one was to contract an existing one. This played in our favour as we were first movers and present in the market to those managers who needed a solution.

**You soon became a leading AIFM with third party management services. What were your key elements for success?**

There were three factors to our success. One is hard work. The second is luck. By luck I mean being there at the right moment. You cannot be successful just on hard work alone, that's my view, and you can't be successful just counting on luck. Finally, the third thing, which is equally important: a great team.

The founders were very complimentary in terms of what we all brought to the table. We grew quickly, and what differentiated us was the capacity to develop a brand, a prestine name in the market and we quickly became recognised as the leading third party AIFM in Luxembourg. We had great success in Germany and developed quite successfully in the US, Asia and later in the UK. We were able to really develop a very positive image, around the name and brand of LIS, being a people focused business this helped us to recruit people. We all know Luxembourg is and was always stretched on finding people in the world of fund servicing, but to our fortune, we were able to find the best and brightest talent, many of which are still with us today. Of course, you had to be competitive on the salary side. People also felt very welcome and enjoyed working






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> **"The combination with Sanne, is an important move for Apex Group."**
>
> Pierre Weimerskirch

> **"With our global platform we are a leading choice for global managers that have PE platforms in multiple jurisdictions."**
>
> Pierre Weimerskirch

with us and so it happened several times that they would recommend us to their friends or colleagues in other workplaces. In this respect we were also lucky with the initial teams. People trusted us, and over the time we built our brand together.

**The recent acquisition of Sanne by Apex, what does it mean for the combined business?**

First of all, for Apex the acquisition with Sanne, is an important move for the group, which stands with some impressive figures such as 10, 000 people deployed in offices in 52 countries, with more than USD 3 trillion assets under administration. Such numbers really put Apex into the Premier League of service providers in the asset management and professional fund servicing industry. It's a big step forward and it also means that we are becoming more interesting for global PE managers like KKR, Blackstone, Apollo… which have platforms in multiple jurisdictions that now, through our global reach, we can service.

What also plays in our favour is our single source solution. We have everything a PE manager needs in terms of services: AIFM, fund administration, distribution services and digital banking services - I think that really differentiates us from other service providers. Banking stands for bank accounts and payments but also depositary light or full custody. You name it, we provide it.

Apex in Luxembourg is an impressive region on its own with 1250 people and approximately USD 550 billion of AuA. This puts us among the top three service providers in Luxembourg and among the top employers in the country, for sure the largest providing services to the asset management and funds industry.

With our single source solution, we have the broadest range of services in Luxembourg and that is a real differentiating factor. Among our highly skilled staff we also have 300 German speaking people. Apex and Sanne are often seen as Anglo Saxon, however, beside following the big US and UK managers, we have not forgotten that Germany is a very important market for Luxembourg.

**Having an in-house bank is very important.**

We all know the difficulties in opening bank accounts in Luxembourg, however, when you own a bank it becomes that much easier. Of course, we do the full AML/KYC for depositary clients and on the fund administration side, providing an incremental cross which is a real advantage. We also have what is called a digital banking solution, which speeds up the process in opening bank accounts and making them readily available to clients.

**Is all the consolidation in the fund administration market changing the relation and services provided to PE firms?**

The PE managers are also getting bigger and more international. There is a lot of M&A on the manager side. Moreover, liquid managers are branching out into the alternative space by acquiring PE managers, like Franklin Templeton or Fidelity. This means, that with our global platform we are now also a choice for global managers that have PE platforms across multiple jurisdictions. We can service these global managers, not just in the jurisdiction where they have their fund platform but also where they have SPVs, and where the portfolio assets are located. I think that's where the relationship will evolve between service providers and PE managers.

From time to time, you must take a bet on the smaller managers. The larger PE firms at some point started as a boutique. We are not only focusing on large managers, however, we're going to have to take a deeper look before we accept or on-board a first timer. We are agile and flexible in our approach and there will always be other smaller managers, which will develop well and which will potentially be among the medium size of bigger managers in the next five to 10 years.

**Apex Group is present in 12 jurisdictions and you are the Regional Head for Luxembourg, what does your role entail?**

A jurisdiction is a combination of countries (e.g. South and Central Europe), but Luxembourg is really a jurisdiction of its own, a very important one in terms of size, complexity and in terms of strategic importance to the Apex Group.

As the regional head of Luxembourg my role is leading Apex in Luxembourg to position the brand and entities in a positive and prominent way. Today we are perceived with different names, different entities and the aim is to build a single and prominent brand in the market.

Another role which I am taking into account is the alignment of the various entities and Apex acquisitions in Luxembourg. That means everybody and every entity all rowing in the same direction. It's an alignment vis-à-vis to the market and how we serve our clients.

My third role developing synergies between the different entities we have in Luxembourg, all with the purpose of having a coherent and strong brand. I'm lucky that our entities have strong CEOs and Managing Directors which allows me to bundle everything from above.

I think our role is also to be a sound leader, for instance being more prominent in different trade associations such as the LPEA and contributing to different working groups. We also have a duty vis-à-vis Luxembourg as a financial centre by helping develop and assuring the future of the Grand Duchy and being a good corporate citizen and leading by example.

**Are you still involved in day-to-day activities?**

I have an open-door policy and am fortunate to have a very experienced team who will lead the day-to-day operations. With my role being more strategic, and the fact that we operate in such a large group opens new opportunities for everybody, there will be more promotions and exciting roles created within the businesses.

As mentioned, a key part of my new role is the messaging and bringing different entities under one consolidated umbrella making sure all entities really work well together. I am so to say, the figure head here in Luxembourg, for Apex. This was recognised and identified by the Apex Global Executive Management.

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**You are a true success story, how would you describe it?**

I started working more than 30 years ago and was lucky in a way of always working for blue chip firms. I started working at UBS, then moved on to the consulting firm Arthur D. Little and afterwards joined EY. During the 20 years before founding LIS, where I worked for these blue-chip firms, I gained a lot of experience and was able to build the foundation for the success that followed.

I was always amazed of the outstanding quality people I was able to work with. Beside the experience gained on the job, having grown myself among great colleagues has also contributed to the basis for my success.

During my 10 years as an EY partner, I had the chance to further develop the crisp and structured thinking that really helped when we founded LIS. Moreover, as a partner you are something like an entrepreneur as you have to grow your own book of business and look after your clients and staff.

Of course, setting up your own company is something different. While working with Thomas and Daniel, we really had fun and enjoyed working together as well as sharing our knowledge and experience with our future leaders. Of course, we worked hard but also had a really great time.

> **"Today we are perceived with different names, different entities and the aim is to build a single and prominent brand in the market."**
>
> Pierre Weimerskirch

When we were acquired by Sanne, I experienced the pros and cons of being a listed firm. On one hand side you have absolutely top processes and procedures. On the other, the quarterly financial reporting obligations leave less room to have a long-term view for the business.

In my new role as regional head of Luxembourg at Apex Group, I'm really looking forward to this next step in my professional life. I had a good run and I'm really happy about the different positions I've been fortunate to hold, but it was never like reaching for the sky.

**What would you say to your younger self?**

I would tell my younger self to take opportunities earlier in life. I was in my forties when we founded LIS. However, at the same time, part of our success between the three of us were coming in with experience from the corporate world.

When you start a company, you go through different cycles. At the beginning, you're really just a bunch of people try to do business and gain clients. But in the business we are in, which is regulated, is not like a tech start-up company. When you're in financial services, you must have a trusted background of discipline and rigueur from day one not forgetting having sound processes and procedures in place.

