



association of the  
luxembourg fund industry

| **annual report**

| **2011 - 12**



**clarify regulation  
enable innovation  
foster distribution**







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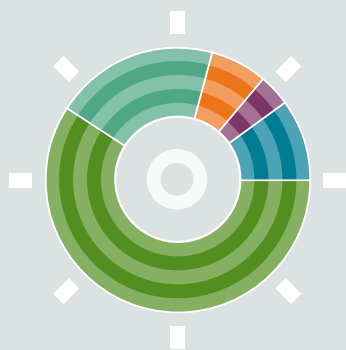
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## letter from the chairman

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Dear ALFI member,

My first year as ALFI Chairman has certainly been eventful! It's been a year of unrelenting change which is both exciting and daunting for the fund management industry. At the centre of the many changes that have taken place in the asset management sector over the past year is regulation. Increasing regulation is a fact of life, but that doesn't mean we can't analyse, influence and help to shape it.

Yes, we need better regulation in the wake of the financial crisis, but excessive and poorly targeted regulation will only harm the fund industry and its customers. That's to say, everyone will lose.

As one of the key guardians of UCITS funds, the fund vehicle of choice in Europe and increasingly in Asia and Latin America, we feel deeply our responsibility to make sure UCITS continues to flourish. We also wish to make sure that other fund vehicles – including alternatives – are allowed to prosper within the rules being created.

ALFI has particular concerns about parts of some of the proposed regulatory changes including: the Volcker Rule, the Financial Transaction Tax (FTT), and FATCA. Meanwhile, we view the Alternative Investment Fund Managers Directive (AIFMD) positively as we think it is likely to boost the alternatives sector in general and the Luxembourg fund centre in particular.

Our central belief is that funds are good for society. We believe that regulated products are the solution for investors around the globe. Our aim is to remind regulators and politicians that UCITS funds are extremely well-regulated already. They were not part of the problem but they are definitely part of the solution.

However, the industry must not only defend its interests, but continue to innovate in order to further attract assets. Over the last 10 years, assets in the Luxembourg fund industry grew quickly from €1trn to €2trn. Now we need to back this up with further innovation.

In this respect, in September 2011, ALFI set out its ambition for Luxembourg to be a global centre of excellence for the asset management industry, creating opportunities for investors, fund professionals and the global community as a whole.

Our starting point for this ambition is: **Funds are good for you, Luxembourg is good for funds.** Since the launch of the Ambition Paper, ALFI achieved significant progress on the five key objectives which are outlined in more detail in the annual report.

I would like to take this opportunity to thank the ALFI members who work so unstintingly on our technical committees and working groups to achieve these and other aims. I also thank my colleagues on the Board of Directors for their wisdom and guidance. Finally, a heartfelt thanks to Camille Thommes and his team for their support throughout the year.

*Marc Saluzzi*  
*Chairman*

## letter from the director general

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Dear ALFI member,

The past year has been one of the busiest and most challenging that I can remember for both our organisation and for the asset management and fund industry as a whole.

The number and complexity of European and international legislative proposals have mushroomed as the ongoing consequence of the financial crisis. The asset management industry is impacted to some degree by nearly all of these proposals. As the second-largest fund management centre in the world, Luxembourg is at the centre of efforts to ensure that the outcome of all these changes is coherent and beneficial to funds and their clients.

Over the last year, ALFI has responded to requests for advice, information and opinions on legislation including MiFID, AML, FATCA, FTT, AIFMD, risk management proposals, OTC derivatives changes, Solvency II, accounting guidelines and occupational pensions changes. We sincerely thank the Regulatory Advisory Board as well as the Chairpersons and members of the many technical committees and working groups for their dedication and expertise in formulating responses to all these issues and more.

ALFI has also continued to promote the Luxembourg fund industry throughout the world and in 2011 we took delegations of members to 22 countries and 25 cities, meeting with more than 4,500 fund industry professionals and thus deepening their links with and commitment to Luxembourg.

In our Asia Representative Office, two working groups were created last year and we strengthened contacts with stakeholders in the region. Our brochures are now translated into Chinese. ALFI also provided a keynote speaker at the HKIFA annual conference.

We maintain close relations with other fund management associations around the world, including EFAMA with which we have regular contact on all aspects of the industry.

Our busiest ever conference agenda included the 20th anniversary of our Global Distribution Conference, which was held in association with NICSA and HKIFA. There were record attendances for our three main conferences, an indication that ALFI's ongoing efforts to promote Luxembourg as Europe's fund centre are bearing fruit.

As our membership increases and our worldwide presence expands, ALFI continued to regularly inform the industry participants about the latest developments notably through periodic newsletters and podcasts. In addition, the association further increased its media presence.

It remains for me to thank our Chairman, the members of the Board of Directors and Executive Committee, which have facilitated the resources required to address the growing number of opportunities and challenges for our members and provided us with valuable guidance. The staff of ALFI has worked tirelessly to ensure that the objectives we have set on behalf of our members have been achieved. And, of course, thanks to all of you for your encouragement and support over a year of great change.

We look forward to helping you achieve your goals over the coming years.

*Camille Thommes*  
*Director General*

## general background and activities

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# 1. alfi ambition paper

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## ALFI defines ambition for Luxembourg Fund Centre

### Action plan for Luxembourg to remain a global centre of excellence for the asset management industry

In September 2011, ALFI set out its ambition for the Luxembourg Fund Centre to be a global centre of excellence for the asset management industry, thereby creating opportunities for investors, fund professionals and the global community as a whole. Thanks to the early transposition of the UCITS directive, and the continued efforts to maintain a highly professional and innovative infrastructure, Luxembourg has become the leading fund centre in Europe with a market share of over 30%.

However, the recent crisis has demonstrated that investor protection is key to the continued success of the investment fund industry.

ALFI's "Ambition Paper" aims to tackle this issue, and centres on two essential statements: first, that **Funds are good for you** and, second, that **Luxembourg is good for funds**.

To support these two statements, ALFI outlined five objectives to achieve over the next four years:

- Ensure that UCITS remains the best-in-class for investor protection;
- Help fund managers and institutional investors to leverage the development of regulated European alternative funds with AIFMD;
- Stimulate innovation within the fund industry;
- Facilitate cross-border fund distribution;
- Ensure Luxembourg remains the partner of choice for the asset management industry.

ALFI is working closely with its members, partners, stakeholders and all interested third parties to achieve its ambition. Within Luxembourg, all players should ideally work hand in hand - the Government, the House of Parliament, the relevant ministries and administrations, the CSSF and other Luxembourg trade bodies. Furthermore, ALFI also consults widely at an international level with representatives of the industry, the investor community, experts and opinion leaders.

Since the publication of the Ambition Paper, ALFI has made significant headway on some elements, including the timely implementation of UCITS IV and the proactive review of the fund centre's value proposition to the alternative investment management industry.

ALFI's representatives also visited many of its key distribution markets to provide local stakeholders with valuable updates on the European asset management industry and on the opportunities Luxembourg offers to this industry.

In 2011, ALFI visited 22 countries and 25 cities, met with more than 4,500 fund industry professionals around the world and confirmed their commitment to Luxembourg.

Through this plan, ALFI believes it will continue to contribute to the economic development of Luxembourg while supporting investors in making important decisions that will impact on the wealth of citizens across the globe.

## 2. legal and regulatory initiatives at european level

### European Union

#### Markets in Financial Instruments Directive (MiFID)



On 20 October 2011, the European Commission issued a draft proposal for a directive (MiFID)<sup>1</sup> and for a regulation (MiFIR)<sup>2</sup> aiming at the modification of the Markets and Financial Instruments Directive (Directive 2004/39/EC). This package, commonly referred to as “MiFID II” has as its main objective to address various issues raised by the financial crisis, in particular investor protection and transparency, as well as the regulation of certain markets, notably the derivatives markets. The draft directive amends areas such as market structure, scope of exemptions, organisational and conduct of business requirements for investment firms and trading venues.

The proposals include, among others, the extension of the scope of MiFID to additional types of firms, the creation of a new category of trading venue (“Organised Trading Facilities” or OTF), and the introduction of additional transparency requirements as regards certain instruments such as bonds, derivatives or structured products. Another important aspect of the draft package is the introduction of a harmonised European framework on the treatment of third-country firms. The draft Regulation also amends the Draft European Markets Infrastructure Regulation (EMIR) with regard to transaction reporting issues.

Among the numerous suggested amendments of the Markets in Financial Instruments Directive, the following could have an important impact on the investment fund industry:

- Enlarged scope of activities covered in MiFID to more firms, including third-country firms;
- Definition of non-complex instruments to exclude “structured

UCITS” as referred to in Article 36 paragraph 1 subparagraph 2 of Commission Regulation 583/2010;

- Ban on monetary inducements for portfolio managers and independent advisers;
- Establishment of several criteria a firm must comply with in order to be considered to be an “independent adviser” and reinforced information obligations towards clients;
- Detailed fit and proper requirements for the management body of investment firms;
- Extension of the scope of pre- and post-trade transparency requirements to further instruments, including exchange-traded funds;
- Amendments to the client classification rules;
- Power for national regulators to ban products on a permanent basis in coordination with the European Securities and Market Authority (ESMA), and for ESMA to ban products temporarily.

Markus Ferber, Member of the European Parliament, was appointed *Rapporteur* for these draft texts in the European Parliament and issued a questionnaire on the MiFID II proposals in November 2011 with a view to collecting the public and the financial industry’s feedback.

ALFI officially responded to the questionnaire on 13 January 2012, in particular with regard to the definition of non-complex instruments, third-country firms access rules and inducements.

On 24 February 2012, ALFI responded to ESMA’s consultation paper on the guidelines on certain aspects of the MiFID suitability requirements<sup>3</sup>. This document covers issues related to information given to clients about the suitability assessment (before providing investment advice or portfolio management services,

<sup>1</sup> COM (2011) 656 final, [http://ec.europa.eu/internal\\_market/securities/isd/mifid\\_en.htm](http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm)

<sup>2</sup> COM (2011) 652 final, [http://ec.europa.eu/internal\\_market/securities/isd/mifid\\_en.htm](http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm)

<sup>3</sup> ESMA/2011/445, <http://www.esma.europa.eu/documents/overview/10?page=14>

## 2. legal and regulatory initiatives at european level

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investment firms are required to assess that a specific transaction to be recommended, or entered into, in the course of providing portfolio management service, is suitable for their client), arrangements necessary to understand clients and investments, and the qualifications of staff. It also addresses the extent of information to be collected from clients and the application of the proportionality principle, the reliability of client information, the updating of client information, client information for legal entities or groups, arrangements necessary to ensure the suitability of an investment, and record-keeping.

ALFI responded to this consultation and recommended taking into account the fact that investment firms can only rely on the information provided by their clients, and that it is the responsibility of those clients to give true and reliable information, as well as to communicate any relevant changes in their personal situation. ALFI also expressed the view that current rules are adequate and that any new regulation in this regard should be of real added value to the suitability process, and not constitute a mere additional administrative burden.

On 28 February 2012, the Securities and Markets Stakeholder Group, which helps facilitate consultation by ESMA with stakeholders in areas relevant to ESMA's tasks, such as the development of technical standards and guidelines, published its advice on the above-mentioned Guidelines and made a number of suggestions for amendments in order to enhance investor protection, in particular with regard to the reliance on questionnaires, the nature of recommendations made to investors, and proportionality with regard to the nature of the services provided.

ALFI also responded to ESMA's consultation paper on the guidelines on certain aspects of the MiFID compliance function issued on 22 December 2011<sup>4</sup>. This paper covers areas such as: the responsibilities of the compliance function (compliance risk assessment, monitoring, reporting and advisory obligations); organisational requirements (effectiveness, permanence and independence of the compliance function, exemptions, combination with other functions and outsourcing); and the review of the compliance function by competent authorities.

ALFI stressed that although the compliance function is key to the sound organisation of investment firms, certain proposals in the consultation document do not take into account the need for proportionate application of the rules according to the size and nature of the business concerned. More specifically, ALFI recommended that such proportionality be more explicitly envisaged as regards the monitoring, reporting and effectiveness aspects of the compliance function.

On 28 February 2012, the Securities and Markets Stakeholder Group also issued an advice<sup>5</sup> supporting the adoption of guidelines related to MiFID and the overall approach of ESMA with respect to the guidelines on compliance reporting. In its advice, the Group draws the attention of ESMA to the need to apply the proportionality principle when implementing the compliance requirements, in particular with regard to staff training and expertise, and calls for allowing more flexibility for small and medium-sized investment firms in this regard.

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<sup>4</sup> ESMA/2011/446, <http://www.esma.europa.eu/documents/overview/10?page=14>

<sup>5</sup> 2012/SMSG/12, [http://www.esma.europa.eu/documents/overview/10?title=&doc\\_reference=&section=All&doc\\_type=393&x=67&y=18](http://www.esma.europa.eu/documents/overview/10?title=&doc_reference=&section=All&doc_type=393&x=67&y=18)

<sup>6</sup> *Common Understanding between Member States on third-country equivalence under the Anti-Money Laundering Directive (Directive 2005/60/EC)*, February 2012, [http://ec.europa.eu/internal\\_market/company/financial-crimel/index\\_en.htm#3rdcountry](http://ec.europa.eu/internal_market/company/financial-crimel/index_en.htm#3rdcountry)

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## Anti-Money Laundering Directive

On 8 February 2012, the Common Understanding between Member States on third-country equivalence under the Anti-Money Laundering Directive was revised and the list of countries considered as having equivalent Anti-money laundering/Combating the Financing of Terrorism (AML/CFT) systems to the European Union (EU) was updated<sup>6</sup>. It must be noted that such a list is not binding and the assessment of third-country equivalence remains a Member State competence.

On 11 April 2012, the European Commission published a report on the application of the 3rd Anti-Money Laundering Directive<sup>7</sup>. This report also outlines the possible features of the future 4th Directive and addresses, among others, a possible clarification of the definition of “beneficial owner”, a review of the equivalence regime, and the incorporation of tax crime in the scope of the directive. The main objective of the 4th directive will be to align the European AML framework with the new Financial Action Task Force (FATF) recommendations issued in February 2012<sup>8</sup>.

