



The Association of the Luxembourg Fund Industry (ALFI), the representative body for the Luxembourg investment fund community, was founded in 1988. Today it represents over a thousand Luxembourg-domiciled investment funds, asset management companies and a wide variety of service providers including depositary banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies.

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution. Luxembourg-domiciled investment structures are distributed in more than 75 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its mission as to “Lead industry efforts to make Luxembourg the most attractive international investment fund centre”.

Its main objectives are to:

■ **Help members capitalise on industry trends**

ALFI’s many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond to identify threats and opportunities for the Luxembourg fund industry.

■ **Shape regulation**

An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg’s competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with

regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision-making through relevant input for changes to the regulatory framework, the implementation of European directives and the regulation of new products or services.

■ **Foster dedication to professional standards, integrity and quality**

Investor trust is essential for success in collective investment services and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organizing training at all levels, defining codes of conduct, transparency and good corporate governance and supporting initiatives to combat money laundering.

■ **Promote the Luxembourg investment fund industry**

ALFI actively promotes the Luxembourg investment fund industry, its products and services. It represents the sector in financial and economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry.

ALFI is an active member of the European Fund and Asset Management Association, of the International Investment Funds Association, of Pensions Europe, of the International Association of Pension Funds Administrators and of the Global Impact Investing Network.

For more information, visit our website at [www.alfi.lu](http://www.alfi.lu) and follow ALFI on



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Whether you are an EU or a non-EU manager of Alternative Investment Funds (AIFs) distributed to EU professional investors, adequately selecting your gateway to Europe is key.

Choosing the right structure at both manager and fund level is important.

Luxembourg can leverage upon its:

- UCITS track record for operating regulated management companies;
- Recognised position as the leading pan-European distribution platform for UCITS;
- Status as a growing hub for Hedge Funds, Liquid Alternatives, Real Estate, Infrastructure, Debt Funds and Private Equity.

Luxembourg has adopted a pragmatic and business-oriented approach to the implementation of the AIFM Directive.

A whole set of options is available when

it comes to setting up the Alternative Investment Fund Manager (AIFM), ranging from internally-managed AIFs to turning an existing management company into an AIFM or appointing a separate legal entity as the AIFM. Moreover, by domiciling your AIFM in Luxembourg, you will be eligible for the management passport introduced by the AIFM Directive.

In addition, Luxembourg offers a comprehensive and consistent product range for alternative players willing to distribute their products across Europe and fully benefit from the marketing passport introduced by the AIFM Directive.

To ensure the continued improvement of the solutions available to alternative industry players for setting up their funds in Luxembourg, the RAIF (Reserved Alternative Investment Fund) has been introduced in 2016. The RAIF’s manager is regulated by the AIFM Directive and

benefits from the corresponding management and marketing passport across the EU/EEA. The RAIF itself is not supervised by the *Commission de Surveillance du Secteur Financier* (CSSF), making it an attractive vehicle from a time-to-market perspective. This vehicle complements the Luxembourg Limited Partnership’s success story in the alternative industries.

Given Luxembourg’s track record, its supporting environment for alternative industries and its leading position as an AIF domicile, there are many good arguments in favour of Luxembourg being your EU hub of choice for structuring your AIFs and establishing your AIFM for a pan-European reach.

# 1 Luxembourg, your gateway to Europe and beyond

- Gateway to Europe: establishing an AIFM in Luxembourg means benefiting from the management and marketing passport so as to grow your business with EU professional investors;
- The leading pan-European and global distribution platform:
  - EUR 4,064 billion of fund assets under management (AUM) as at December 2018;
  - 62% of the world's cross-border funds are Luxembourg funds.
- A renowned brand:
  - Luxembourg UCITS are distributed in more than 70 countries, including the most important markets in Asia, the Middle East and Latin America;
  - Longstanding trusted relationship between the Luxembourg regulator and regulators from distribution countries.