In summary, start taking risks or taking this opportunity a bit earlier, although it's always good to have a couple of years of professional experience with serious firms - serious in the sense of organisation that have processes and procedures in place and work with really great people clients. ●

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By **Johann Herz**
Head of Events and
Communication at LPEA

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# Luxembourg: Land of Opportunities

Peter Myners, Luxembourg based PE partner, approaches his recent election to the Board of the global partnership of Allen & Overy, the evolving role of Luxembourg, his role in the LPEA, and the ingredients needed to lead a fulfilling career.

**Congratulations on the election Peter. Can you tell us more on the Board of the global partnership of Allen & Overy (A&O), the highest governance body of the firm?**
Thanks Johann – it was a proud moment! Well, A&O is a true partnership, in which every partner has one vote - and partners decide on the major decisions. But we're now a multi-billion euro firm, with more than 6,000 people across more than 40 offices around the world, so it's pretty complex! The Board is basically responsible for overseeing the implementation of the firm's strategy.

**For the past couple of years you have been the global co-head of A&O's private capital initiative. Can you tell us about the importance of private capital in the firm's activities, and your own practice?**
Private capital is a strategic priority for A&O, and it's the space in which I principally operate. My practice, like that of anybody else involved in private capital in recent years, has benefited from a number of tail winds. The rapid growth in AuM, expanding strategies, increased sector focus, increasing complexity and geographic expansion. I sit across all asset classes, and i'm active both up and downstream – helping private capital clients to establish their Luxembourg investment platforms, but also advising on the deals that they do from them. I try to zoom out and spot trends, challenges and opportunities, and to use that market intelligence for the benefit of clients and our firm.

**Do you think it is also a confirmation of Luxembourg as a private capital hub?**
Absolutely. In many ways Luxembourg is at the centre of all of this activity. Our private capital clients are raising and managing huge amounts of capital here, and the teams of GPs, LPs and professional services organisations on the ground are evolving rapidly – growing, yes, but there is also an evolution in the types of profiles that are being attracted to Luxembourg. The same might be said of A&O – we're growing, and our strategy is evolving. We want to ensure we have market leading teams in every relevant area of the law. And, where it makes sense to do so, we want to be able to act as "lead counsel" on cross-border matters from Luxembourg – that takes a skill set that hasn't always historically been present in Luxembourg, or at least not in sufficient scale.

**So you see Luxembourg positioning itself as a hub for fundraising?**
Yes, absolutely. We're helping clients across all private capital strategies to raise flagship funds using Luxembourg structures, and the documentation that sits around those structures is increasingly governed by Luxembourg law. In the past, it would mostly have been done under US or English law, but clients are increasingly comfortable having Luxembourg law and Luxembourg courts or arbitration, and in some cases Luxembourg can be a useful "neutral" choice of venue. Of course this tends to mean a more prominent role for lawyers based in Luxembourg!
But it's not just fundraising at the fund level. It's also the way that you maintain that capital and deploy it into the different investments. Luxembourg is a natural place in which to co-invest, to incentivize management teams, and for third party lenders to lend into deals.

> **"I think the key is to find an organisation that reflects your values, and allows you to reach your potential."**
> Peter Myners

Fundraising and everything around fundraising is just natural now for this ecosystem.
And this activity is driving the size and shape of teams on the ground in Luxembourg. We don't expect deal teams to relocate to Luxembourg en masse – although there are some investment strategies for which being sat in the centre of Europe, having good connections and a multilingual team around you can make sense – but the positions and the profiles that we do see on the ground here are hugely different to those that were present 10 years ago.

**Do you think all GPs see Luxembourg as this fundraising hub in which to expand their on the ground teams?**
I think it depends on the GP and the evolution of their strategy and their teams. Some of the bigger players now have hundreds of people on the ground here, and they are succeeding in integrating the Luxembourg teams within the global firm – offering career progression over the longer term, which can be key. They increasingly have people in Luxembourg who are responsible for major business decisions, with important roles within the global organization of these firms.
We see it within our own firm – we've always had deep, local, technical expertise in Luxembourg law, but we are deliberately beefing up the "lead counsel" skill sets across all teams, and Luxembourg based partners are increasingly taking on global roles within A&O.
I think Luxembourg has an amazing opportunity to build on the foundations that have already been laid. Of course, it's not easy and there have been and will continue to be hiccups along the way. I would say that the key thing is to make sure that we're not doing anything to inadvertently hit the confidence of market participants in Luxembourg – we're not disrupting the positive trends that have built up over time. And of course we need to continue to attract talent!

**As a UK native, you are one of the talents Luxembourg is proud to have attracted. Are you happy with your decision to make a career here?**
I'm extremely happy here. I can't think of anywhere on the planet that offers a better combination of professional opportunity and quality of life. A growing, entrepreneurial economy, but at the same time a safe, welcoming, multi-cultural, vibrant place to live in the heart of continental Europe. And it's so easy to get around - I can get a lot done in a day here. Which makes it easier to strike a balance between work, my family and my hobbies. Plus I get to work with you guys at the LPEA! I really enjoy my time on the LPEA's Executive Committee, and I think the association deserves a lot of credit for the way it's supported, and continues to support, the private capital industry in Luxembourg.

> **"Fundraising and everything around fundraising is just natural now for this ecosystem."**
> Peter Myners



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> **"I can't think of anywhere on the planet that offers a better combination of professional opportunity and quality of life."**
> Peter Myners

**What would be your piece of advice to a young lawyer willing to succeed in our financial centre?**
Well the first thing, which might not be obvious to people reading this article outside Luxembourg – you don't need to speak French or any other language! Of course it's fun to learn a new language, and living in Luxembourg gives you a great opportunity to do that, but actually being a native English speaker can be a real advantage. I think the key to succeeding here is to find an organisation that reflects your values, and allows you to reach your potential. For me, that had to be a place that's ambitious but at the same time relaxed, non-hierarchical and modern – A&O! As someone once told me – it's only when you're relaxed and comfortable in your surroundings that you can be at your best. That's when the magic happens.

**Will the next 5 years in PE be very different from the last 5? How are you anticipating the effects of the current market turmoil and how should law firms adapt?**
We're staying close to our clients and trying to make sense of it all. That's not easy given the volatility in the markets, and the multiple threats to the downside. But I believe in the private capital industry - the generally longer term outlook of investors, fund managers and portfolio company management teams, the ability to be opportunistic, and of course the sheer scale, specialisation and sophistication of the GPs. And I believe in Luxembourg. We just need to make sure that we are doing what we can to remain attractive. For me that's as much about the day to day experience – trusted relationships with banks, service providers willing to go the extra mile, and easy flight connections – as it is about the big picture initiatives coming from the industry associations and the government. ●


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By **François Masquelier**
CEO of Simply Treasury

# Treasury for Venture Capital-Backed Companies

Start-up companies or what are commonly called "VC-backed companies" (*) are strange animals in the corporate landscape. They are start-up companies with very high potential and excessively high growth. Their size and value can grow at the speed of light. However, like any start-up company, they do not have the same organization and sophistication of financial management, especially cash management, as large multinationals. Let's ask ourselves what they can do and consider preparing themselves as well as possible and consider their usual short to mid-term objective: an IPO.