The ALFI Anti-money Laundering Working Group has been working on the review of the ALFI/ABBL/ALCO guidelines, which aim at anticipating these rules.

On the same date, the European Banking Authority (EBA), ESMA and the European Insurance and Occupations Pensions Authority (EIOPA), issued a Report on the legal and regulatory provisions and supervisory expectations across EU Member States of Simplified Due Diligence (SDD) requirements, where the customers are credit and financial institutions under the Third Money Laundering Directive [2005/60/EC]<sup>9</sup>. This paper provides an overview of EU Member States’ legal and regulatory provisions and supervisory expectations in relation to the application of the SDD requirements of the Third Money Laundering Directive. The paper focuses on the scope and nature of the simplified due diligence measures, the expected use of equivalence provisions and the supervisory expectations with respect to the limits of application of these measures in high risk situations.

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## Regulation on European Social Entrepreneurship Funds

On 7 December 2011, the European Commission published a “Proposal for a Regulation of the European Parliament and of the Council on European Social Entrepreneurship Funds”. The purpose of this proposal for a regulation is to seek to establish a European passport for European Social Entrepreneurship Funds (EuSEFs), and an EuSEF label, so that investors can easily identify funds that focus on investing in European social businesses.

Key elements of the proposal are:

- A recognised EU brand for social entrepreneurship funds: By establishing an EuSEF label with uniform requirements for fund managers wishing to use it, this regulation seeks to help both investors looking to make social investments and social businesses needing additional funding sources;
- Improved investor information: All funds that use the new brand will be required to publish clear information about the kinds of social businesses they target, their

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<sup>7</sup> Report on the application of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, [http://ec.europa.eu/internal\\_market/company/financial-crime/index\\_en.htm#news](http://ec.europa.eu/internal_market/company/financial-crime/index_en.htm#news)

<sup>8</sup> International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation - the FATF Recommendations, <http://www.fatf-gafi.org/topics/fatfrecommendations/documents/fatfrecommendations2012.html>

<sup>9</sup> JC/2011/97, <http://www.esma.europa.eu/documents/overview/10>

## 2. legal and regulatory initiatives at european level

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selection criteria, the ways the fund will help social businesses, and how the resulting social impact will be monitored and reported;

- Better performance measures: The Commission will undertake further work to develop better and more comparable ways to measure the social performance of investments. This will allow for the development of a more transparent investment market and greater investor confidence;
- Breaking down barriers to fundraising across Europe: Rules regarding social investment funds differ between Member States, and are often onerous and complex, thus hampering efficient flows of capital to the funds. To remedy this situation, the new proposals will

simplify the rules, and the new European passport will ensure that social entrepreneurship funds can raise funds across Europe;

- Availability to investors: Because investing in social businesses can be risky, funds with the EuSEF label would initially only be available to professional investors. Once the framework is up and running, the Commission will examine possible measures to make such investments also available to retail customers.

The ALFI Working Group provided detailed comments on the proposal in February 2012. At the time of writing, the European Parliament and the Council are still reviewing the proposal.

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### Pensions

EIOPA issued a Call for Advice on the review of Directive 2003/41/EC on the activities and supervision of Institutions for Occupational Retirement Provision (IORPs) with deadlines on 2 January 2012 and 15 August 2011. Advice was sought on the scope of the IORP directive, on certain cross-border aspects and on three other areas. Firstly, what quantitative requirements should apply to IORPs and how these should be measured. Secondly, what the qualitative requirements should be, particularly in respect of the governance of IORPs. Thirdly, what information should be provided in respect of IORPs to members and beneficiaries, and to supervisory authorities across the EU.

The ALFI Pension Funds Working Group and the Association of the Luxembourg Pension Funds (ALFP) provided detailed responses in relation to the above mentioned calls for advice.

Having taken into consideration some aspects of these responses, EIOPA replied to the Commission's Call for Advice on the review of the Directive on 15 February 2012. EIOPA provided advice on different topics, but mainly focusing on the three following points:

- Quantitative requirements for pension funds;
- Qualitative requirements for pension funds;
- Information and disclosure obligations for pension funds.

Regarding the quantitative requirements, the Commission aims to adapt Solvency II to pension funds in order to harmonise the supervision regimes for pension funds and insurance companies. EIOPA suggests a consistent approach to occupational pensions and insurance as well. However, EIOPA emphasises that the differences between both sectors will also merit different approaches.

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Concerning the qualitative requirements, EIOPA suggests harmonised rules to improve the governance of IORPs, such as rules on risk management, depositaries and stress-testing.

In relation to information and disclosure obligations, EIOPA makes proposals regarding the provision of pension plans, e.g. the introduction of a personal annual pension statement and pre-enrolment information. ALFI welcomes the proposals regarding governance and information obligations.

Furthermore, the European Commission issued a White Paper on 16 February 2012 entitled “An Agenda for Adequate, Safe and Sustainable Pensions.” The purpose of the White Paper is to secure adequate pensions over the coming decades through growth-enhancing retirement reforms. The paper sets out practical steps through which the EU can assist Member States to implement the recommendations on pensions they receive in the context of the Europe 2020 strategy. The paper presents 20 proposals to keep pensions “adequate, safe and sustainable”.

The White Paper proposes, in particular, to:

- Develop complementary private retirement schemes by encouraging social partners to develop such schemes and encouraging Member States to optimise tax and other incentives;

- Enhance the safety of supplementary pension schemes, including a revision of the directive on Institutions for Occupational Retirement Provision and better information for consumers;
- Make supplementary pensions compatible with mobility, through legislation protecting the pension rights of mobile workers and by promoting the establishment of pension tracking services across the EU. This can provide citizens with information about pension entitlements and projections of their income after retirement;
- Continue to monitor the adequacy, sustainability and safety of pensions and support pension reforms in the Member States;
- Create better opportunities for older workers by calling on the social partners to adapt work place and labour market practices and by using the European Social Fund to bring older workers into work;
- Encourage Member States to promote longer working lives, by linking retirement age with life expectancy, restricting access to early retirement and closing the pension gap between men and women.

The above mentioned initiatives were undertaken in the light of the review of the IORP directive. A proposal on this topic will be published by the Commission in 2013.

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### Green Paper on shadow banking activities

On 19 March 2012, the European Commission published a Green Paper on shadow banking activities<sup>10</sup>.

This Green Paper is in line with the financial services policies agreed at G20 level and the work of the Financial Stability Board (FSB).

The FSB released a report on 27 October 2011 on strengthening oversight and regulation of shadow banking.

Building on this report and on the invitation of the G20 Cannes Summit, held in November 2011, to develop its

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<sup>10</sup> [http://ec.europa.eu/internal\\_market/bank/docs/shadow/green-paper\\_en.pdf](http://ec.europa.eu/internal_market/bank/docs/shadow/green-paper_en.pdf)

## 2. legal and regulatory initiatives at european level

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work further, the FSB has also initiated five work-streams tasked with analysing the issues in more detail and developing effective policy recommendations. These workstreams include:

- Basel Committee on Banking Supervision (BCBS) will work on how to further regulate the interaction between banks and shadow banking entities and report in July 2012;
- International Organization of Securities Commissions (IOSCO) will work on regulation to mitigate the systemic risks (including run-type risks) of Money Market Funds (MMFs) and report in July 2012;
- IOSCO, with the help of the BCBS, will carry out an evaluation of existing securitisation requirements and make further policy recommendations in July 2012;
- FSB subgroup will examine the regulation of other shadow banking entities and report in September 2012; and
- Another FSB subgroup will work on securities lending and repos and report in December 2012.

The main objective of the Commission in this Green Paper is to present its preliminary views on the different challenges linked to shadow banking, and the steps already taken in previous legislations.

The Commission defines shadow banking as “non-bank credit activity”, which includes:

- Insurance and reinsurance undertakings which issue or guarantee credit products;
- Money market funds and other investment funds with deposit-like characteristics; and
- Investment funds that provide credit or are leveraged, including hedge funds.

The Commission considers that, while such activities are often considered to be advantageous alternative sources of credit, there is also the risk that shadow banking is exposed to similar risks to the banks, but without being subject to the restraints imposed by banking regulation and supervision.

At this stage, the European Commission is seeking clarification on the definition of shadow banking, aiming to check with stakeholders what steps have already been taken and what might still be necessary, and is consulting on possible options for addressing the shadow banking system in the EU.

A dedicated ALFI Working Group has been set up to elaborate a response to the Green Paper.

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### Alternative Investment Fund Managers Directive

On 16 November 2011, ESMA issued its final technical advice to the European Commission on possible implementing measures of the Alternative Investment Fund Managers Directive (AIFMD).

ESMA’s advice can be divided into the following four sections:

1. General provisions, authorisation and operating conditions
2. Depositary
3. Transparency requirements and leverage
4. Supervision

The “general provisions, authorisation and operating conditions” include advice on the implementing measures foreseen under Article 3 of the AIFMD.

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As regards the general operating conditions, ESMA's advice covers:

- Initial capital and own funds;
- Conflicts of interest;
- Risk management;
- Liquidity management;
- General principles;
- Investment in securitisation positions;
- Valuation;
- Delegation of Alternative Investment Fund Manager (AIFM) functions; and
- Organisational requirements.

The section on the depositary sets out ESMA's advice on the contract evidencing appointment of the depositary and its content; the duties of the depositary; the delegation of part or all safekeeping functions to a third party; the depositary liability regime; as well as the criteria for assessing whether the prudential regulation and supervision applicable to a depositary established in a third country, with respect to its

duties, are to the same effect as the provisions laid down in EU law. ESMA's advice under the heading "transparency and leverage" covers the method for calculating the leverage and the exposure of an Alternative Investment Fund (AIF), outlines limits to leverage or other restrictions on the management of AIF. The transparency requirements relate to annual reporting, including remuneration, disclosure to investors and reporting to competent authorities.

The section on supervision focuses on the co-operation arrangements to be put in place with third country authorities pursuant to Chapter VII of the Directive.

The European Commission is expected to release the final AIFMD implementing measures by July 2012, one year before the AIFMD transposition deadline.

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#### Guidelines for UCITS ETFs and other UCITS issues

In the summer of 2010, ESMA started looking into the operation of UCITS, which were taking advantage of the new investment possibilities introduced by the UCITS III Directive and the Eligible Assets Directive (2007/16/EC), in order to identify the possible impact on investor protection and market integrity. As part of this work, ESMA published a discussion paper on policy orientations on guidelines for UCITS Exchange-Traded Funds and Structured UCITS on 22 July 2011 (ESMA/2011/220). Responses to this paper were due by 22 September 2011.

On 30 January 2012, following the consultation in summer, ESMA published a consultation paper entitled "ESMA's guidelines on ETFs and other UCITS issues"<sup>11</sup>. The proposals cover

both synthetic and physical undertaking for UCITS, ETFs, and outline future obligations to apply to UCITS ETFs, index tracking UCITS, efficient portfolio management techniques, total return swaps and strategy indices for UCITS.

The proposals touch upon areas such as the use of total return swaps by any UCITS, for which ESMA envisages additional obligations in connection with collateral to be provided, or a UCITS investing in strategy indices, where the requirements on eligibility of such indices have been tightened. The proposals also include obligations on UCITS ETFs to use identifiers and facilitate the ability of investors to redeem their shares (whether in the secondary market or directly with the ETF provider).

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<sup>11</sup> [http://www.esma.europa.eu/system/files/2012-44\\_0.pdf](http://www.esma.europa.eu/system/files/2012-44_0.pdf)

## 2. legal and regulatory initiatives at european level

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ESMA's draft proposals set higher standards in order to increase investor protection through more transparency and additional requirements, thereby ensuring greater stability. The aim of these guidelines is not only to enhance investor protection, but additionally to limit the risk of certain practices by

strengthening, in particular, the standards and rules applicable to collateral received in the context of activities such as securities lending.

On 30 March 2012 ALFI submitted its comments to ESMA's draft guidelines on ETFs and other UCITS issues<sup>12</sup>.

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### Guidance on responsible investing information in the KIID & post investment disclosure

On 16 February 2012, the European Fund and Asset Management Association (EFAMA) published guidance on responsible investing in the Key Investor Information Document (KIID) and post investment disclosure. It suggests standards of transparency to be introduced in the KIID.

It also outlines first proposals for reporting standards for the post-investment phase.

Standards of transparency for fund documentation other than the KIID shall be addressed in a separate document.

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### Recommendation of topics to be included in the UCITS V review

EFAMA sent a letter to the European Commission with its recommendation of topics to be included in the UCITS V review. These recommendations aim, in particular, at ensuring the effectiveness of some of the key measures adopted under UCITS IV:

- Enabling UCITS investments in feeder funds - 10% rule to be amended;
- Merger notifications (notice to be given in writing to unit holders in the receiving UCITS is extremely costly);
- Need to clarify the framework for merging contractual funds;
- Regulator-to-regulator notification should apply also to changes to the initial notification letter;
- There should be no obligation to provide a KIID to professional investors;
- Exemption from the need to appoint a paying agent where a UCITS is being marketed solely to professionals - alignment with AIFMD;

- Alignment of UCITS Management Companies' services with AIFMD standards;
  - KIID - compliance with the Distance Marketing Directive.
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<sup>12</sup> <http://www.alfi.lu/publications-statements/alfi-statements/alfi%E2%80%99s-response-consultation-concerning-esma-guidelines-etfs>

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## Supervision: EU financial regulatory reform agenda

Various trade associations sent an industry letter to the European Commission, the European Parliament and the Danish Presidency of the Council of the EU regarding the European Supervisory Authorities' task of drafting technical and implementing legislative measures<sup>13</sup>. Although the associations welcome the EU financial regulatory reform agenda, as the reforms move into a phase of drafting detailed technical and implementing measures, concerns are growing as to how the European Supervisory Authorities (ESAs) will be able to cope with the task of drafting such measures. The ESAs currently have limited resources as they were recently established and are still in the process of building staffing levels.

The associations make the following recommendations in their letter:

- The ESAs should be given sufficient time to draft the measures to ensure that the quality of the legislation is not compromised, thereby leading to the international credibility of the ESAs being questioned. The target dates for the finalisation of the drafting standards by the ESAs should also be adjusted to reflect the delays which occurred during the European Parliament and Council phases due to the complexity of the task;
- Level 2 implementation should not be defined in absolute date-specific terms, but by specifying periods for ESA drafting, by reference to the introduction of the Level 1 measures;
- To the extent that it is considered impracticable for the ESAs to complete all the proposed mandates to a high quality within the given timeframe, a principle of prioritisation should be incorporated in the Level 1 mandates and a phased approach adopted.