# 2 Steady growth in alternative investment sectors over the last years

- According to the ALFI 2018 REIF Survey, the number of surveyed REIFs continued to grow, bringing the total number to 304 surveyed vehicles, including 27 manager-regulated AIFs, 27 RAIFs dedicated to real estate and 11 SICARs;
- The 2018 Luxembourg Private Equity and Venture Capital Investment Fund Survey, conducted by Deloitte on behalf of ALFI, shows that assets under management in Luxembourg Private Equity Funds increased by 20% in 2018;
- The Luxembourg hedge fund sector has grown rapidly and Luxembourg is recognised as a premier hedge fund domicile. Meanwhile, several top global hedge fund managers have domiciled funds in Luxembourg. As a result, Luxembourg has recorded the fastest global growth in terms of relative weight of fund domiciliation since the financial crisis:
- A jurisdiction already trusted by the major players in Private Equity, Real Estate and Hedge: 9 of the top 10 Private Equity Houses, 14 of the top 15 Real Estate Fund managers, more than half of the top 20 (by size) Hedge Fund managers and 8 of the top 10 Fund of Hedge Funds managers are already present in Luxembourg.

# 3 A unique and innovative toolkit of investment products

- 1,529 Specialised Investment Funds (SIF) (as at Dec 2018);
- 274 Venture Capital Investment Companies (SICAR);
- 31 regulated securitisation vehicles;
- 2,517 onshore Luxembourg Special Limited Partnerships, offering equivalent features to Anglo-Saxon Limited Partnerships and benefiting from the EU AIFM management and marketing passport;
- 575 RAIFs, providing efficient time-to-market and a flexible structuring option whilst benefiting from both the protection of the AIFM Directive framework and the RAIF Law, as well as the marketability of an investment vehicle with an EU passport.

# 10 Looking ahead

- Proactively engaging in the review of the AIFM Directive (AIFMD II) and new passporting solutions;
- Willing to share practical experience in cross-border distribution with a view to enhance the European framework;
- Seeking constant improvement and innovation to the Luxembourg legislation with a view to remain competitive and meet business needs.

# 9 A favourable and predictable tax environment

- Stable tax environment;
- Tax neutral fund vehicles;
- Full access to EU tax directives;
- EU fundamental rights and freedoms protection ensured under the control of the Court of Justice of the EU;
- Full support and participation to OECD tax initiatives: early adopter of the Common Reporting Standard;
- Double tax treaties network focusing on key target jurisdictions for alternative asset managers;
- Lowest VAT rate in the EU and comprehensive VAT exemption on management services;
- Attractive individual tax regime for qualifying senior expatriate employees.

# 8 A pragmatic legal and supervisory framework

- Flexible and clear legal framework for structuring and operating alternative investment funds
- CSSF Circular 18/698 is specifically dedicated to Investment Fund Managers (including AIFMs)
- Established relationship between the authorities and the alternative investment industry in order to design an efficient and first-class operating framework;
- Accessible and multilingual regulator (application files and all communication accepted in English, French and German, e-filing) with dedicated teams of professionals in the alternative sector.

## 10 reasons to choose Luxembourg as a hub for AIFs and AIFMs

# 4 Flexible structuring options for operating AIFMs

- Different AIFM structuring options are available to accommodate the needs of EU as well as non-EU players active in the EU;
- Dual licensed AIFMs (allowed to manage both UCITS and AIFs): key advantages are cost efficiency and streamlining of operations;
- Possibility to delegate portfolio management to third-party EU or non-EU managers offering dedicated expertise in major asset classes;
- As at December 2018, 253 AIFMs have been authorised and 574 sub-threshold AIFMs have been registered in Luxembourg.

# 5 A stable and trusted jurisdiction

- Founding EU Member State with sound public finances and fiscal stability;
- AAA credit rating;
- Political ambition and support to grow Luxembourg into a leading alternative fund centre;
- Influential investment fund industry association (ALFI) collaborating with a number of industry bodies to foster the development of alternative investments in Luxembourg;
- Excellent public and cultural infrastructure, social services and low crime rate.

# 6 An established experience in servicing alternative assets

- More than 30 years of experience in fund administration, custody services, regulatory, financial and tax reporting, delegation arrangements, multi-class funds, global distribution:
  - 65 depositary banks with worldwide sub-custodian networks;
  - 15 professional depositaries of assets other than financial instruments;
  - Centre of excellence for risk management and reporting solutions.
- Local presence of all major global players in fund administration with proven track record in all types of alternative asset;
- State-of-the-art technology hub (FinTech) and expertise to support global distribution of funds and asset servicing.

# 7 An international and multilingual environment

- Central location in Europe attracting a highly educated pool of talents from neighbouring countries, the rest of the EU and the world:
- More than 47,000 professionals employed in over 300 regulated financial services companies;
- 374 management companies and 827 authorised and registered AIFMs (as at December 2018);
- 136 banks from 29 countries (as at March 2019).