### Venture Capital-Backed Companies

These companies, which by the nature of their shareholders, their state of development and the abundance of funds (i.e., liquidities/capital) that will come quickly to feed them, have similar problems to large companies without having the structure, sophistication, and financial organization, nor the team of experts in treasury. Often, cash management is not its top priority, and it could not unfortunately justify a full-time treasurer. Yet, as often mentioned, everyone must do treasury... at least a little. So how can you do it professionally and efficiently without the structure and the people? This is an excellent question that we intend to address and respond to.

There is a classic question from students in finance course about the size and timing of a company's need for its own treasury team and an appropriate IT tool. It remains a tricky one to consider as the answer varies from case to case. But things are changing today thanks to modern "native SaaS" technology, to its democratization, to the ease that makes it more accessible to many and easier to implement. Before, such professional treasury organizations were the privilege of largest multinational companies given size required and money it costed. Of course, cash remains the sinews of war. Nevertheless, it is not anymore an excuse not to be treasury well-equipped. It is therefore possible today to professionalize the cash management of a fast-growing start-up company to enable it to absorb and accompany exponential growth. An excellent management of liquidities is even more important than in large well-established businesses. Professional treasury management can be a lever to generate value for the PE's, shareholders of these start-up companies.

### Classic problems faced by VCB companies

- Lack of cash culture and liquidity management
- Absence of a team or at least a dedicated treasurer
- Lack of modern cash management IT tools
- Excessive use of XL or R Studio (over-dependency on spreadsheets)
- Lack of knowledge of financial products for hedging, financing, investing and cash management
- No coordinated treasury strategy and ad hoc policies
- Difficulty in producing accurate Cash-Flow Forecasting and to run stretched scenarios.
- No good visibility on business growth and needs of liquidities making previsions even more complicated
- No access to benchmarking tool for FX and financial hedging instruments (increasing significantly costs)
- Limited number of bank partners
- Lack of expertise in international finance techniques, financial regulations, and tax implications
- ...

### Best practices in treasury for VCB companies

The best practice advice that can be given to VCBs must be targeted. It appears that one of the first problems is (1) the management of cash generated by operations and liquidity injections received from shareholders. Without an adequate policy or a clear strategy, the company must remain prudent and limit its risks while preserving the principal and keeping a "cash and cash equivalent" character, if possible, not so much for accounting reasons as for immediate availability in case of need. The first advice is therefore to define one's risk appetite, an adequate policy and to invest in safe products proportional to one's risk tolerance and according to the company's objectives in terms of growth. Return should not be a priority, in my opinion.

The second point is (2) the banking relationship. Certainly, they have more freedom a priori and latitude if they don't need credit. But the on-boarding by the banks remains complicated in these times, whoever you are, and you must favor a strategy of independence, multi-banking, and prudence. A group of banks must be worked on, maintained, and built. The second piece of advice is therefore to invest time in building it little by little and conscientiously. The management of banking connectivity is also a priority, as it remains at the heart of the relationship, the entry point, the access to digitalization, automation and what banks want today.

My next piece of advice would be to set up a banking connectivity worthy of the name with a partner or a "best-in-class" platform. Properly connected, one will facilitate and even be able to automate (3) reconciliations, reporting, visibility on positions and management of all cash, and future forecasting. (4) Cash-Flow Forecasting is also essential to reassure the C-level and investors. (5) The basis is quality financial reporting, and this is often where the problem lies because if the information is poorly processed, stored or formatted, or the processes are too manual, the production of reports will be penalized in terms of rhythm, speed, and quality of content. PE's are often and paradoxically more demanding in terms of financial reporting and frequency than "traditional" industrial shareholders. (6) It is also important to build an IT architecture worthy of the name and "best practices" policies, as well as clear processes, automated as much as possible and surrounded by internal controls, documented, and tested. This basis is essential since the WIRECARD affair the focus on treasury organization prior to an IPO has become crucial. We focus on the areas where it can be weakened, and the cash flow is the heart of the company and the blood that circulates in its veins. (7) Foreign exchange is also to be considered, even if it is sometimes not the main risk. Indeed, it alone concentrates a strong risk and can generate strong losses affecting the P&L. Today, we can have access to dealing platforms such as Pro's. Why not do without and why not put your banks in competition? Treasurers' associations or other peer platforms (e.g., Spring Board) are essential places to share with colleagues who are often more advanced and developed than you. They enable you to inform yourself and to glean essential information at low cost. (10) Outsourcing and Treasury as a

> **"Thanks to new technologies, regulations (e.g., PSD2/open banking) and TaaS solutions, one can have access to a Formula 1 car without being a McLaren driver."**
> François Masquelier

> **“PE's are often and paradoxically more demanding in terms of financial reporting and frequency than “traditional” industrial shareholders.”**
>
> François Masquelier



Service solutions exist (see Simply Treasury proposal and solution) and can be applied as "outsourcing" or even "part-time in-sourcing" (if necessary for substantial needs). Therefore, it is important to remember that treasury is no longer reserved only for large multinational companies. It is being democratized and popularized thanks to new technologies, regulations (e.g., PSD2/open banking) and TaaS solutions. One can have access to a Formula 1 car without being a McLaren driver or without having one full-time treasurer (FTE). This solution is completely transforming cash flow and making it accessible to everyone.

### Take-aways – Summary of recommended best practices

- Implementation of a treasury platform native SaaS
- Outsourcing treasurers (i.e., Treasury as a Service)
- Adopt “best practices” polices aligned on company risk appetite
- Benchmarking FX pricing and asset management products
- Enhance bank connectivity (via platform) as priority to enhance automated reconciliations and reporting
- Definition of a sound bank strategy
- Focus on financial reporting quality and production speed
- Paperless processes and reduction of XL spreadsheets use
- Integrate treasury associations or treasury community to benefit from peers and experts

### « No excuses » (Alice in chain)

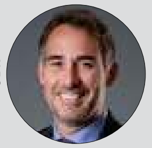
When people ask me, a smaller company, a successful start-up, or a Private Equity/Real Estate Fund what I recommend professionalizing treasury and cash management, I tell them that the solutions exist, good news, and that they are financially accessible. There are no more excuses for not being equipped like "a big guy". It may seem like a mission impossible to develop a professional cash flow when the company is growing so fast that it can't keep up. However, it is crucial, if only to properly manage large inflows of funds, capital, and cash flow. This is an important challenge that needs to be addressed in a timely and proper manner. There are suitable solutions, and it is necessary to be well advised.

### (*) What is a Venture Capital-Backed Company?

A venture capital-backed company (also referred to as a ‘venture-backed company’) is a company whose equity is partly or wholly held by one or more venture capital (VC) firms. Although companies can technically receive investment from VC firms at any stage of their development, the investment usually happens early in their cycles, when cashflows are low or even negative. ●

Disclaimer: This article was prepared by François Masquelier in his personal capacity. The opinion expressed in this article are the author's own and do not necessarily reflect the view of the European Association of Corporate Treasurers (i.e., EACT).

INSIGHTS



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By **Christophe Diricks**
Head of Alternative Investments at KPMG Luxembourg

and **Benjamin Toussaint**
Tax Partner,
KPMG Luxembourg

# 2022 Luxembourg Alternative Investments Substance Survey: a Step Towards Maturity?

KPMG's 2020 alternative investments substance survey found that Luxembourg seized the Brexit advantage to become a leading EU alternative Investment fund platform.

In the 2022 edition of the survey, we interviewed more than 60 asset managers and covered significantly more funds and assets under management than our 2020 survey. Our findings confirm the marketplace's accelerated growth, along with an overall rise in the sophistication of asset managers with a Luxembourg footprint, albeit at varying rates across the different asset classes.