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<sup>13</sup> [http://www.ebf-fbe.eu/uploads/D0098A-2012-ISDA\\_AFME\\_ICMA\\_FOA\\_AIMA\\_EACH\\_EBF\\_letter\\_re\\_ESA\\_timeframes\\_and\\_prioritisation\\_17\\_jan\\_2012\\_FINAL.pdf](http://www.ebf-fbe.eu/uploads/D0098A-2012-ISDA_AFME_ICMA_FOA_AIMA_EACH_EBF_letter_re_ESA_timeframes_and_prioritisation_17_jan_2012_FINAL.pdf)

### 3. initiatives at international level

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#### IOSCO

##### Principles on suspension of collective investment schemes redemptions

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published its final report, “Principles on Suspensions of Redemptions in Collective Investment Schemes”, which contains principles regarding the suspension of redemptions for open-ended collective investment schemes (CIS)<sup>14</sup>. EFAMA submitted its comments to the draft report last summer.

The principles reflect a common level of approach and provide standards against which both regulators and the industry can assess the quality of regulation and industry practices concerning suspensions of

redemptions. They generally cover all types of open-ended CIS which offer a continuous redemption right, and apply irrespective of whether they are offered to institutional or retail investors. They are addressed to those entities responsible for the overall operation of the CIS and in particular its compliance with the legal/regulatory framework in the respective jurisdiction and thus for the implementation of the principles.

The delegation of activities may not be used to circumvent the principles and there should be compliance with the principles, whether activities are performed directly or through a third party.

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##### Suitability Requirements with respect to the Distribution of Complex Financial Products

On 21 February 2012, the Technical Committee of IOSCO published a consultation report on suitability requirements. This document sets out proposed principles relating to customer protection, including suitability and disclosure obligations, which relate to the distribution by intermediaries of complex financial products to retail and non-retail customers<sup>15</sup>. The report is based on a survey carried out recently by IOSCO and covers topics such as the classification of retail and non-retail investors,

disclosure methods, investor protection means in case of sale of complex products on an unsolicited basis, suitability requirements, information on the basis of the advice provided by the intermediary, link with the compliance function, incentives and enforcement of the rules.

It also contains recommendations as to what type of actions should be undertaken at IOSCO level with regard to the various subjects addressed. ALFI submitted its official response on 21 May 2012.

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##### Revised Collective Investment Schemes Valuation Principles

IOSCO also published a consultation report on “Principles for the Valuation of Collective Investment Schemes (CIS)”<sup>16</sup>. The consultation report sets out principles which can be utilised in order to assess the quality of regulation and industry practices regarding the valuation of CIS with a view to ensuring the fair treatment of investors. It updates and modernises IOSCO’s Principles for CIS Valuation

(which was originally developed in 1999) so as to take into consideration subsequent regulatory, industry and market developments. It also clarifies some concepts put forward by IOSCO in its report “Principles for the Valuation of Hedge Fund Portfolios”, such as the entity responsible for establishing a policy governing valuation and the independence of the valuation duty.

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<sup>14</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD367.pdf>

<sup>15</sup> CR03/12 *Suitability Requirements With Respect To the Distribution of Complex Financial Products*, Report of the Technical Committee of IOSCO, <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD373.pdf>

<sup>16</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD370.pdf>

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There are 13 proposed draft principles including:

- The valuation policies and procedures should seek to address conflict of interests;
- The assets held or employed by the CIS should be consistently valued according to the policies and procedures; and
- A third-party should review the CIS' valuation process at least annually.

In addition to comments on the draft principles, IOSCO also seeks views on

concerns such as on whether:

- These principles adequately address the regulatory issues raised by the valuation of CIS; and
- Potential conflicts of interest are appropriately addressed and whether more stringent principles in this area are required.

ALFI's Fund Reporting Requirements Sub-Committee analysed IOSCO's proposed principles and provided IOSCO with detailed answers to its consultation by the deadline set for 18 May 2012.

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### Exchange Traded Funds regulation

On 14 March 2012, IOSCO published a consultation report entitled "Principles for Regulation of Exchange Traded Funds (ETFs)"<sup>17</sup>. The report analyses the main regulatory issues in connection with ETFs that are organised as Collective Investment Schemes and proposes 15 principles intended to assist both the industry and regulators in assessing the quality of regulation and industry practices in relation to investor protection, sound functioning of markets and financial stability.

As well as seeking views on the proposed principles, IOSCO seeks

comments on other specific areas of concern, including whether:

- The principles adequately address the regulatory issues raised by ETFs;
- The potential financial stability issues raised by ETFs are appropriately addressed; and
- There is a need for further analysis of issues not exclusive to ETFs, for example, by the Financial Stability Board.

ALFI is currently elaborating a response to the consultation. The deadline for comments is 27 June 2012.

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### IASB

#### Proposed consolidation exemption for investment entities

On 25 August 2011, the International Accounting Standards Board (IASB) published for public comment an exposure draft<sup>18</sup> of proposals to define investment entities as a separate type of entity that would be exempt from the accounting requirements in IFRS 10 Consolidated Financial Statements.

Investment entities are commonly understood to be entities that pool investments from a wide range of

investors for investment purposes only. They include venture capital organisations, mutual funds, unit trusts and similar entities.

Currently, IFRS 10 Consolidated Financial Statements would require consolidation if an investment entity controls an entity it is investing in.

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<sup>17</sup> <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD376.pdf>

<sup>18</sup> <http://www.ifrs.org/NR/rdonlyres/E8EF4421-3006-4E31-AB0C-C86A27CD2EE9/0/EDInvestmentEntities.pdf>

### 3. initiatives at international level

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However, when developing IFRS 10, investors commented that this would not provide them with the information they need to assess the value of their investments. To address this issue, the exposure draft proposes six qualifying criteria that would have to be met by an entity in order to qualify as an investment entity:

- The entity's only substantive activities are investing in multiple investments for capital appreciation, investment income or both;
- The entity's business purpose is investing to earn capital appreciation, investment income or both and it makes an explicit commitment to its investors about this;
- Investors own units of investment in the entity, e.g. shares or partnerships interests;
- The entity pools the funds it receives from its investors, so that the investors can benefit from professional investment management;
- The entity manages and evaluates the performance of its investments on a fair value basis;
- The entity provides financial information about its investment activities to its investors.

Entities that meet these qualifying criteria would be exempt from the consolidation requirements of IFRS 10 and instead would be required to account for all their investments at fair value through profit or loss. The exposure draft also includes disclosure requirements about the nature and type of these investments.

The ALFI IFRS Sub-Committee drafted a response which was submitted on 5 January 2012.

## 4. national legislation and implementation of EU initiatives

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### UCITS

#### UCITS IV implementation project: KIID Q&A document



The members of ALFI's Key Investor Information Document (KIID) Sub-Committee met weekly to discuss questions both on the production of the KIID and the use of KIID in distribution networks. This initiative resulted in the publication of a Q&A document including questions and proposed answers about KIID implementation<sup>19</sup>. Thirteen issues have been published since 22 September 2010, and the feedback received from ALFI's membership, and also from contacts in other European countries, was very positive.

Stakeholders confirmed that a lot of practical issues, in terms of the implementation and interpretation of Commission Regulation 583/2010, and related guidelines published by CESR, the predecessor of ESMA, needed to be addressed.

In Luxembourg, the simplified prospectus of existing funds will have to be replaced by the KIID by 1st July 2012. Later this year, the principles of the UCITS KIID regime will also be introduced for so-called packaged retail investment products.

#### UCITS IV Notification Procedure Working Group

The ALFI UCITS IV Simplified Notification Procedure Sub-Working Group, set up in 2009, continued to monitor the implementation of the UCITS IV Directive's notification provisions in the various Member States in 2011. It also reviewed the various implementing measures of the UCITS IV directive in the light of the

various legislative and regulatory implementing measures of the UCITS IV directive, in particular CSSF Regulation 10-05 and Circular 11/509, and established a list of pending practical questions related to both the outward passporting and the inward passporting to and from Luxembourg.

#### UCI Prospectuses

The CSSF announced in its Newsletter Nr 130 of November 2011 that there is now a requirement to insert in the prospectuses of Undertakings for Collective Investment (UCIs) subject to the law of 2010, a paragraph concerning investors' rights against the fund.

This text must be inserted in the prospectus of all new UCIs. For existing UCIs this insertion should be made on the occasion of the next update of the prospectus and at the latest by 30 June 2012.

#### Book-entry securities

On 27 September 2011, the draft bill of law Nr 6327 was published. This draft aims at introducing the possibility for corporate entities and investment funds to issue book-entry securities. The bill of law provides for an optional use of book-entry securities, i.e. the decision to issue them rests

with the company itself and is not mandatory. Bearer and registered shares will remain valid and available to investors.

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<sup>19</sup> See within the following section of ALFI's website:  
<http://www.alfi.lu/publications-statements/publications/alfi-ucits-iv-implementation-project-kid-qa-document>

## 4. national legislation and implementation of EU initiatives

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### Prospectus Directive

Draft law espace Nr 6319 was issued on 30 August 2011 with a view to implementing the modifications of the Prospectus Directive<sup>20</sup> in national law. The above-mentioned modifications concern, among others, the amendment

of thresholds, exceptions and exemptions, the summary regime, and the introduction of a new regime with regard to minimum requirements for the disclosure of information to investors.

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### Anti-money Laundering

Circular CSSF 11/528 abolishes the systematic transmission to the CSSF of all information that professionals of the financial sector communicate to the Financial Intelligence Unit (FIU) based on Article 5(1) of the law of 12 November 2004. However the Circular specifies that these professionals must continue communicating to the CSSF any information transmitted to the FIU regarding a suspect, who is a professional, subject to the CSSF's supervision, or who is a member of the personnel or internal bodies of such a professional, or where this information is likely to have a more material impact on the financial sector.

Circular CSSF 11/529 of 22 December 2011, on the risk analysis regarding the fight against money laundering and terrorist financing (AML/CFT), specifies the CSSF's requirements relating to the application of Article 3(3) of the law of 12 November 2004, on the fight against money laundering and terrorist financing, as amended by the law of 27 October 2010. It addresses both the setting up, by the management of the institutions concerned, of a methodology in order to categorise the risks of money laundering or terrorist financing to which the professional is exposed, and the definition and implementation of these measures to mitigate the identified risks.

Finally on 21 February 2012, the CSSF issued Circular 12/532, drawing the attention of professionals of the financial sector to the most recent statement of the Financial Action Task Force (FATF) concerning the following:

- Jurisdictions whose anti-money laundering and combating the financing of terrorism regimes have substantial and strategic deficiencies;
- Jurisdictions not making sufficient progress; and
- Jurisdictions whose anti-money laundering and combating the financing of terrorism regimes are not satisfactory.

The Circular also refers to the update of the list of jurisdictions whose progress regarding anti-money laundering and combating the financing of terrorism is not considered sufficient by the FATF, as well as of the list of jurisdictions whose anti-money laundering and combating the financing of terrorism regime is currently considered unsatisfactory by the FATF.

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<sup>20</sup> Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

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## Alternative Investments

The ALFI Alternative Investments Committee (the Committee) reviews the environment in Luxembourg as well as abroad within the real estate, private equity & venture capital, infrastructure funds and hedge fund area.

The Committee submitted a paper to the CSSF and the Ministry of Finance with its main recommendations with regard to the way the AIFMD should be transposed into national law.

In addition to this Committee, an industry working group including representatives of ALFI, LPEA and the ABL/ALFI Depository Bank Forum has been created to provide a coordinated input and feedback on the various legislative alternative investment funds initiatives that should ideally be adopted together with the transposition of the AIFMD into national law.

Among these initiatives, one should mention the Limited Partnership initiative. A draft text was prepared by members of the Committee in that respect.

The text foresees improvements to the existing SCS (*Société en Commandite Simple*) and SCA (*Société en Commandite par Actions*) regimes with legal personality, as well as the creation of a new *Association en Commandite Simple*, without legal personality.

This initiative is aimed at fostering the development of alternative investment funds in Luxembourg.

Another initiative is the creation of a legal and regulatory framework for Real Estate Investment Trusts. A first analysis of the opportunity and key characteristics of a Luxembourg Real Estate Investment Trust was performed by the Real Estate Investment Funds Strategy Working Group.

A proposal on various taxation related aspects for investment funds in general (not limited to alternative investment funds only) was also elaborated by ALFI.

The Real Estate Investment Funds Sub-Working Group on the financial framework, valuation of properties and financial reporting, issued Best Practices Guidelines with respect to the financial reporting applicable to Real Estate Investment Funds.

The document summarises a series of guidance notes which were published by the Real Estate Investment Funds Sub-Committee between November 2008 and April 2011 into one combined document.

It reflects the general consensus of discussions with market professionals, together with reference to certain Best Practice Guides and Standards, including those of INREV, EPRA and EVCA. The document takes the form of answers to frequently asked questions, primarily in respect of accounting and valuation issues, the calculation of the net asset value and the contents of financial statement including key disclosures, applicable to Luxembourg REIFs in the format of UCIs governed by Part II of the Law of 17 December 2010, SIFs governed by the Law of 13 February 2007 as amended and SICARs governed by the Law of 15 June 2004.

The Real Estate Investment Funds Sub-Working Group on depositaries issued Best Practices Guidelines with respect to the role and activity of a depository, applicable to Luxembourg Real Estate Investment Funds governed by Part II of the Law of 17 December 2010 relating to UCIs, SIFs governed by the Law of 13 February 2007 as amended and SICARs governed by the Law of 15 June 2004.

## 4. national legislation and implementation of EU initiatives

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### Law of 26 March 2012 amending the Specialised Investment Fund law (13 February 2007)

The law of 26 March 2012 on specialised investment funds (the Law) amends the law of 13 February 2007 on specialised investment funds (the SIF Law).

In fact, the Law amends the SIF Law in order to take into account certain provisions of the AIFMD.

In addition, certain adjustments have been made in order to enable SIFs to benefit from the same flexibilities available to undertakings for collective investment covered by the law of 17 December 2010 (the 2010 Law).

Several of the proposed changes laid down in the Law relate to the corporate structure of the SIF (i.e. SICAV/SICAF will no longer be required to send the annual accounts, annual report and management report to the shareholders). In addition to other corporate changes introduced by the Law, a sub-fund of a SIF may now cross invest into one or more other sub-funds of the same SIF under certain conditions. This provision is drawn from the 2010 Law, under which this is currently possible for UCIs.

With respect to the regulatory changes imposed by the Law, one of the amendments requires that each SIF must be approved by the CSSF prior to its setting up. The identity of the persons in charge of investment management must be communicated to the CSSF, and such persons are subject to the prior approval by the CSSF. Appropriate risk management systems should also be put in place. Furthermore, the SIF must be structured and organised in such a manner as to mitigate any conflicts of interest.

The text also introduces provisions concerning the delegation of functions to third parties, similar to those applicable under the 2010 Law.

The Law further provides for a transitional period, offering for SIFs created prior to the entry into force of the Law until 30 June 2012 to conform to the provisions of article 2(3) of the Law (i.e. to ascertain that investors are well-informed investors) and with the provisions of risk management and conflict of interest.

## 5. taxation

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### General

ALFI's Tax Committee actively follows worldwide legislative initiatives, which may have an impact on the taxation of Luxembourg investment funds or their unit- and shareholders respectively. At the same time, it coordinates proposals to improve the national tax regime in comparison with other jurisdictions.

The Tax Steering Committee consists of the chairpersons of the different Sub-Committees (SC) plus ALFI's Vice

Chairman for national affairs. Most of the different SCs have already existed for quite a long time, such as the Subscription Tax SC, the Taxation of Savings SC, the Double Tax Treaties SC and the Foreign Account Tax Compliance Act SC. Last year, two new Sub-Committees were created, namely the AIFMD Tax Aspects SC and the Financial Transaction Tax SC. Their major activities are summarised below.

### Double Tax Treaties (DTT)

Over the last year, the members of ALFI brought several issues to the attention of ALFI's Double Tax Treaty Sub Committee, such as the new Australian Investment Manager regime, possible changes to the Luxembourg-French DTT or the so-called Indian General Anti Avoidance Rules, which could empower national authorities to deny tax treaty benefits.

However, the major topic was the discussion on the tax treaty between Luxembourg and South Korea. On 16 May 2011, the Korean Ministry of Strategy and Finance took the

position that Luxembourg SICAVs/SICAFs are no longer eligible for treaty benefits. This decision was even taken with retroactive effect, and, as a consequence, tax assessments that have already been issued, dating back to 2006, were affected. Discussion between respective tax authorities of both countries are ongoing.

ALFI informed its members and described the negative impact of this decision on Luxembourg investment funds and their investors to the national tax authorities, and provided them with its analysis of the given treaty rules.

### Value Added Tax (VAT)

The Value Added Tax Sub Committee continued to analyse the compromise texts for a Council Directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services, and for a Council Regulation laying down implementing measures. The purpose of the proposals to reform the application of the VAT system as adopted by the European Commission on November 2007 was to simplify the legislation on financial and insurance services, to add

clarity to the rules to provide greater surety of treatment and to provide greater harmonisation. ALFI submitted its comments on the texts to both the national tax authority and EFAMA, mainly regarding the definition of investment funds, the management of investment funds and the intermediation in insurance and financial transactions.

## 5. taxation

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However, after many years of work by the European Commission, different Presidencies, Member States' negotiation teams and stakeholders, there is still no legislation that clearly defines which insurance and financial services should be exempt from VAT. The Danish Presidency of the Council of the EU has finally taken the decision not to continue any further work on the Directive. Given the importance of the issues at stake and the considerable effort expended on the review, EFAMA and other associations representing the European financial and insurance industry have asked the Council and the Presidency to continue the work towards reaching resolution.

ALFI supported this initiative. In 2011, ALFI also contributed to EFAMA's response to the Green Paper on the future of VAT published by the European Commission.

Moreover, the Sub-Committee in charge continued to discuss with the national tax administration VAT issues linked to the implementation of UCITS IV, such as VAT registration when a fund's management company is not domiciled in the same jurisdiction as the fund.

Another important aspect of the VAT SC's work is the analysis of important decisions taken by the European Court of Justice or national courts.

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### Foreign Account Tax Compliance Act (FATCA)

ALFI's FATCA Sub-Committee closely followed new publications released by the US tax authorities in the context of the Foreign Account Tax Compliance Act, which was adopted in March 2010 to force foreign financial institutions (FFIs), including investment funds which engage in business in the US, to enter into agreements with the US Internal Revenue Service (IRS) to identify and report on US taxpayers annually.

Three Notices were published and provided preliminary guidance on different aspects, such as the definition of FFIs, account identification and reporting rules, as well as precisions on the general timing. ALFI contributed to the work of EFAMA, who maintained a steady dialogue with the US authorities and sent to its members specific questions that have been commented by the different European jurisdictions.

On 8 February 2012, the US Treasury/IRS released the proposed regulations<sup>21</sup>. The regulations laid out a step-by-step process for US account identification, information reporting, and withholding requirements for foreign financial institutions (FFIs), other foreign entities, and US withholding agents. The implementation schedule was adjusted to allow time for resolving local law limitations to which some FFIs may be subject. Again, ALFI provided its comments to EFAMA, who submitted a comment letter to the US Treasury/IRS at the end of April 2012. Based on the feedback received, the tax authorities will adopt final regulations during the second semester 2012.

ALFI decided to create a specific working group focussing on operational aspects. The outcome should provide the local industry with useful tools to implement FATCA correctly.

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<sup>21</sup> <http://www.irs.gov/pub/newsroom/reg-121647-10.pdf>

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### AIFMD Tax Aspects

In view of the implementation of the Directive for Alternative Investment Fund Managers (AIFMD), ALFI has

started to analyse specific tax questions linked to the situation of these managers and alternative funds.

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### Financial Transaction Tax (FTT)

On 28 September 2011, the European Commission published a proposal for a Council Directive on a common system of the Financial Transaction Tax (FTT)<sup>22</sup>. The latter is a tax applied to financial transactions, including not only bonds and equities (including shares or units in investment funds), but also derivatives. Taxation would take place in the EU Member State in which the establishment of the financial institution, involved in the transaction, was deemed to be located.

The Commission has proposed a minimum tax rate for the trading of bonds and shares of 0.1% and 0.01% for derivative products. However, Member States would be free to apply higher rates and the tax would have to be paid by each party to a transaction.

During its annual review press conference on 19 January 2012, ALFI voiced concerns from a Luxembourg perspective. The association believed the FTT had the potential to curtail the distribution of UCITS outside Europe and to significantly reduce the assets of European funds.

Moreover, ALFI made clear that it did not accept the argument that this tax would result in the financial sector making a positive contribution to the economy and to society as a whole, especially if it was not imposed globally. Financial institutions would try to reduce the impact, thus possibly leading to a wide-scale relocation of trading activities and/or the passing on of the costs to end-consumers, including individual savers and those participating in pension plans. The impact on the fund industry would be significant, not just because the proposed headline rates are high, but also because the proposal would give rise to multiple taxation at the level of the fund, its portfolio and its investors.

ALFI set up a dedicated FTT Sub-Committee to further comment on and assess the existing draft directive.

The Commission has proposed that the tax should come into effect from 1st January 2014, but this depends on when the EU's Council of Ministers adopts the proposal, following the opinion of the European Parliament.

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<sup>22</sup> [http://ec.europa.eu/taxation\\_customs/taxation/other\\_taxes/financial\\_sector/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm)

## 6. other regulatory topics

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### The German Tax Sub-Committee

In the course of 2011 the German Tax Sub-Committee met frequently and took the lead within the restructuring of the German *WM-Daten* tax reporting forms applicable as from 2012 by foreign and domestic funds. The new structure not only improves the quality of tax reporting for investors, but also enables Funds-of-Funds to fulfill various tax reporting obligations more efficiently.

In its letter dated 29 July 2011, the German Ministry of Finance invited ALFI to submit its comments regarding an update of the Circular on the

German Investment Tax Act. ALFI transmitted its observations on 26 August, and also issued a joint statement together with the *Bundesverband Investment und Asset Management e. V.* (BVI) in August 2011. In addition, the Sub-Committee met the German Ministry of Finance on 27 February 2012 in Berlin. In December 2011 and March 2012, comments on the tax treatment and the deductibility of performance fee as expenses, respectively, were submitted to the Federal Central Tax Office (BZSt) and the Ministry of Finance.

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### Austrian Tax Sub-Committee

In 2011 and to date in 2012, the Austrian Tax Sub-Committee continued to analyse and comment on the Austrian Budget Law 2010 and 2011 *Budgetbegleitgesetz 2010, 2011*. Based on these laws, the funds industry had to face significant changes in respect of the daily and periodic Austrian tax figures that had to be calculated and published. The Austrian Tax Sub-Committee has liaised with the *Verband der Auslän-*

*dischen Investmentfonds in Österreich* (VAIÖ) and the *Österreichische Kontrollbank* (ÖKB) to have its comments reflected and its proposals successfully transposed in the new Publication Decree for Funds (*Fonds-MeldeVO*).

The working group will continue to monitor new legislative proposals such as the *Fonds-MeldeVO* and the new Investment Funds Guidelines.

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### Risk Management

Risk management has become a major theme in a number of recent regulations. The latest EU regulation has focused attention on the requirements for management companies, pursuing the activity of management of a UCITS, and investment companies, that have not designated a Management Company (Self-Managed SICAV), to have in place an adequate Risk Management function that is proportionate to the business of those companies and the risk profile of the funds that they manage.

Already, in the context of UCITS IV, risk management was confirmed and clearly extended beyond the traditional focus on market risk. Now, ESMA's technical advice to the European Commission, on the possible implementation of the measures contained in the Alternative Investment Fund Managers Directive, shows that ESMA also expects a broader concept of risk management to be one of the core functions of an alternative investment fund manager (AIFM).

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In light of this development, a dedicated ALFI Risk Management Working Group for Alternative Investment Funds was set up in early 2012 to support the industry.

Over the past twelve months, the Risk Management Committee and its 4 Sub-Committees were very active. The Committee contributed to the ALFI response to the ESMA consultation on possible implementing measures of the AIFMD in relation to supervision and third countries. In December 2011 a Q&A document was published. It contained the working group's answers to questions about the implementation and the application of the CSSF Circular 11/512. In April 2012, ALFI and PRiM teamed

up to organise the 3rd edition of the ALFI & PRiM Risk Management Conference and presented the updated ALFI Risk Management guidelines including best practice proposals for the organisation of the risk function of a UCITS Management Company or UCITS Investment Company.

The Sub-Committees are currently working on additional guidelines such as "Guidance paper" Risk Management for SIF (Art. 42bis of the Law of 2012), best practice proposals for the organisation of the risk function of a Luxembourg based AIFM, the management of operational risks within a UCITS management company or UCITS investment company as well as best practices for stress testing.

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#### ABBL/ALFI Depository Bank Forum

Less than a year after the UCITS IV Directive entered into force, the European Commission has already started working on a new UCITS proposal - UCITS V - which aims to harmonise the role and liability of UCITS depositaries, the remuneration of UCITS managers and sanctions. The duties and responsibilities of the fund depositary have been the subject of intense debate, since the collapse of Lehman Brothers and the Madoff fraud in 2008. The Commission's main objective is to better protect investors and align UCITS funds with the measures outlined for Alternative Investment Funds under the Alternative Investment Funds Managers Directive. Legislative proposals are expected before the second semester 2012.

With respect to UCITS depositary functions, the clarification of the UCITS depositary duties and liability regimes is considered to be a key policy priority given that UCITS

depositaries are key actors in the European investment protection schemes.

In order to draft a directive proposal to reform the UCITS' depositary function, the European Commission initially consulted the industry in July 2009<sup>23</sup>. For the preparation of a draft directive the Commission issued a second consultation paper in December 2010<sup>24</sup>.

In September 2011, the Depository Bank Forum responded to the consultation paper on ESMA's draft technical advice to the EU Commission on possible implementing measures of the AIFM Directive. At the end of January 2012, the Depository Bank Forum met officials from the Asset Management Unit in the Commission to discuss the AIFMD level 2 measures, with regards to depositary liability.

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<sup>23</sup> [http://ec.europa.eu/internal\\_market/consultations/docs/2009/ucits/consultation\\_paper\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2009/ucits/consultation_paper_en.pdf)

<sup>24</sup> [http://ec.europa.eu/internal\\_market/consultations/docs/2010/ucits/consultation\\_paper\\_en.pdf](http://ec.europa.eu/internal_market/consultations/docs/2010/ucits/consultation_paper_en.pdf)

## 6. other regulatory topics

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In April 2012, representatives from the Depositary Bank Forum participated at a workshop in Brussels, organised by the European Trustee & Depositary Forum (ETDF), on the duties and liabilities of depositaries in the European Union under the AIFM

Directive. Since 2009, the Depositary Bank Forum has been a member of the ETDF that was originally formed in December 2008. The Depositary Bank Forum is also actively contributing to the EFAMA Depositary Working Group.

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### Disclosure of transaction costs

The ALFI Disclosure of transaction costs Working Group was set up in August 2011 in order to analyse the impact linked to disclosure requirements of transaction costs and their practical implications with the objective to publish best practice guidelines. In their newsletter Nr 122 the CSSF stated that transaction costs must be included in the annual reports of UCITS according to Annex I, Schedule B, Chapter V of Directive 2009/65/EC. Consequently, transaction costs shall also be

disclosed in the annual reports of UCITS governed by the law of 17 December 2010. This new rule shall be applied in the annual reports relating to the financial years ending on or after 31 December 2011.

The working group drafted industry guidelines regarding the annual financial reporting requirements around the disclosure of transactions costs required under UCITS IV, which are currently in the final review process.