This article takes a closer look at this growth through the 2022 survey's "evolution panel", a select sample of 32 asset managers that participated in both the 2020 and 2022 KPMG surveys.

### Luxembourg: a platform jurisdiction consolidating SPVs, funds and AIFMs

At the dawn of the European alternative investment industry, Luxembourg was mainly a jurisdiction for special purpose vehicles (SPVs) with a predominantly tax and legal focus, while funds were often pooled abroad; for example, in highly flexible UK limited partnerships.

However, over the last decade, Luxembourg funds have grown increasingly attractive, notably following the Alternative Investment Fund Managers Directive's (AIFMD) introduction and thanks to an ever-evolving set of fund types, such as special limited partnerships and the Reserved Alternative Investment Fund regime, to name a few.

Our recent data and findings confirm this trend.

In the 2022 survey's evolution panel, almost 85% of managers raised money from Luxembourg in 2022 — around a 6 percentage points rise compared to 2020 — and the number of Luxembourg investment funds managed by the panel mushroomed by 40%.

Having or applying for an AIFM license in Luxembourg is also a significant substance booster.

Based on our 2022 figures, asset managers with an AIFM license are growing faster, and we identified a significant gap in the level of substance compared to players without an AIFM. For example, the average number of full-time equivalents (FTEs) in Luxembourg for managers without an AIFM is eight but rockets to 32 for managers with an AIFM.

This confirms Luxembourg's shift from a holding to a fully-fledged investment platform jurisdiction.

### The Luxembourg footprint is larger overall

We observed that Luxembourg operations flourished in 2022, notably thanks to the considerable success of the global alternative industry and the increase of regulations requiring more functions and oversight.

As an example, the 2020 evolution panel managed an average of 58 SPVs through 14.5 FTE in a 300sqm office. While in 2022, these average figures mushroomed to 94 SPVs with 22 FTE in a 510sqm office.

Rather than a blip, this expanding Luxembourg footprint is seemingly a long-term trend, given that 80% of the evolution panel has five open positions to fill on average.

The next challenge is likely qualitative substance

While increasing quantitative substance is a positive trend, going forward, local authorities' focus will likely shift to qualitative substance and the functions performed.

We observed that the proportion of accountants employed by alternative investment players is still the largest of the Luxembourg staff population (despite their numbers decreasing). Their continued importance to the Luxembourg office is clear, given that their tasks and responsibilities broadened between 2020 and 2022.

That said, the profile of the Luxembourg office reported by survey participants has transformed. We identified significantly more functions linked to the management of assets, risk and portfolio management, distribution oversight, and to a certain extent, valuation (especially for participants with a Luxembourg AIFM).

This shift in Luxembourg offices' staff composition reinforces Luxembourg's essential role in the wider fund value chain. It also shows that the evolution panel has entered a consolidation phase and is demonstrating greater sophistication.

This explains the evolution panel's high level of confidence in its substance.

This evolution directly responds to the tax challenges brought by the Principal Purpose Test and the proposed Anti-Tax Avoidance Directive (ATAD 3). It also corresponds to the direction the regulatory evolution is taking and the heightened degree of supervision, not only by the local regulator but also the EU authorities.

To explore our 2022 survey findings in full, please visit our dedicated website. ●

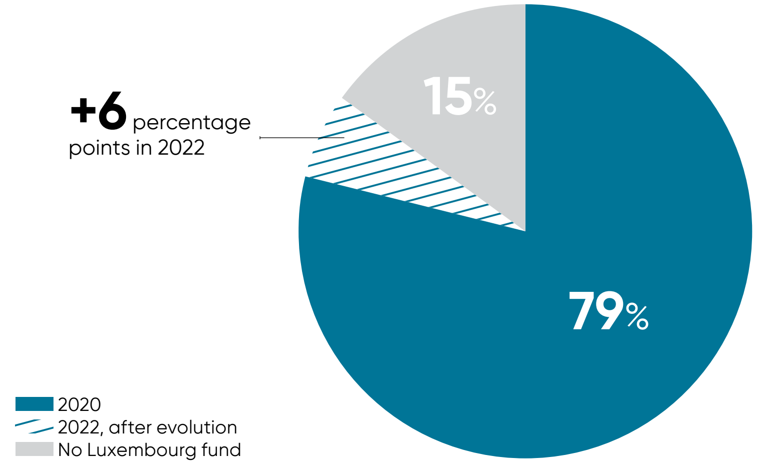


**Figure 1:** Weight of evolution panel managing Luxembourg funds

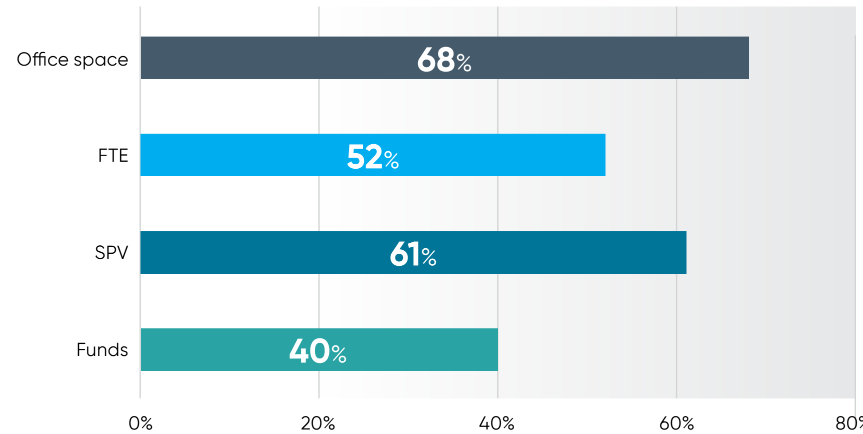


**Figure 2:** 2020 versus 2022: growth on key metrics


**Figure 3:** Confidence level regarding substance in 2022

**"The expanding Luxembourg footprint is seemingly a long-term trend, given that 80% of the evolution panel has five open positions to fill on average."**







INSIGHT/OUT #23

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By **Valéry Civilio**
Tax Partner & Wealth Management leader at PwC

# Private Equity and Luxembourg Wealth Investment Vehicles

The "great wealth transfer" is coming... Why is Luxembourg attractive for the new generation ("New Gen") investors, in terms of private equity ("PE") and other alternative investments?

The largest intergenerational wealth transfer in history is on every wealth advisor's lips: over at least USD 30 trillion[1] will be shifted from Baby Boomers to New Gen (Generation X and Millennials) in the coming years. This estimate could even be around two times higher according to some other studies[2].

Anticipation is the key word and as such, transfer planning strategies should already be defined while taking into consideration that New Gen is a "game changer", when it comes to investment: digital transformation, Environmental, Social and Corporate Governance ("ESG"), venture capital, alternative or new tech investments, are, among others, the New Gen's hot topics; and the Luxembourg fund industry seems to hold all the cards to efficiently meet their investment preferences.

The Luxembourg fund industry – via its unique and sophisticated variety of alternative investment vehicles– looks set to offer the adequate investments and planning solutions to the New Gen.

The so-called "Luxembourg toolbox", well known by any wealth advisor and planner, has undoubtedly been driven by the economic, political and regulatory stability offered by the Luxembourg market. As such, Luxembourg has confirmed its long-standing expertise when it comes to alternative investments. It has shown its ability to adapt its investment vehicles offer to new investment trends and subsequently regulatory and tax changes, in particular to that of the New Gen and of family offices who can be an important source of funding for the PE sector especially since the COVID crisis where portfolio diversification has become the key word.