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### CSSF Regulation 10-4

The latest revision of the UCITS Directive<sup>25</sup> was implemented into Luxembourg law by the Law of 17 December 2010 and the CSSF Regulations 10-4<sup>26</sup> and 10-5<sup>27</sup>. These recently adopted rules focus on the requirements for management companies (pursuing the activity of management of a UCITS, and investment companies, that have not designated a management company (self-managed SICAV)), to ensure that adequate organisational procedures and processes are in place. The new requirements have been further clarified by CSSF Circular 11/508.

(permanent compliance function, permanent internal audit and permanent risk management function), conflicts of interest requirements and risk management requirements apply to UCITS management companies. In addition, the latter need to comply with new rules of conduct.

To accompany the practical implementation of these rules, ALFI decided in July 2011 to set up a dedicated Sub-Committee in order to develop practical guidelines.

More specifically, the CSSF Regulation 10-4 raises a certain number of operational and practical issues. New MiFID-like organisational and internal control requirements

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<sup>25</sup> Directive 2009/65/EC.

<sup>26</sup> CSSF Regulation 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company.

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### Infrastructure Funds Sub-Committee

In 2010, ALFI established a new committee dedicated to the promotion of Luxembourg as a domicile for the establishment of regulated infrastructure funds. Infrastructure generally describes all physical assets, equipment and facilities of interrelated systems and the necessary service providers, together with the underlying structures, organisations, business models and rules and regulations, which are used to offer certain sector-specific commodities and services (e.g. transport, energy and water supply, waste water and waste disposal) to individual economic entities or the wider public to enable, sustain or enhance social living conditions. Typical examples of infrastructure include roads, airports, ports, oil and gas lines and renewable energy plants (e.g., wind and solar plants) as well as public utilities, waterworks, power companies and waste disposal companies. A broader definition of infrastructure also includes the so-called “social infrastructure”, that is, public facilities such as schools, hospitals,

administrative buildings, cultural houses, social housing, sports halls and arenas, public pools, etc.

Although the existing framework set out by the SIF law, the SICAR law and the UCI law, is already attractive for infrastructure managers, the Sub-Committee believed that it would be possible to further enhance its attractiveness by making certain technical adjustments. In January 2012, the Sub-Committee submitted to the CSSF a catalogue of proposals, which do not require any changes in the existing legislation and regulation, all of which, however, relate to requirements resulting from the administrative practice of the regulator.

The Sub-Committee further opted for a dedicated survey on this new type of fund, that up to now, has always been included in the real estate fund structures. In the next real estate survey, this type of fund will be separately identified and surveyed.

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### EMIR/OTC Derivatives Sub-Committee

This Sub-Committee started its activity in May 2011. Its role is to assess the impacts of the OTC Derivatives Regulatory Reforms (EMIR & MIFID II in Europe, and Dodd Franck in the US) on the Luxembourg Fund Industry. The Sub-Committee is composed of 4 different working groups: Legal Questions & Contractual Arrangements, Execution & Clearing with CCPs, Collateral Requirements and Valuation and Trade Repositories. The groups are in the process of elaborating a brochure entitled “OTC derivatives clearing: a practical guide to EMIR for investment funds”. The working groups also participated in the ESMA discussion paper –

Draft Technical Standards for the Regulation on OTC Derivatives, CCPs and Trade Repositories, and the ESA Joint Discussion Paper on Draft Regulatory Technical Standards on risk mitigation techniques for OTC derivatives, not cleared by a CCP under the Regulation on OTC derivatives, CCPs and Trade Repositories (EMIR).

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<sup>27</sup> CSSF Regulation 10-05 transposing Commission Directive 2010/44/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards certain provisions concerning fund mergers, master-feeder structures and notification procedure.

## 6. other regulatory topics

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### Solvency II Sub-Committee

The Solvency II Sub-Committee was launched in April 2011. The Solvency II Directive which will be implemented on 1 January 2013 will not only affect insurance companies but will also have some indirect impacts on the management industry. The objectives of this Sub-Committee are:

- To better understand, anticipate and inform the Investment Fund Industry on these impacts; and
- To assess the awareness of the investment fund and asset management industry on the effects of Solvency II, through a survey.

Based on the results of this survey, the Solvency II group will then issue a Q&A document to guide members on the specific impacts of this directive for the asset management industry.

## 7. international representation

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### Focus on pensions: EFRP

In 2010, the European Commission issued a Green Paper on pensions, which was followed in 2011 by a White Paper. ALFI believes this topic will become increasingly important in coming years, and the association has teamed up with ALFP (*Association Luxembourgeoise des Fonds de Pension*) to respond to current and future EU consultations. It has also joined the European Federation for Retirement Provision (EFRP) and is represented on its Board of Directors. While acknowledging the diversity of European pension systems, EFRP promotes the development of occupational pensions, defined as workplace-based, supplementary and privately-managed plans or schemes. As a federation, it represents national

pension fund associations and similar institutions for workplace pension provision, counting 28 member associations plus affiliates in 16 EU Member States and 5 other European countries. EFRP members cover the occupational pension plans of about 75 million EU citizens and represent €3,114.886 bn in assets under management (2010). Established in 1981, EFRP has grown from an informal circle of pension fund managers into a fully-fledged professional association, consulted by European institutions on initiatives in supplementary pension provision and recognised in Brussels as the leading voice on workplace pensions. For more information: [www.efrp.org](http://www.efrp.org)

### ALFI: a strong contributor to EFAMA

EFAMA is the representative association for the European investment management industry. Through its 26 member associations (and 1 observer), 58 corporate members and 19 associate members, it represents some €14 trillion in assets under management, including €8 trillion managed by 54,000 investment funds at the end of 2011.

EFAMA's mission is to: support investor protection by promoting high ethical standards, integrity and professionalism throughout the industry; promote the emergence of a true single market for investment management and create a level playing field for competing saving and investment products; and increase the industry's competitiveness in terms of both cost and quality by seeking and obtaining improvements in the legal, fiscal and regulatory environment. In 2011, Claude Kremer was elected President of EFAMA for a two-year term, and he has worked since then with Vice-President Massimo Tossato

and Christian Dargnat, as well as Director General Peter de Proft, to lead industry efforts and represent EFAMA's members with European authorities.

ALFI is represented both on the EFAMA Board of Directors and on the Management Committee, and is actively involved in numerous working groups.

For more information: [www.efama.org](http://www.efama.org)

## 7. international representation

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### IIFA: global representation

While EFAMA is the uncontested voice of the European fund industry in its dealings with European authorities, the International Investment Funds Association (IIFA) represents the interests of the global industry. More generally, IIFA is dedicated to:

- Advancing the interests of fund investors;
- Facilitating the continued growth of the investment fund sector internationally;
- Promoting public understanding of investment funds around the world;
- Encouraging adherence to sound practices and high ethical standards by all participants in the industry.

IIFA has 41 international member associations grouped into five regions: North America (2 members), South & Central America (7 members), Europe (20 members), Asia & Pacific (11 members) and Africa (1 member). ALFI is a member of IIFA and is actively involved through its various working groups.

For more information:  
[www.iifa.ca](http://www.iifa.ca)

### The ABBL/ALFI Representative Office, Brussels

#### Getting a grip on the new level 2 procedure

2011 was a challenging year regarding new legislative initiatives at European Union level.

The new European Supervisory Agencies started their work and the Treaty of Lisbon's new delegated acts were tested for the first time in the field of financial services legislation. Both have had fundamental implications for the way second tier legislation or - in EU jargon "level 2 measures" - are drafted and adopted.

The Alternative Investment Fund Managers Directive level 2 measures have proved to be a test case for both.

Firstly, the European Securities Markets Authority (ESMA), which has been up and running since the 1 January 2011, was entrusted with two new powers relating to level 2 measures. First, the AIFMD mandated ESMA with drafting technical standards (e.g. on the exact definition of an AIFM). This means that ESMA is to draft directives or regulations that are then for technical reasons adopted without further discussion

by the Commission. This is an important new power that its predecessor, the Committee of European Securities Regulators (CESR), did not have. Furthermore, according to the AIFMD and in conformity with the regulation which created ESMA, the Authority has to give technical advice to the Commission in the area where the latter is to adopt delegated acts. This is not a completely new process as CESR already had a role in providing technical advice.

The experience and the procedures are therefore already in place. The new element, and crucial question, was how to deal with the large amount of advice ESMA was required to give. ESMA chose to create four thematic sub-committees that worked independently and organised a hearing and consultation for each working stream. As each sub-group was chaired by a given national supervisory authority, each of the four left their own footprint on the final technical advice, which they put forward. Each chairing national supervisor was also open to bilateral exchanges of views which generally

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proved to be beneficial for both sides. The result was a rather balanced although slightly voluminous (nearly 500 pages) document.

Secondly, the Treaty of Lisbon<sup>28</sup> provides for EU legislation (e.g. the AIFMD) to delegate to the Commission the power to adopt new delegated acts. These acts can come in the form of delegated directives or delegated regulations that can only be rejected in their entirety by either the Council or the European Parliament, during a limited period (e.g. three months) following their adoption. The risk of having the entire delegated act shot down is serious enough for the Commission to engage in informal talks with both the Council and the Member States. Therefore in the case of the AIFMD, a draft text has been sent to the European Securities Committee (ESC) to test the waters with the Member States and to encourage them to provide their feed-back. The same document has been sent to the European Parliament to get an initial appraisal from the *rapporteur* and the shadow *rapporteurs*. Here as well, informal feed-back

was channelled back to the Commission before the delegated regulation was adopted. As the procedure had not been tested, the process was rather an example of “learning by doing” for the Commission, Member States, the European Parliament, and not to be forgotten industry representatives. At the time of writing this article, the process is not complete. The adoption and the end of the period of rejection, by either of the two legislators, has been nevertheless set for summer 2012.

Tedious as the whole process may sound, it is nevertheless important, as it is the way that crucial details of the AIFMD regarding, among others, the concept of letter box, delegation to third countries, or major parts of the depositary regime are determined. It has perfectly illustrated that the power of ESMA and in particular of the Commission, are not to be underestimated. The Commission deviated on more than one account from ESMA’s technical advice, which most observers expected it to adopt nearly in its entirety. A lesson well learnt by the industry, the European Parliament and the Member States.

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### 亞洲區代表處主管 ALFI Asia Representative Office

In its first year of existence, the ALFI representative office in Asia was very active. Its achievements include the following:

- Two working groups were created in order to address stakeholders and practitioners’ queries. One relates to transfer agent and distribution issues, whereas the second working group aims to address regulatory developments in Asia, Europe and Luxembourg. Promotional efforts are also addressed in these working groups;

- Regular contact with stakeholders is ensured through frequent exchange of information; moreover, a constant dialogue is maintained with regulatory authorities in the Asian region, to foster their understanding of European regulation;
- Thanks to the cooperation agreement signed with the Hong Kong Investment Funds Association (HKIFA) at the time of the launch of ALFI representative office in Asia, ALFI was given the chance to speak at the HKIFA annual conference and HKIFA could co-host the ALFI

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<sup>28</sup> Article 290 of the Treaty on the Functioning of the European Union.

## 7. international representation



Global Distribution conference held in Luxembourg. HKIFA also actively participates in ALFI working groups;

- Participation in local events, such as the Asian Financial Forum or the Asia Fund Forum, proved valuable in 2011 and is expected to increase in 2012. Besides ALFI's annual roadshow to Asia, side events have and will continue to be organised to promote the Luxembourg fund industry with existing and future Asia-based clients;
- Updates on the Asian regulatory environment continue to be reported through ALFI Newsflash and other newsletters.

Indeed, during an official visit to Hong Kong in August 2011, the Vice-Premier of the Mainland, Li Keqiang, announced a package of reforms including the end of the restriction of Hong-Kong-raised RMB to invest in the Mainland. This was seen as a further step in the Chinese 12th five-year plan, announced in March 2011, on the enhancement of Hong Kong as the RMB offshore centre of predilection in China's effort to internationalise its currency.

Rapid developments in the past year show that the Chinese market has the potential to offer interesting opportunities in the years to come.



The representative office is also closely monitoring the development of business opportunities in Mainland China. The country is gradually opening up to the international scene, by implementing a number of policies, including, amongst others, by making Hong Kong its offshore center for the Chinese currency, the renminbi (RMB).

ALFI brochures are translated into Chinese

### May you live in interesting times

Founded just before the onset of the financial crisis in 2008, the prevailing conditions for an agency whose aim is to contribute to the development of the Luxembourg financial centre, have not been ideal. Nevertheless, Luxembourg for Finance (LFF) can look back at a track record of four years conveying the message of expertise and innovation for which the Luxembourg financial centre stands.

LFF has a staff of thirteen. Under CEO Fernand Grulms, the team is in charge of organising promotional events and foreign road shows, presenting the financial centre to potential investors and guest delegations, producing brochures and providing online services. Activities like the use of social media, which were not planned at the beginning, have opened additional channels for reaching various target groups. Thus, Luxembourg for Finance has positioned itself as one of the most active financial centre promotional agencies worldwide.

Luxembourg is resolutely outward looking and this is reflected in its policy of cooperation with other financial centres. Last year, Luxembourg For Finance signed a Memorandum of Understanding with the DIFC (Dubai Financial Centre), the QFC (Qatar Financial Centre) and MoscFin Agency (Moscow), and took part in the European Roundtable of Financial Centres, helping to co-ordinate messages and strategies with our comrades-in-arms.

Particularly noteworthy is the number of participants who attended LFF road shows and seminars outside Europe – two missions to Asia (969), two missions to the Middle East (783), and one to Latin America (356) - reflecting

demand for European regulated products and services. Seminars also took place in major cities throughout Europe.

A great deal of interest is also shown by students and other visitors to the financial centre such as journalists, financial associations and politicians. Collaboration with international universities is also a natural part of LFF's work.

Communication is supported by tactics such as partnering with news media to produce newspaper supplements that coincide with seminars and interviewing panellists at industry events. The popular LFF quarterly newsletter is available in local hotels and in the business lounge at Luxembourg airport.

The social media strategy started in 2010 and quickly became a success. Facebook (42,000 friends) and LinkedIn (3,300 contacts) now belong to LFF's main communication platform.

Interviews with senior executives of LFF in the national and international press help to capture attention for the Luxembourg financial centre. LFF also takes part in the Nation Branding Roundtable of the SIP (*Service Information et Presse du Gouvernement Luxembourgeois*).

In 2011, LFF widened its range of technical brochures to keep up with developments in the industry, producing new brochures on insurance and professional outsourcing.

Looking ahead, the internal market intelligence function will be expanded to support business development enabling road shows to be tailored to the needs of each jurisdiction.

The communication department is working on a new website and the delivery of a consistent corporate identity across all activities, to give the agency an unmistakable image. Upcoming activities will also take into account Government guidelines to promote Luxembourg as a hub for Alternative Investment.

The dust kicked up by the financial storm has not yet settled. 2012 is set to be as challenging as the four previous years.

The Luxembourg Fund Labelling Agency (LuxFLAG) is an independent, not-for-profit association created in Luxembourg in July 2006. LuxFLAG supports the financing of sustainable development by providing clarity for investors through awarding its Labels to eligible Microfinance

Investment Vehicles (MIVs) and Environment-related Investment Vehicles (EIVs). Its objective is to reassure investors that the labelled investment fund invests most of its assets, directly or indirectly, in the microfinance or environment sectors.

**LuxFLAG Microfinance Label**

The LuxFLAG Microfinance Label is granted to investment funds which meet the published eligibility criteria, irrespective of their domicile of registration. The eligibility criteria for the LuxFLAG Microfinance Label require applicant investment funds to have a portfolio of investments in Microfinance sectors corresponding to at least 50% of the fund's total assets.

The number of MIVs labelled by LuxFLAG has grown substantially from the beginning of 2010: from

8 MIVs to 24 MIVs by the end of April 2012, representing approximately USD 3.48 billion in Assets Under Management. The list of labelled MIVs includes the first non-Luxembourg domiciled MIV, admitted in April 2012. This confirms the continuing interest in the LuxFLAG Microfinance Label and reinforces its importance in terms of providing greater transparency to investors. LuxFLAG expects further MIVs to apply for the LuxFLAG Microfinance Label in 2012.

**LuxFLAG Environment Label**

The Luxembourg Fund Labelling Agency launched the LuxFLAG Environment Label in June 2011. The Environment Label is granted to investment funds investing in environment-related sectors irrespective to their domicile of registration. It is designed to reassure investors that labelled investment funds actually invest the majority of their assets in environment-related sectors in a responsible manner. The eligibility criteria for the Environment Label require eligible investment funds to have a portfolio of investments in environment-related sectors corresponding to at least 75% of the fund's total assets. The Environment Label is granted by LuxFLAG's Board of Directors, based upon an application by the investment fund including

information reviewed by an auditor, and a recommendation by LuxFLAG's Eligibility Committee of specialists in environmental investment.

By the end of April 2012, LuxFLAG Environment Label had been granted to three investment vehicles (representing USD 400 million of Assets Under Management). Further applications for the LuxFLAG Environment Label will be reviewed mainly at two meetings of LuxFLAG's Board of Directors scheduled for June and December 2012.

### Other developments

LUMINIS is the web-based analytical service of MicroRate, which provides professional investors and researchers with the necessary tools to identify, assess and monitor MIVs that meet their individual requirements.

LUMINIS benefits from three major advantages:

- It can draw on the existing independent microfinance industry skills and knowledge-base of MicroRate;
- It is backed by LuxFLAG's network and its position in the microfinance investment fund industry; and
- It received seed-capital financing from the Luxembourg State to assist in the pursuit of its development goals.
- It serves investors in Microfinance by providing information on MIVs performance, risk, social performance and governance.

LUMINIS launched a free (beta) version of its website in Dec 2011. The beta version contains basic profiles of MIVs and sample reports. LUMINIS released a full version of its online platform in spring 2012.

## Introduction

The IFBL (*Institut de Formation Bancaire Luxembourg*) is a foundation set up by the ABBL in 1990 to provide training to the banking sector. Its name was subsequently changed to “IFBL - l’Institut” to reflect the wider range of training programmes that it now offers. Its capabilities have grown well beyond just technical skills and now encompass career development and soft skills in order to better respond to the needs of its

members and customers.

The Institute is proud of its strong partnership and the comprehensive fund industry training programme that it offers in collaboration with ALFI - some 50 modules in all, leading to certification for a range of career paths. Courses cover fund industry basics, junior and senior fund accountancy, transfer agency, depository banking, fund law, real estate, private equity and hedge funds.

## 2011 in Summary

The IFBL is pleased to report that it recorded a solid 22% increase in the total number of course subscriptions for its IFBL/ALFI investment fund training programme. Whilst the demand for traditional fund trainings remained flat, a strong increase in subscriptions was seen for training relating to alternative investment funds and for which a IFBL/ALFI certifying training programme has now been completed.

The “Private Equity Investment Funds Professional” programme is delivered in English language and consists of 11 modules. The modules range from fundamental to advanced level and cover topics including: the basic business models, structuring, roles and responsibilities, tax, valuation, risk, accounting, business processes and strategy specificities. Also new in 2011 were two new practical modules within hedge funds providing training in the specificities of hedge fund (and fund of hedge funds) accounting and custody.

- In 2011, total enrolments for IFBL/ALFI courses were up 22% at 1,229 compared to 1,011 in 2010;
- Existing courses, in particular at M1 level, continue to be hit by budgetary constraints and low levels of

new recruitment (new staff regularly attend these courses);

- Subscriptions for courses concerning alternative strategies advanced from 362 in 2010 to 592 in 2011 and now make up 48% of total subscriptions;
- Courses relating to fund industry basics, junior accountancy and legal matters continue to draw a steady stream of participants;
- Feedback confirmed a continued high level of satisfaction with trainers and an improvement in satisfaction concerning materials under their revised format. The IFBL will continue to seek higher levels of satisfaction regarding materials by ensuring that these are kept up to date, accurate and will respond to feedback for each course for which issues are signaled;
- A significant number of courses in English and German language were scheduled but were subsequently cancelled owing to poor demand. These courses will only be offered in 2012 subject to confirmed demand;
- In addition to the above, the IFBL website ([www.ifbl.lu](http://www.ifbl.lu)) was updated to facilitate navigation, find information and subscribe to courses.

### 2012

Whilst the increase in demand in 2011 was positive, the outlook for the years ahead remains uncertain. Changes to operating models in Luxembourg are driving the focus in training away from supporting low touch administrative tasks towards training that will help build specialised back offices and necessary competencies at management company and director level. Regulatory change will also bring both challenges and opportunities for training because the market will need help in understanding and implementing what needs to be done.

In summary during 2012:

- Alongside ALFI, the IFBL will be evaluating the training needs for management companies in particular in the light of the Alternative Investment Fund Managers Directive (AIFMD). In this respect the IFBL would like to complement the popular “Responsibilities of UCI Directors” course that has been offered for many years in association with ILA and ALFI;
- The full IFBL/ALFI course offering will be updated to reflect both the new SIF law and changes relating to the AIFMD;

- The IFBL will work with the ABBL/ALFI Depository Bank Forum in order to establish the needs for new Depository Bank related courses in the light of UCITS V;
- The IFBL will continue to maintain its international outlook by offering courses with “travel friendly” timings for those coming from outside Luxembourg and to potentially offer courses in other European financial centres.

All developments in investment fund trainings are made in exclusive partnership with ALFI and remain firmly anchored in the values of the IFBL to offer practical training, delivered by experts, to people who need to deliver work on a daily basis and this on an international level. The aim remains constant - to help the market adjust and succeed in this rapidly changing landscape. The principle methods used to achieve this are: to act as a mutualised development platform for creating the competencies of tomorrow; to deliver training at a reasonable price and to work closely with clients in the context of genuine partnerships.

## 11. alfi communications news

### Brochures and publications



ALFI keeps its members abreast of the latest developments in the fund industry with a bi-monthly electronic **ALFI News Flash** summarising the regulatory updates and providing a detailed overview of upcoming events. In order to promote the Luxembourg fund industry to a wider public, ALFI furthermore produces a monthly **News Digest**, sent to more than 17,000 “friends of the industry”.

On the occasion of the two major ALFI events, which take place in March (Spring Conference) and September (Global Distribution Conference), ALFI publishes two printed **Newsletters** providing the readers with the most important legal updates and the latest statistics.



ALFI regularly publishes new **brochures and leaflets** to promote the Luxembourg fund industry worldwide, as well as **technical guidelines** on dedicated topics, drafted by working groups either on their own or in a joint venture with Luxembourg for Finance. As a valuable contribution, ALFI's working groups produce **surveys** on different topics related to the fund industry.

At a press conference in November 2011, ALFI unveiled a study entitled **Domiciles of Alternative Investment Funds**, produced by Oliver Wyman. The study examines the major offshore domiciles which are used by alternative investment funds, looking separately at hedge funds, private equity funds and real estate funds. The study can be downloaded on ALFI's website.



The sixth edition of the annual **ALFI Real Estate Investment Funds Survey** published in September 2011 looks at the market at the end of 2010. The survey, which focuses in particular on direct Real Estate Investment Funds (REIFs), but also covers Funds of Real

Estate Funds (FoREFs), aims to gain an understanding of trends in this market.

**Solvency II Survey for Asset Management.** ALFI has recently set up a working group on Solvency II in order to anticipate the impacts of Solvency II in the organisation and business of asset managers and service providers. In this context, ALFI has conducted a survey on the impacts of Solvency II for the asset managers. This covers some aspects of the impacts of Solvency II on the asset management business, such as profitability, investment management, asset classes' allocation and other organisational impacts. The requests received from asset managers' insurance clients, and the key challenges identified regarding Solvency II, are analysed in this document.

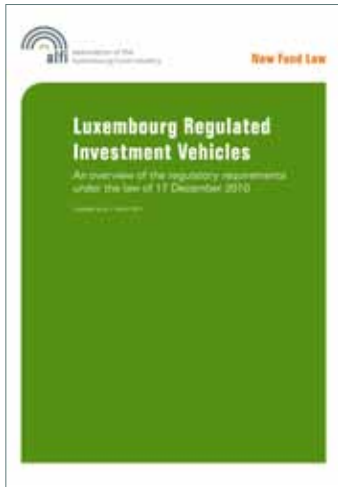
**AIFMD brochure and flyer** provide the reader with the most important points with regard to the Alternative Investment Fund Managers Directive. The brochure summarises the implementation timeline, lists the main actors who are subject to the directive, as well as the products which the directive will regulate.

The flyer highlights ALFI's core actions through an AIFMD dedicated working group which was set up within ALFI, to monitor and analyse the approaches and texts issued by the European authorities.

### Updates

#### ■ Luxembourg: your bridge between China and Europe

Since 2006 Chinese investors have been allowed to invest abroad through a sophisticated quota programme, the Qualified Domestic Institutional Investors (QDII). At the same time, foreign investors have been allowed to enter the Chinese market through the Qualified



Foreign Institutional Investor (QFII) programme. In 2008 the regulators of Luxembourg and China signed a Memorandum of Understanding, establishing Luxembourg as a gateway for investment flow, into and out of the mainland. The updated brochure outlines the range of products and partnership projects between China and Luxembourg and is available in English and Chinese.

- **Luxembourg Regulated Investment Vehicles** incorporates the recent changes in the legal and regulatory environment as of 1st March 2012. The brochure provides a general overview of the various vehicles that may be set up in Luxembourg across the complete spectrum of the Fund industry. The overview covers aspects such as legal and regulatory requirements, shareholding, reporting requirements, approval and supervision, and taxation.



- The updated flyer **Re-domicile your fund onshore: Take the road to Luxembourg** provides the reader with an overview with the advantages offered by Luxembourg as a domicile of choice for investment funds. There are many competitive advantages to be achieved by domiciling funds in the right country, including, but not limited to, reputation, tax efficiency, cost competitiveness, the availability of an experienced workforce and, most importantly, a business-oriented regulatory environment.
- In April 2012 the ALFI Risk Management Working Group presented the updated **ALFI & PRiM Risk Management guidelines**, including a new chapter - Best practice proposals for the organisation of the risk function of a UCITS Management Company or UCITS Investment Company.

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### Express, the ALFI podcast

#### Express yourself...

In October 2011, ALFI launched podcasts reflecting industry experts' views on the latest topics affecting the fund industry in Luxembourg and abroad. In its role as the leading trade body protecting the interests of the Luxembourg fund industry, ALFI has the privilege to access a wealth of information and enjoy close relationships with industry experts. High-level speakers at recent ALFI conferences, members of the ALFI Board of Directors or ALFI Technical Committees have participated with enthusiasm in this project. Regular filming of podcasts allows the Association to obtain interesting points of views from industry professionals.

The main mission of the podcast is to educate and inform via dialogues with professionals from all areas of the fund industry. The podcasts cover topical issues, and come in a short, easy-to-digest format, allowing an express check on the asset management and fund industry.

A new episode can be viewed on the ALFI website (and ALFI YouTube channel) every Tuesday and it is possible to subscribe to an email alert.

Since the launch of Express, the podcast has become very popular. More than 25 episodes of the podcast have been viewed 2,900 times in 49 countries. Moreover, on-line newspapers and blogs have shown a particular interest in posting Express on a regular basis.

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### Investor centre

The easy-to-understand guide to the world of funds and investment launched in 2010 has been further expanded in March 2012. The core content is now also available in **Italian**. In order for investors to find their way round more easily, the Investor centre is

now presented in three parts: **Investor Education, Investor Information and Investor Protection**.

In 2011, the Investor centre has attracted more than 2,700 visitors from 73 countries.

## 13. press relations

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### Press relations

Press relations are a valuable means of external communication for ALFI. For this reason, ALFI collaborates closely with communication agencies in order to raise its profile in the foreign media. Comparing to previous years, ALFI has significantly enhanced its presence in the media, and has established a regular contact with Luxembourgish, UK, German, French and US specialised journalists. ALFI representatives are regularly asked to comment on the latest regulatory developments and to share ALFI's point of view and expertise.

Since June 2011, ALFI has organised five press conferences in Luxembourg, two press events in Paris and two press events in London. In addition, ALFI representatives have met with journalists in New York, Boston, Frankfurt, Berlin, Geneva or Monaco. During this period, ALFI sent out 12 press releases to the local and international press.

This active approach generated more than 400 articles in online and paper publications in Luxembourg, UK, France, Germany, Spain, India, Cape Verde, Qatar and US.