Among the extensive investment product offer of the Luxembourg toolbox, the RAIF (Reserved Alternative Investment Fund) and the SPF (Société de Gestion de Patrimoine Familial) are two completely different entities which seem to meet the expectations of the New Gen in terms of PE investments and to also offer the possibility to set-up adequate strategies to anticipate and respond to the great wealth transfer challenges.

### SPF and RAIF at glance:

- **RAIF: Reserved Alternative Investment Fund – the "semi regulated" vehicle.**

On top of the traditional vehicles, High Net Worth Individuals ("HNWIs") are more and more keen to opt for new solutions such as private investment funds vehicles. The RAIF appears here to be a great solution. It is not directly regulated: the set-up of a RAIF is subject to the appointment of an Alternative Investment Fund Manager ("AIFM") and to a depositary bank nomination. The RAIF itself is not regulated, but the AIFM is (supervised by the supervisory authority – Commission de Surveillance du Secteur Financier - "CSSF"). RAIF has the advantage that it can invest in any type of asset: private equity, venture capital, real estate, etc. and be created as a multi-compartment structure with own investment policies and own investor(s) for each compartment. RAIF may be set-up as a SICAV (Investment company with variable capital), as a SICAF (corporate vehicle with fixed capital) or as a FCP ("fond commun de placement"). It can benefit from two tax regimes: either the SIF ("specialised investment funds") tax regime or either, the SICAR tax regime:

• Under the SIF tax regime, RAIF is not subject to tax, except for annual subscription tax of 0.01% of its NAV payable on a quarterly basis (certain exemptions may apply) and distributions are not

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>
> Valéry Civilio



subject to any Luxembourg withholding tax. SICAV and SICAF, having corporate form, may have access to certain Double Tax Treaties ("DTT") but are generally not entitled to the EU tax Directives.

- Under the SICAR tax regime, taxation will depend on the legal form of the RAIF. It can be either a corporate company being fully subject to tax, although the income, which is connected with the investments in risk bearing capital, is tax exempt (subject to a minimum net wealth tax amounting to EUR 4,815) and distributions are not subject to any Luxembourg withholding tax. Or it can be a partnership, being in principle transparent for Luxembourg tax purposes, meaning that there is no taxation at the level of the RAIF itself but at the level of its partners only. SICAR with a corporate form may be entitled to DTT benefits and EU tax Directives, but this has to be reviewed on a case-by-case basis.

- **SPF: "Société de Gestion de patrimoine familial" – The Luxembourg unregulated flexible investment vehicle dedicated to the management of private assets:**

SPF may adopt various legal forms, such as S.à r.l., S.A., S.C.A, while meeting the minimum capital requirement determined for each legal form. SPF benefits from an exemption of corporate income tax, municipal business tax and net wealth tax. SPF is not subject to withholding tax but is subject to subscription tax on a quarterly basis capped at EUR 125,000 per year. Although the SPF is a "flexible" investment and non-regulated vehicle, the SPF is limited in its scope of activity to the acquisition, holding, management and disposal of eligible investments. As such, SPF cannot carry out any commercial activity, including holding directly/indirectly, through any tax transparent entity, real estate assets. SPF also can only be set-up by individual persons or patrimonial entities. Despite those conditions, it remains a good and unique wealth management solution notably for international investors.

## Conclusion

Benefiting from a unique legal and regulatory framework in the heart of the EU, and from a proven expertise, the Luxembourg fund industry has the necessary ability to combine various alternative vehicles and as such, properly assist wealth advisors in responding to the great wealth transfer challenges and especially in terms of PE investments that are more and more requested by HNWIs and family offices.

Tailor-made structuring, adapted to the investors' specific wishes, must be duly examined before being implemented – with the assistance of wealth advisors – and this in order to i) set up the adequate governance structure adapted to the HNWI needs (notably in terms of control which is crucial in a private wealth environment) and ii) efficiently structure the compensation plan (i.e., performance fees, carried interest, etc.) which, once again, can be completely designed as per the unique ambition of the private investors. ●

1. Paperjam and Delano Club, ""The greatest wealth transfer in history is in process", 21 April 2022: https://paperjam.lu/article/the-greatest-wealth-transfer-i
2. Capgemini 2021 World Wealth Report


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By the **PE Financing Technical Committee**
coordinated by its co-chair Constantin Iscru (DLA Piper)

# Recent Changes of Luxembourg Law Rules Impacting Private Equity Financings

This publication was drafted by the LPEA committee "Financings in Private Equity of the LPEA" under the coordination of Constantin Iscru (DLA Piper) and is based on the contributions of Natalja Taillefer (Loyens & Loeff), Nicolas Widung (Bonn Steichen & Partners), Dominik Pauly (Arendt & Medernach), Tiago Ventura Mendes (Linklaters) and also includes contributions from Delphine Gomes (AKD), François-Guillaume de Liedekerke (Allen & Overy) and Ana Bramao (Elvinger Hoss Prussen). The purpose of the committee is promote the benefits offered by Luxembourg law for Private Equity financing operations, to increase the awareness of Private Equity actors of such benefits and advocate for changes to the Luxembourg legal framework which will consolidate its place as a leading European and international financial centre.



In the aftermath of Brexit, there was an opportunity for European jurisdictions to attract a significant part of the financial activities and actors which for a significant part were based in the UK and particularly the City of London. With the UK out of the EEA, the headquarters of many financial institutions for the European market had to be moved and the benefits of the use of English law and courts were considerably reduced. In the most optimistic (for continental Europe) scenarios, most of the financial activities from London will have been absorbed by other European financial hubs. Among these, Luxembourg, while not backed by a large scale economy, was well positioned and Luxembourg law presented sufficient promise for increasing its importance in the context of European and international transactions.

> **"Since 2020, several measures have enriched the Luxembourg law's legal arsenal for international financings."**
> Constantin Iscru

Two years later, the windfall for Luxembourg was significant, but clearly not at the higher levels hoped by Luxembourg stakeholders. Particularly as concerns the use of Luxembourg law on international transactions, most Luxembourg law firms have seen an uptick in its use on transactions conducted through Luxembourg, particularly when involving Luxembourg alternative investment funds and their financings while EU institutions, the European Investment Fund and the European Investment Bank have switched in several areas from English to Luxembourg law as governing law for their legal documentation.

The success of Luxembourg law rules for financings is centred on the Luxembourg law of 5 August 2005, as amended on financial collateral arrangements ("Financial Collateral Law"), which provides rules for security interests over assets located in Luxembourg, with key advantages such as insolvency remote security interests, flexible (out of court) and swift enforcement options and legal certainty, with a stable legal framework and consistent case-law and mature market practice. The Financial Collateral Law is a cornerstone of the Luxembourg legal financial framework and one of the reasons for the attractivity of Luxembourg as a jurisdiction for cross-border financing transactions. The choice of Luxembourg law as governing law of main financing agreements, such as loan agreements, is still marginal and is presumably also held back by the lack of compatibility of the applicable rules on compounding of interest with business needs and the absence of market-standard templates of finance documents and of a full recognition of agents and trustees.