### The most significant topics covered

Marc Saluzzi's election (45 articles), ALFI Spring Conference (43 articles), ALFI annual review press conference (37 articles),

ALFI EAIF Conference (30 articles), ALFI Global Distribution Conference in association with NICSA and HKIFA (26 articles).

## 14. alfi event calendar 2011/2012

■ ALFI Activities ■ ALFI participation in other events ■ Members only



27-28/09/2011



27-28/09/2011



27-28/09/2011



24/10/2011

07/06/2011	ALFI Breakfast Seminar Fund Processing Standardisation & Automation	Luxembourg
15-16/06/2011	ALFI Roadshow to Switzerland	Zurich Geneva
16-18/06/2011	ALFI representation at EFAMA Board of Directors and Annual General Meeting	Luzern
20-23/06/2011	ALFI representation at ICBI, GAIM	Monaco
21/06/2011	ALFI speaker at Informa, UCITS Ireland	Dublin
27/06-01/07/2011	ALFI representation at ICBI, FundForum International	Monaco
05/07/2011	ALFI meets London based press	London
06/09/2011	ALFI speaker at 14th Annual Hedge Funds World Asia	Hong Kong
09/09/2011	ALFI Roadshow to Edinburgh	Edinburgh
14-15/09/2011	ALFI meets Paris based press	Paris
15-17/09/2011	ALFI representation at Eurofi Financial Forum 2011	Wroclaw
18-21/09/2011	ALFI representation at XXV Annual IIFA Conference	Stockholm
23/09/2011	ALFI speaker at Innovation for Financial Services Summit	Luxembourg
26/09/2011	ALFI Golf Tournament	Luxembourg
27/09/2011	ALFI meets national & international press: Luxembourg fund industry Ambition Paper	Luxembourg
27-28/09/2011	ALFI Global Distribution Conference in association with NICSA & HKIFA	Luxembourg
2-5/10/2011	ALFI speaker at ICBI, Mena Investment Management Forum	Qatar
04/10/2011	ALFI representation at Expo Real 2011	Munich
04-07/10/2011	ALFI Roadshow to Canada and the US	Toronto Greenwich New York Boston
10-11/10/2011	ALFI representation at Informa, UCITS Asia	Hong Kong
17-21/10/2011	ALFI representation at LFF Roadshow in Asia	Beijing Singapore Kuala Lumpur
18-20/10/2011	ALFI speaker at ICBI, FundForum Latin America	São Paulo
24/10/2011	ALFI Roadshow to Frankfurt	Frankfurt
28/10/2011	ALFI speaker at HKIFA 5th Annual Conference	Hong Kong
03/11/2011	ALFI speaker at EACC	New York
07-10/11/2011	ALFI representative to Official Visit to the Socialist Republic of Vietnam	Saigon
8-9/11/2011	ALFI speaker at Informa	Hong Kong
8-9/11/2011	ITAS Asia 2011 - Asian Transfer Agency Summit	
8-9/11/2011	ALFI speaker at ICBI, FundForum USA	Boston
8-9/11/2011	ALFI representation at OsneyMedia, FATCA Congress	Luxembourg

## 14. alfi event calendar 2011/2012

■ ALFI Activities ■ ALFI participation in other events ■ Members only



15/11/2011



22/11/2011



13-14/03/2012



13/03/2012

15/11/2011	ALFI TA & Distribution Forum	Luxembourg
21/11/2012	ALFI Breakfast seminar	Dubai
22/11/2012	ALFI representation at World Islamic Finance Conference	Bahrain
22/11/2011	ALFI meets national & international press: Oliver Wyman study	Luxembourg
22-23/11/2011	ALFI European Alternative Investment Funds Conference	Luxembourg
24-25/11/2011	ALFI representation at Euromoney Alternative UCITS Conference	Brussels
25/11/2011	ALFI speaker at the 3rd Audit in Europe Conference	Luxembourg
29/11/2011	ALFI meets Paris based press	Paris
29-30/11/2011	ALFI participation at LFF Roadshow to Paris	Paris
29-30/11/2011	ALFI representative at EFAMA Investment Management Forum	Brussels
29-30/11/2011	ALFI speaker at ICBI, Global Custody Forum 2011	London
30/11/2011	ALFI representation at Euromoney AIFM Directive Conference	London
02/12/2011	ALFI representation at the 10th China Securities Investment Fund Forum International	Shenzhen
06-07/12/2011	ALFI Roadshow to Asia	Taipei Hong Kong Malta
06-07/12/2011	ALFI speaker at Informa European Funds regulation & Supervision	
08/12/2011	ALFI speaker at Informa, Impact of depositary reform on the Fund Management Industry	Luxembourg
13/12/2011	ALFI Leading Edge Conference no.4: Identifying and addressing the latest requirements for Luxembourg Management Companies	Esch-sur-Alzette
19/01/2012	ALFI meets Luxembourg based press: 2011 annual review	Luxembourg
29-31/01/2012	ALFI representation at Official Mission to the Middle East led by Minister Frieden	Doha Dubai
06-10/02/2012	ALFI visit to South and Central America	Rio de Janeiro São Paulo Santiago Mexico
12-13/02/2012	ALFI representation at NICSA Conference Miami	Miami
28/02/2012	ALFI speaker at Informa, Russian Fund Forum	Moscow
28/02/2012	ALFI representation at ICBI, SuperReturn Berlin	Berlin
28-29/02/2012	ALFI speaker at Informa, UCITS for US Managers	New York
29/02/2012	ALFI speaker at Informa, ITAS Luxembourg	Luxembourg
13/03/2012	ALFI meets national & international press: regulatory update	Luxembourg
13/03/2012	ALFI Gala Dinner	Luxembourg
13-14/03/2012	ALFI Spring Conference	Luxembourg



14/03/2012



27/03/2012



10/05/2012



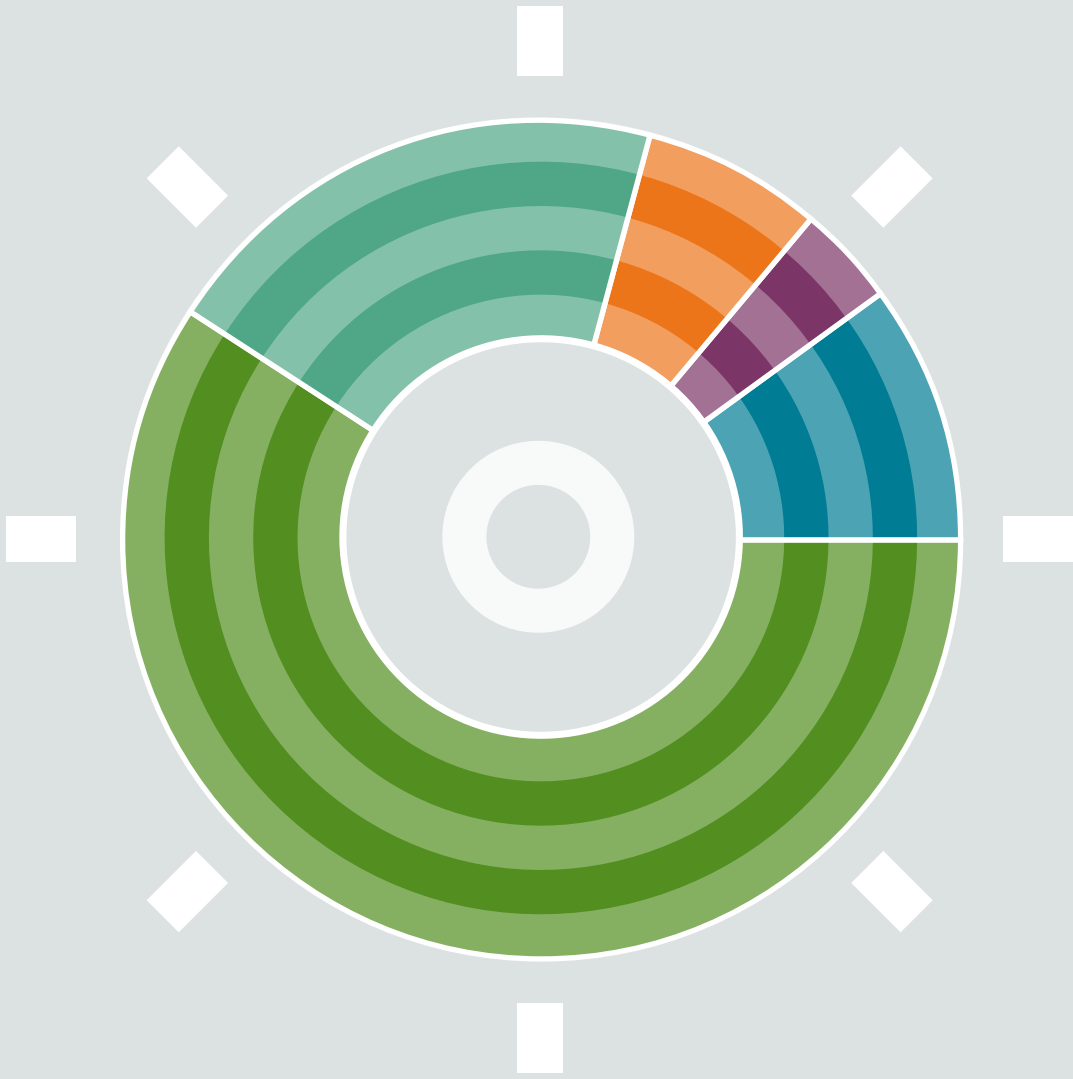
23/05/2012

21/03/2012	ALFI representation at Official State Visit of Her Majesty Queen Beatrix from of Netherlands	Luxembourg
27/03/2012	ALFI & ABBL Walking Dinner	Brussels
29/03/2012	ALFI Leading Edge Conference no.5: Impact of the AIFMD on the Private Equity Funds	Esch-sur-Alzette
12-13/04/2012	ALFI representation at LFF visit to Casablanca	Casablanca
18/04/2012	ALFI & PRiM Risk Management Conference	Luxembourg
20/04/2012	ALFI Breakfast Seminar: KIID Publication and Dissemination Challenges	Luxembourg
23-25/04/2012	ALFI representation at State Visit to Germany led by Minister Frieden, Financial Roundtable	Berlin
23-25/04/2012	ALFI meets Berlin, Frankfurt & Hambourg based press	Berlin Frankfurt Hambourg
23-27/04/2012	ALFI speaker at ICBI, Fund Forum Asia	Hong Kong
24/04/2012	ALFI speaker at Infoline, AIFM Directive Conference	London
27/04/2012	ALFI representation at European Commission hearing on shadow banking	Brussels
02-03/05/2012	ALFI speaker at Informa, Alternative UCITS	London
03/05/2012	ALFI Leading Edge Conference no.6: Impact of AIFMD on Real Estate Funds (with INREV)	Esch-sur-Alzette
04/05/2012	ALFI representation at EFAMA CEO Regulatory Summit	Brussels
07-09/05/2012	ALFI representation at ICI AGMM	Washington
08/05/2012	ALFI Cocktail Reception	Washington
8-9/05/2012	ALFI speaker at Informa, UCITS Luxembourg	Luxembourg
10/05/2012	ALFI Responsible Investing Conference - Making a difference, in association with LuxFLAG	Luxembourg
10/05/2012	ALFI meets national & international press: Responsible Investing	Luxembourg
13-17/05/2012	ALFI participation at IOSCO Annual Conference	Beijing
20-21/05/2012	ALFI representation at the 8th Annual World Islamic Funds and Financial Markets Conference	Bahrain
22/05/2012	ALFI representation at Financial Seminar in London in the presence of Minister Frieden	London
22-23/05/2012	ALFI speaker at Informa, Regulation of ETFs & Complex UCITS	London
23/05/2012	ALFI London Conference	London
23/05/2012	ALFI meets London based press	London
10/06/2012	ALFI representation at IBA	Boston
13-15/06/2012	ALFI Roadshow to the US	Boston New York
13-15/06/2012	ALFI meets US based press	Boston New York
18-20/06/2012	ALFI representation at Informa, GAIM International	Monaco

## statistics

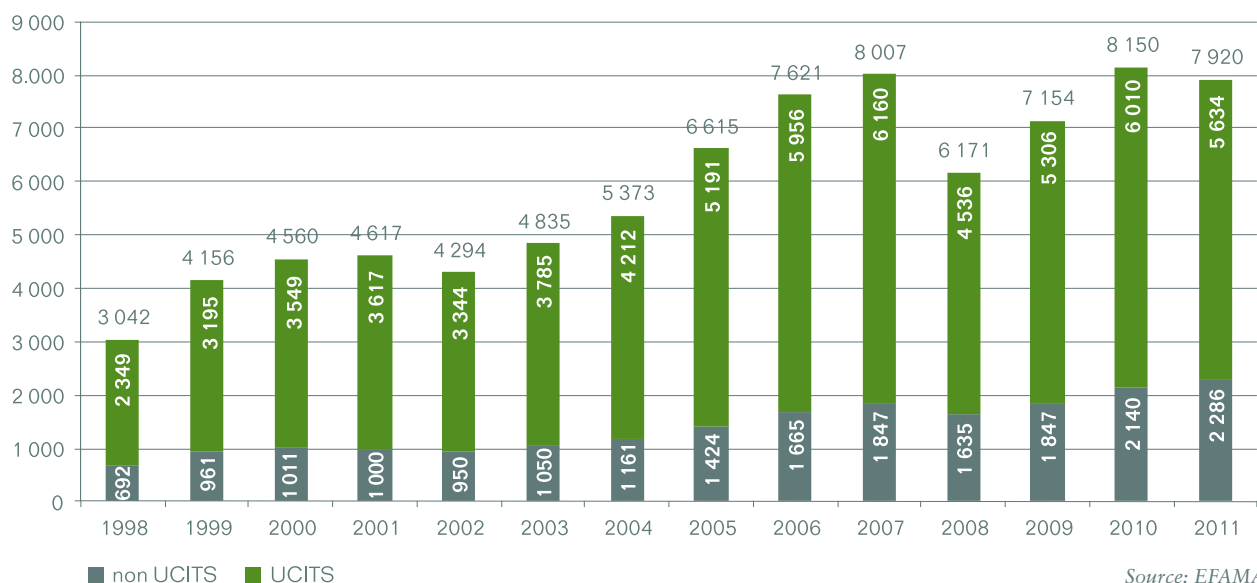
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# the luxembourg investment fund industry in figures

## Assets under management in the European investment fund industry (in billions of euros)



Source: EFAMA

Notice: The data may not always be consistent with data published in the last year's ALFI annual report, due to adjustments made by EFAMA.