The reasons for this only limited progress are complex: the success of a particular national law is built over time and depends not only on the inherent features of that law, but also on other factors, such as its stability and predictability and the case law and the expertise of legal professionals applying it. While some of this is due to shortcomings of Luxembourg law, at least a part can be attributed to a yet insufficient awareness of international actors (including those based in or conducting business through Luxembourg) of the full range of features already available under, or recently implemented in Luxembourg law. The purpose of this publication is to contribute to increase such awareness and underline the continuous effort made for expanding the Luxembourg legal tools available, while also highlighting the areas where progress could still be made.

Since 2020, several measures have enriched the Luxembourg law's legal arsenal for international financings, such as the introduction of the professional payment guarantee, the clarification of the rules on financial assistance for SARLs, the reform of the rules applicable to covered bonds and the update of the Financial Collateral Law, while the reform of the bankruptcy law and of the rules on compounding of interest are still to be implemented.

### Introduction of the professional payment guarantee

The law relating to professional payments guarantees was adopted on 10 July 2020 and brought with it a new contractual based personal guarantee to the Luxembourg legal framework. This new type of guarantee – that is already used and is expected to be used more often by market players in international and Luxembourg domestic financings – gives contractual flexibility and legal certainty, allowing parties to tailor its terms according to their specific needs and combine (or exclude) features of suretyships (cautionnement) and independent guarantees. Combining features from both regimes was risky if not unconceivable in the past because it entailed a risk of re-characterisation of the independent guarantee into a suretyship.

The guarantor can be any person (e.g. individual or corporate entity) and the professional payment guarantee can be granted in favour of one or multiple creditors or to an agent representing such creditor(s). The guaranteed claims can be of any nature, present or future and the professional payment guarantee can also be issued to guarantee any risks associated with any type of claims and at the request of beneficiary or a third party (e.g. the debtor of the guaranteed claims).

The parties have the freedom to contractually agree on the conditions under which the professional payment guarantee may be called. This means that the occurrence of the risk guaranteed or a default under the relevant guaranteed claims, as well as an acceleration and cancellation thereof, may not be required to call the guarantee. Another protective feature is that, unless contractually agreed otherwise, the guarantor remains liable to the beneficiary for all the guaranteed obligations even if the debtor of the guaranteed claims is subject to a reorganisation measure, insolvency proceedings or other similar proceedings (without prejudice to the Luxembourg rules on over-indebtedness in case the debtor is an individual). It is worth noting that these features are similar to features existing under the Financial Collateral Law.

Financial institutions will be able to make use of the new professional payment guarantee as eligible unfunded credit protection for the purposes of Regulation (EU) No. 575/2013.

### Clarification of the non-applicability of financial assistance restrictions to SARLs

The Luxembourg law of 6 August 2021 has finally clarified that the financial assistance restrictions set forth in article 430-19 of the Luxembourg law of 10 August 1915 on commercial companies (Companies Law) do not apply to Luxembourg private limited liability companies (SARLs) by removing the reference to SARL shares (parts sociales) from article 1500-7 paragraph 2 of the Companies Law (which, inter alia, provides for criminal sanctions for directors of companies who participate in unlawful financial assistance schemes). Prior to the adoption of the law, there was uncertainty among practitioners in Luxembourg whether the restrictions applicable to Luxembourg public limited liability companies (sociétés anonyme) and corporate partnerships limited by shares (sociétés en commandite par actions) to provide financial assistance, i.e. advance funds, provide security interests or extend loans with a view to the acquisition of its own shares by a third party, also applied to SARLs.

> **"The clarification of the non-applicability of financial assistance restrictions to SARLs increases the flexibility and certainty in the context of Private Equity transactions."**
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The clarification substantially increases the flexibility and certainty in the context of Private Equity transactions (including the associated acquisition financings) involving SARLs. However, any financial assistance granted by a SARL still needs to be carefully considered in light of the general requirement to act in the corporate interest of the SARL.

### Covered bonds

The Law of 8 December 2021 implementing the EU's Covered Bonds Directive (EU) 2019/2162 in force since 8 July 2022 ("Covered Bonds Law") has expanded the list of authorised financial institutions that are allowed to issue covered bonds (lettres de gage) which was initially restricted to Luxembourg licensed mortgage banks (banques d'emission de lettres de gage) to all standard banks, subject to meeting certain financial thresholds and ratios. The Covered Bonds Law has also introduced a new label for European covered bonds and (high-quality) European covered bonds. The European covered bonds are issued in respect of the loans (i) secured by physical assets (or receivables in relation thereto) which are either publicly registered or otherwise subject to a certification satisfying the criteria set out by the Covered Bonds Law or (ii) issued to or guaranteed by public sector entities. In order to qualify as (high-quality) European covered bonds, covered bonds need to be secured by certain eligible assets meeting the requirements of and subject to conditions set out in article 129 of Capital Requirements Regulation (EU) No 575/2013. The law will provide additional forms of safe investments for bondholders while also allowing Luxembourg banks to broaden the scope of their activities and boost their financial resources, which could also be used for a more active involvement in Private Equity transactions.

### Updates to the Luxembourg financial collateral law

The Luxembourg law of 20 July 2022 amending the Financial Collateral Law has provided an official recognition of certain practices already used by legal practitioners which were not expressly provided for by the Financial Collateral Law, while also correcting certain inconsistencies and clerical errors from the previous version of the law and updating the list of optional enforcement methods.

The possibility of enforcing financial collateral arrangements following the occurrence of any event agreed between the parties (which could be

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not only a payment default, but also a breach of a contractual obligation, a representation or warranty or a financial covenant) has been expressly recognised by the revised Financial Collateral Law. This legal consecration removed the lingering uncertainty which surrounded the use of such trigger enforcements, despite their limited recognition in case law and acceptance by most legal practitioners.

The law also confirms the full applicability of the Financial Collateral Law to security interest over insurance contracts. This was already accepted in practice as regards the pecuniary rights of the policy holders and beneficiaries, but there remained some uncertainty in respect of other rights which were only related to the right to receive payment under insurance policies.

Among the changes regarding the (optional) enforcement methods, the provisions relating to sales via exchanges and public sales have been updated by including the reference to "trading platforms" on which the assets made subject to security are listed, which include the Luxembourg or foreign multilateral trading facilities (MTF) and organised trading facilities (OTF). The law has introduced detailed rules for enforcement by public sale, which can be conducted by either a public notary or a bailiff (and no longer only through the Luxembourg Stock Exchange) and expressly addresses the suspensive effect of any prior approvals from public authorities which may apply to certain types of entities, such as licensed entities.

Two alternative (and optional) valuation methods in case of appropriation of shares or units issued by a collective investment undertaking have been introduced: redemption of the pledged shares/units at the value provided for in the issuing documentation or appropriation at their most recent net asset value.

Additional changes to the revised Financial Collateral Law may be introduced by the bill n° 8055 filed on 27 July 2022 which, among other things, expressly recognises the possibility of having pledges over financial instruments using distributed ledger technology and will allow the use of distributed electronic registers in financial collateral arrangements.

### Compounding of interest and market template of loan agreement

Luxembourg law currently only permits the compounding of interest in very limited circumstances. In the context of a loan agreement, interest can only be compounded if all of the following conditions are met (i) only due interest can be compounded; (ii) the interest must be due for a period of one year at least; and (iii) compounding of interest requires an agreement between the parties at the time of compounding of the interest or a judicial claim. These restrictions apply indistinctively to natural persons and legal entities.

As a result, it is often impracticable to compound interest in Luxembourg law governed loan agreements. This in turn results in certain types of financing products not being available or difficult to implement under Luxembourg law such as PIK financings and is also generally an impediment to attracting certain foreign lenders to making available financings under Luxembourg law. It would therefore be desirable if the compounding of interest rules could be loosened for parties which are not consumers (within the meaning of article L.010-1.1) of the Luxembourg consumer code). The necessity of addressing this longstanding shortcoming is currently the focus of several professional associations and this could lead to a long awaited amendment of Luxembourg law in the near future. As an additional effort to increase the attractivity of Luxembourg law for international financings, several law firms are collaborating on a project aiming to produce an unofficial LMA-style template of Luxembourg law facility agreement, allowing the streamlining of transactions.

### Bankruptcy law reform

Bankruptcy (faillite), aimed at liquidating the assets of insolvent undertakings, is the only Luxembourg insolvency proceeding actually used in practice, with obsolete proceedings relating to the continuity of business being very rarely used due to the fact that they depend exclusively on the consent of creditors and have only a limited stay effect on their claims. Restructurings aimed at the survival of companies generally are negotiated out of court, but in the absence of a statutory framework they are viable only in case there is a limited number of coordinated creditors. Initially introduced in 2013, the current bill 6539A aims to modernise the Luxembourg insolvency law, which while remarkable for its stability, remains largely based on outdated provisions of Belgian law.

The complexity of the reform has resulted in the bill being stalled for years but has recently gained momentum due to the need to implement the Directive (EU) 2019/1023 of the European Parliament and of the Council on restructuring and insolvency of 20 June 2019 and could finally materialise in a change of law in the coming year.

The draft bill aims to achieve a comprehensive reform and includes several preventive, repressive, restorative and social provisions which aim to reduce, or at least stabilise, the recent increase of bankruptcies and significantly improve the restructuring options for debtors. The main innovation is the introduction of judicial reorganisation, which can be initiated only upon the request of the debtor in the event the continuity of its activity is threatened by financial difficulties. The filing of the application will result in an automatic stay for all unsecured creditors until the end of the proceedings. The outcomes of the process can be (i) a court-sanctioned moratorium agreement between one or several creditors and the debtor (also called cramdown); (ii) a reorganisation plan concerning whole or part of the business, which, after having been accepted by a majority of creditors, will be binding on all creditors or (iii) the transfer of all or part of the assets decided by court, which does not require the consent of the creditors, although their interests need to be considered by the court. Another innovation would be the introduction of the voluntary agreement with creditors, under which the agreement between the debtor and two or more of its creditors, which can be mediated by a conciliator, applying in respect of all or some of its assets or activities. The key change from the current provisions is that such voluntary agreement will not be affected by the subsequent opening of bankruptcy and thus the risk of clawback during the hardening period.

When implemented, the bill will offer the Luxembourg based Private Equity actors additional tools for restructuring distressed businesses, which, due to their statutory recognition, would provide a higher degree of certainty compared to purely voluntary agreements between creditors, which are more difficulty enforceable and vulnerable to the consequences of a subsequent bankruptcy.

### Conclusion

As a conclusion, all of the above intended or adopted changes will undoubtedly contribute to increasing the attractiveness of Luxembourg law for international financing transactions. While they may not be a standalone solution for creating a legal framework covering all the needs of international financings, the abovementioned Luxembourg legal tools together with other legal instruments, already part of the Luxembourg legal toolbox, certainly provide national and international players with quite flexible means to structure international financings. The success of Luxembourg law will however depend on the willingness of public decision makers to constantly keep adapting to the international legal landscape by implementing competitive and innovative tools. It is also the responsibility of legal practitioners, Luxembourg courts and Luxembourg financial institutions to continue challenging themselves to offer the best possible market and legal conditions for financial institutions and their clients and encourage the use of Luxembourg law in international transactions. ●

## EVENT

Further insight will be offered during a conference held by the members of the sub-committee in Q4. Further information will follow.



INSIGHTS

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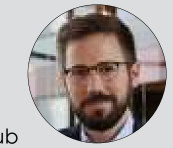
By **Lindie Fourie**
(Sanne Group)
Co-Chair of the HR Club



and **Clément Rieutort**
(EY)
Co-Chair of the HR Club

# Human Resources Club

### About us

The LPEA HR-Club was created on 15 September 2020 to bring operational and human resources professionals together to promote Luxembourg as the workplace of choice. September 2022 marks the second anniversary of our venture!

The HR-Club is covering diverse topics during their monthly meetings which vary from defining the key attractiveness of the PE industry, to growing our talent or discussing how HR can extend their support to contribute to Luxembourg`s success through various activities, webinars, job fairs, promotion of academy, engaging with consultants and recruiters to understand the market. In addition, a survey on sought profiles in Luxembourg has been undertaken in 2021. The main finding and trend are the demand for candidates that are more senior and experienced in these fields. As an HR professional platform focused on combining experience to find concrete solutions, our goal for 2022 is twofold:

- Identify how we can promote Luxembourg as a work destination of choice for PE professionals (type of roles, training, work-life balance, compensation…).
- Retain our experienced staff and influence employee loyalty for the new generations (generation Z).

### Who are we?

Co-Chairs: Lindie Fourie & Clément Rieutort

The club consists of 28 members, 10 in HR, 13 from Business, 1 from HR tech, 2 Coaching and 2 from recruitment consultancy firms. Our members work for various well-known players in the market such as Allen & Overy, Astorg Asset Management, BC Partners Management, BCEE, Deloitte, Andersonwise, DLA Piper, Ernst & Young, Finimmo, Quilvest, Intertrust, IQ-EQ, KPMG, Luxempart, Sanne Group (Apex), TMF Group, Zortify, ConnectReg, Sophia Karlsson and Amrop.

Some achievments of the LPEA HR Club so far:

- 12 Career Adventure Webinars
- 3 Career Adv. Job Fairs – March & October 2021 & March 2022 with more than 700 attendees from 20 countries.
- 3 articles
- 1 survey
- 8 discussion panels

**Watch the panels here**

### Key insight

Our role is to provide key insights on topics that concerns us all. A topic that keeps us all occupied currently is the so-called "Great Resignation" but how much is this great resignation and the spiking retention metrics linked to a possible return to the office in Luxembourg?

And how can we make this return to the office attractive again? Most have return to the office over the Summer and our aim is to see what has worked in getting back to an in-office environment and if the work from home Balance is now in place.

Luxembourg draws talented professionals from all corners of the world in search of career opportunities. With its vast career opportunities, great infrastructure and a multi-cultural international environment, Luxembourg has a lot to offer.

Recent events pro-voqued a shift in mind-set with an equitable work-life balance considered as a key motivator and the way the office is regarded has evolved.

Is Luxembourg still attractive when the working environment went from an office-based to a hybrid working environment? Yes, would be the simple answer as companies and the government is making key strides in the last couple of months in work from home and the discussion with cross-border jurisdiction in enabling workers from our neighbouring countries to continue the strive for a work from home and office balance. The question now is are we moving fast enough compared to other jurisdictions and gain this edge in attracting a people to work in Luxembourg.

> **“Even if we are competitors, it is always useful and rewarding to share experience and knowledge with other HR players of your sector.”**

Sustainable solutions can be found in a combination of a well-thought flexibility, an inclusive working environment and office environments that meet people’s needs.
Stepping away from the traditional desk set-up, the office environment should be adaptable to specific tasks.

With mobility being Luxembourg’s main challenge, perhaps office-hubs, close to the borders (“satellite offices”) would offer a welcome and flexible solution.

### Hear from our members

Jonathan Soreille has been heading the corporate services department (FinCorp) of Finimmo Luxembourg S.A. for five years and is also leading the HR department.

“In my quality of Head of HR, I have been confronted for years with difficulties in recruiting experienced and junior people for the corporates services department than for the funds administration department. These difficulties increased during the last two years, with the sanitary situation. We have brainstormed a lot with the team on this situation and we have decided to get some advice from our peers. The question was: How to proceed? We were sure that our case was not isolated and based on that assumption we tried to find an association of HR directors/Head of HR able to provide us with the expected inputs. An association with which we could share about the different HR challenges that we were facing in Luxembourg and especially for the financial sector. By reviewing the activities and objectives of the LPEA HR Club, we directly understood that this association would perfectly fit with our expectations.
From the first meeting with the other members, I understood that the goal of exchange will be achieved. During this one, we pointed together that the big players and the small ones (like us) face the same challenges and issues: back to the office, difficulties in recruitment and many other situations. We directly began to share experiences, best practices, tips and tricks. Since then, we have been working together to define the future main lines we would like to develop with the club this year. Even if we are competitors, it is always useful and rewarding to share experience and knowledge with other players of your sector. You always have to learn from the others, and it is a good way to improve the HR environment in the financial sector here in Luxembourg.
A large range of companies joined the LPEA HR club, by reviewing our articles. I am convinced that you will be interested in our reflexions. Moreover, we never know, maybe this testimonial will inspire you to be part of the HR Club or the LPEA.

### What`s next?

Summer past Events:

- Webinar: 6th July 2022 Luxembourg employment law explained to private capital players

Upcoming Events:

- Webinar: 14th September 2022 Employing and being employed in luxembourg: points of views in the private capital sector
- Self-branding panel & workshop 29th September 2022 Co-hosting with Women in Private Equity

Please find below a non-exhaustive list of key topics the club identified for this year, where you can participate: 63

- Development and career progression of our talent.
- Work life balance trends & aspects for new generations (Flexible work, satellite offices…).
- LPEA Internship model (Graduate program).
- Diversity, Equity & Inclusion within PE HR space.
- Onboarding employees in a digital environment.
- Reactivity of our recruitment process.
- Role of recruitment agencies in our current market.

### We want you!

We are interested in your view on what you would like to see Luxembourg become or ideas on how we can attract the proper candidates: please contact Clément Rieutort (clement.rieutort@lu.ey.com) or Lindie Fourie (lindie.fourie@sannegroup.com), if you want to join the HR Club or take part in one of meetings or events.

We look forward to meeting you face to face this year during our autumn meeting on the 4th October. ●

## AGM

Eckart Vogler (Investindustrial/LPEA), Hans-Jürgen Schmitz (Mangrove /LPEA ), Stephane Pesch (LPEA), Andrey Kolodyuk (Ukrainian Venture Capital and Private Equity Association) and Claus Mansfleft (SwanCap/LPEA) at the LPEA AGM

Priscilla Hüe (Cedrus & Partners), Mathieu Perfetti Threestones Capital Management, Laurent Capolaghi (EY) at the LPEA AGM

## Berlin

LUXEMBOURG PRIVATE EQUITY NETWORKING DINNER IN BERLIN

## Wealth Management

Alexandre Hector (KPMG), Tom Slocock (Icapital), Olivier Dauman (Indosuez), Manuel San Salvador (Antwort) at the Widening access for HNWI & FO to PE conference

Anne Canel (Oger Investissements), Claude de Raismes (Wendel Luxembourg), Olaf Kordes (Luxempart) at the Widening access for HNWI & FO to PE conference

Q&A at the Widening access for HNWI & FO to PE conference





## LPEA Summer Party


Michael Mbayi (Pinsent Masons), Hind El Gaidi (Astorg), Rachid Mallouk (Apollo), Benoît Moulin (DOMOS FS)


Viviane Rouarch (Caceis), Valentine Klein, Arnaud Bon (Deloitte)

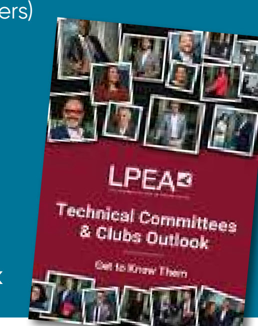
## TC Book

Mathieu Voos (Debevoise & Plimpton) & Franz Kerger (Allen & Overy)

Daniel Engel (Brown Brothers Harriman) & Benoit Dewar (Alter Domus)

Aïssata Coulibaly (EY) & Aurélien Roelens (Cube Infrastructure Managers)

Download the LPEA Technical Committees & Club Outlook



# About LPEA

**The Luxembourg Private Equity and Venture Capital Association (LPEA) is the most trusted and relevant representative body of Private Equity and Venture Capital practitioners with a presence in Luxembourg.**
Created in 2010 by a leading group of Private Equity and Venture Capital players in Luxembourg, with 387 members today, LPEA plays a leading role locally actively promoting PE and VC in Luxembourg.
LPEA provides a dynamic and interactive platform which helps investors and advisors to navigate through latest trends in the industry.
International by nature, the association allows members to network, exchange experience, expand their knowledge and grow professionally attending workshops and trainings held on a regular basis.
If Luxembourg is your location of choice for Private Equity, LPEA is your choice to achieve outstanding results.
LPEA's mission towards its members is to represent and promote the interest of Private Equity and Venture Capital ("PE") players based in Luxembourg and abroad.
LPEA's mission towards Luxembourg is to support government and private initiatives to enhance the attractiveness of Luxembourg as an international hub for carrying out PE business and/or servicing the PE/VC industry in all its dimensions.
In summary, LPEA is the go-to platform where PE practitioners can share knowledge, network and get updated on the latest trends of the industry across the value chain.

## Executive Committee


**Claus Mansfeldt**
President
LPEA


**Hans-Jürgen Schmitz**
Vice-President
Mangrove


**Nick Tabone**
Vice-President
Deloitte


**Eckart Vogler**
Treasurer
Investindustrial


**Peter Myners**
Governance Secretary
Allen & Overy


**Gilles Dusemon**
Member
Arendt & Medernach


**Gautier Laurent**
Member
Cinven


**Katia Panichi**
Member
Elvinger Hoss Prussen


**Jérôme Wittamer**
Member
Expon


**Laurent Capolaghi**
Member
EY


**Giuliano Bidoli**
Member
BC Partners


**Stephane Pesch**
CEO
LPEA

## Technical Committees

**Legal**
- AML
- AIFMD
- Corporate Law
- YPEL
- CMU
- Unregulated Funds
- Financing In PE

**Tax**
- YPEL
- VAT

**Market Practice & Operations**
- Risk Management

**Central Intelligence**
**Fund Administration**
**Promotion Sounding Board**
**PE/VC Depositary Services**
**Private Debt**
**Distribution and Pre-Marketing**

## Clubs

**ESG**
**Private Equity For Women (PE4W)**
**Venture Capital**
**Large Buyout**
**Single Family Offices (SFO)**
**Wealth Management**
**Human Resources (HR)**
**Insurance**
**Corporate Venture Capital (CVC)**
**PE Tech**
**Independent Directors and Non-Executive Directors**
**CFO**

## LPEA Team


**Stephane Pesch**
Chief Executive Officer


**Luís Galveias**
Chief Operating Officer

**Kheira Mahmoudi**
Executive Office, Governance & Operations


**Evi Gkini**
Business Development and Project Manager


**Johann Herz**
Head of Events and Communications

# Linklaters

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