Between 2003 and 2007, the European investment fund industry experienced uninterrupted growth in net assets under management. In 2008, as a result of the financial crisis which shook the industry, it saw net assets fall by 23% over the year. They had nonetheless doubled over the previous decade, increasing from EUR 3,042 billion at the end of 1998 to EUR 6,171 billion at the end of 2008.

As of the second quarter of 2009, the industry began to emerge from the crisis and returned to two-figure growth, recording flourishing growth rate of 16% at 31 December.

2010, which initially seemed to be a year of consolidation, proved to be excellent. With net assets of EUR 8,150 billion at 31 December 2010, the European investment fund industry approached its historic June 2007 level.

Whilst 2010 finished on a promising note, 2011 proved however to be a difficult, mixed year, marked by a general slowdown in the economy. At 31 December 2011, standing at EUR 7,920 billion, net assets had recorded a slight downturn of 2.8% over the year (that is to say, a fall in volume of EUR 230 billion). That downturn put the brakes on the growth embarked upon in 2009, taking average annual growth recorded after the crisis to 9% (for 2009-2011) instead of 15% (for 2009-2010).

In the first quarter of 2011 financial markets were confronted with a troubled geopolitical environment, namely revolutions in the Middle East, tensions in North Africa, meteoric rise in oil prices, and also earthquakes, a tsunami and a nuclear catastrophe in Japan. From then on, the net assets under management of EUR 8,112 billion posted an initial drop of 0.47% as at 31 March 2011. It was mainly UCITS which slowed down in that way, with net assets reduced by 1.46% or EUR 5,921 billion, whilst non-UCITS recorded a rise of 2.33% or EUR 2,190 billion. In line with 2010, in the European investment fund industry as a whole, net sales remained positive over the period. Net UCITS sales accounted for a further EUR 27 billion and held at a higher level than that recorded in the last quarter of 2010. As a result of continuing low interest rates, net sales into money market funds fell by EUR 9 billion, though this was significantly less than the last quarter of 2010 (when they fell by EUR 41 billion). Alongside this, equity funds saw a marked decline in net sales with a total of EUR 5 billion compared with EUR +40 billion in the fourth quarter of 2010.

With EUR 8,112 billion in the second quarter of 2011, the slowdown observed in the first quarter was followed by a virtual stagnation of net assets under management, which fell slightly by 0.08%. As in the first quarter, UCITS decreased 0.5% (EUR 5,892 billion) while

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non-UCITS grew 1% (EUR 2,213 billion). Faced with an unstable economic environment (rising commodity prices, the spectre of inflation in the eurozone and renewed anxiety over sovereign debt in Europe, for example), investors revised their levels of investment in European UCIs markedly downwards. Although positive, the level of net sales in UCITS fell by 37% compared to the first quarter, standing at EUR 17 billion. That decline is mainly attributable to money market funds which experienced a severe drop in net sales of EUR 30 billion. Net inflow of capital in balanced-profile funds rose by 17% in the second quarter, totalling EUR 23 billion, making them the leading product amongst UCITS. Special funds, reserved for institutional investors, for their part, contributed to the sustained level of net assets of the European fund industry thanks to net inflow of capital of EUR 16 billion, virtually equivalent to investment in UCITS.

In the third quarter of 2011 the Greek sovereign debt crisis spread to other southern European countries, affecting Italy and Spain in July and August and casting doubt on the solvency of those States. At the same time, across the Atlantic, the United States' AAA rating was called into question in August. In response to that accumulation of events, the financial markets took a dive, and the impact on the European fund industry was immediate, with net assets under management plummeting 5.31% to EUR 7,676 billion. UCITS were most affected with a 7% fall in net assets (to EUR 5,474 billion at the end of September 2011), whilst non-UCITS managed to ride out the economic turbulences and declined by only 0.58% (with a total volume of EUR 2,201 billion) thanks in particular to a EUR 21 billion inflow of fresh money from institutional investors which partly offset the poor stock market performance. For UCITS, net capital disinvestment was abrupt, reaching EUR 83 billion and sweeping away in one go the EUR 39 billion of net inflows in the first and second quarters. All investment classes experienced that drop in net sales to some extent. Equity funds were most affected, representing 52% of the overall disinvestment, or EUR 43 billion, followed by bond funds at EUR 22 billion, whilst money market funds saw their net sales slip by only EUR 4.5 billion.

The fourth quarter saw contrasting extremes. Governments were compelled to adopt increasingly restrictive austerity plans in order to boost their economies and reassure the financial markets. There were changes of government in some eurozone countries (Italy and Greece) to tackle the sovereign debt crisis which was

damaging investor confidence. Tension generally eased at the end of 2011. Against that background the fourth quarter sounded a note of optimism with net assets under management closing at EUR 7,920 billion and a return to a positive growth rate of 3.19%. That slight improvement was beneficial to both UCITS, which rose by 2.91% (EUR 5,634 billion) and non-UCITS at +3.88% (EUR 2,286 billion). The economic contradictions prevailing in the fourth quarter were reflected in net sales. Net UCITS sales still showed total disinvestment of EUR 50 billion concentrated mainly in equity, bond and balanced-profile funds which alone totalled nearly EUR 49 billion whilst, with a figure of EUR 10 billion, net sales into money market funds were positive for the first time since the end of March 2009. At the same time, non-UCITS remained highly sought-after by institutional investors, with net inflows totalling EUR 32 billion, that is to say, their highest level for 2011.

To summarise, 2011 was a year of contrasts which ended with an overall 2.8% reduction in net assets under management for the whole of the European investment fund industry. That growth was diametrically opposed for UCITS and non-UCITS. The former recorded an overall fall of 6.2% whereas the latter grew by 6.8%. The nature of investors was quite clearly decisive for the progress of the products on offer and their attractiveness. In 2011 the market share of UCITS in the industry fell back from 74% to 71% as a result of overall net disinvestment of EUR 88 billion. Conversely, the non-UCITS share grew significantly from 26% at the end of 2010 to nearly 29% in 2011, thanks in particular to sustained demand and a net inflow of capital of EUR 101 billion from institutional and other "informed" investors via special funds.

On an individual scale, the growth rate of net assets under management in 2011 for European countries was just as mixed as the general picture. Two thirds of countries experienced up to double-digit negative growth, including Greece (-30.9%), Italy (-19.2%) and Slovenia (-21.2%); the remaining third kept up a positive growth rate, such as Ireland (+9.6%), Switzerland (+4.4%) and the United Kingdom (+1.4%) although sharply down on 2010 when all these countries posted two-figure growth rates.

The leading trio in the European industry, that is, Luxembourg, France and Germany, remained unchanged in 2011 with growth rates of -4.7%, -8.1% and +0.8% respectively in terms of net UCI assets.

# the luxembourg investment fund industry in figures

## The 10 largest investment fund domiciles in Europe at 31 December 2011

### Total assets/UCIs

Country	Total assets under management (in millions of euros)	Market share in %
Luxembourg	2 096 512	26.5
France	1 380 953	17.4
Germany	1 133 874	14.3
Ireland	1 055 268	13.3
United Kingdom	805 110	10.2
Switzerland	272 541	3.4
Italy	193 296	2.4
Spain	156 412	2.0
Sweden	150 434	1.9
Denmark	139 007	1.8

### UCITS

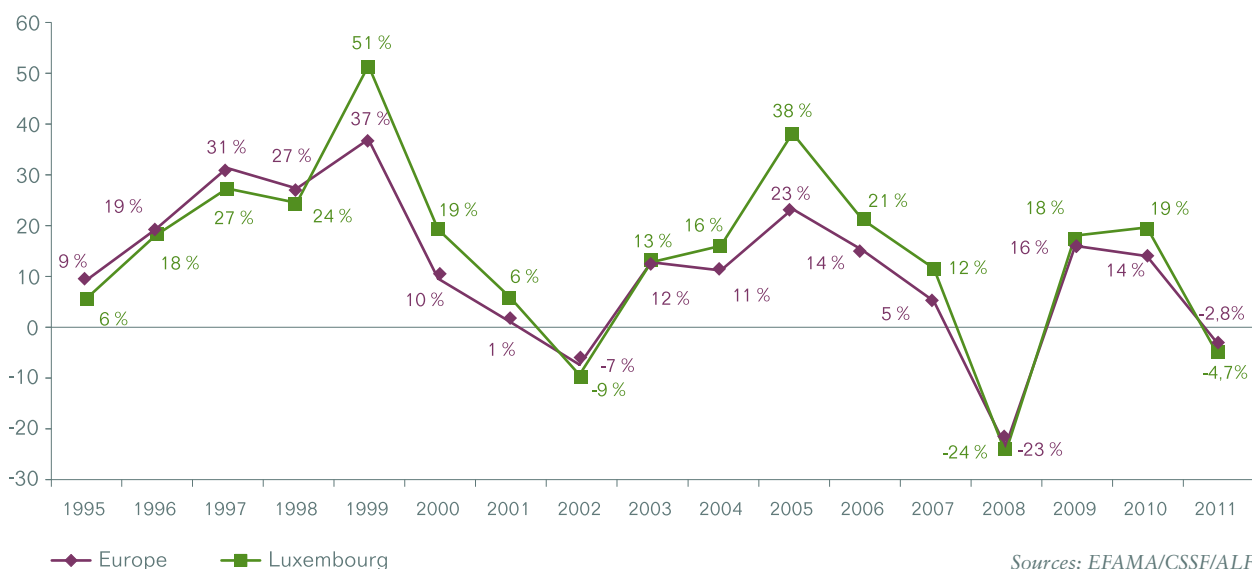
Country	Total assets under management (in millions of euros)	Market share in %
Luxembourg	1 760 155	31.2
France	1 068 141	19.0
Ireland	820 041	14.6
United Kingdom	648 406	11.5
Germany	226 456	4.0
Switzerland	211 037	3.7
Spain	150 877	2.7
Sweden	147 042	2.6
Italy	139 697	2.5
Belgium	79 131	1.4

Source: EFAMA

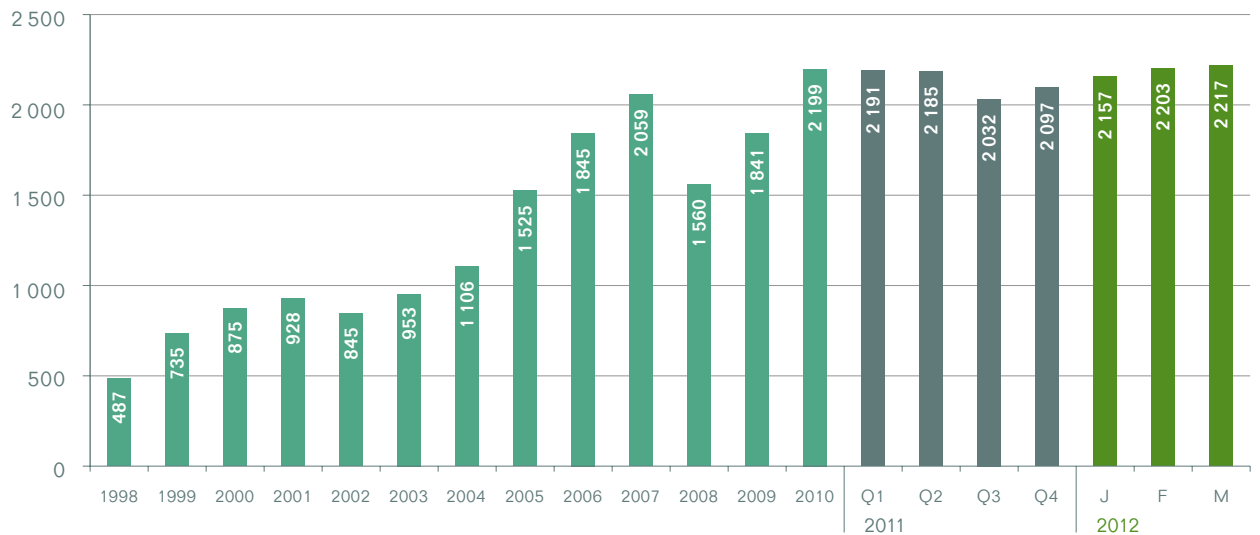
If we look at changes in annual growth rates in the European investment fund industry, we can see that Luxembourg industry has followed approximately the same path since 1995, with significantly higher growth rates since 1999, excluding the years 2002, 2008 and 2011, when assets under management contracted across the industry as a whole. In the two crisis years, Luxembourg recorded a differential of 2 points higher in 2002 and only 1 point in 2008. In 2011, the difference was 1.9 points taking this slide to -4.7% for Luxembourg compared with -2.8% for the European sector as a whole.

The 2008 financial crisis led to a fall of 3 points in average annual growth in Europe over the period (1995 – 2008) which fell from 14% in 2007 to 11% in 2008. Thanks to the 2009 and 2010 recovery, the average rate for 1995-2010 improved to 11.5% before ultimately falling back 1.1 points in 2011 to 10.6% over the period 1995-2011. Luxembourg, which experienced a 4.7% fall in net assets under management in 2011, saw its average annual growth likewise contract by 1.2 points to stabilise at 13.4% over the period 1995-2011.

## Annual growth in assets under management in the European and Luxembourg investment fund industry (in %)



## Net assets under management in Luxembourg funds (in billions of euros)



Sources: EFAMA/CSSF/ALFI

The financial crises of 2007 (the sub-prime crisis) and 2008 (the stock market crisis) led to an overall fall of 24% in the total net assets of Luxembourg UCIs by the end of 2008. 2009, the year of recovery, saw net assets under management pick up from April 2009 and end +18% higher as a result in particular of the economic recovery given fresh impetus by the various budgetary stimulus plans and monetary policies put in place by the various governments (the G20 summit in April 2009).

Whilst 2010 looked like being a year of consolidation and recovery at macroeconomic level, it was much more mixed than expected and required the temporary measures introduced by governments to be retained and even renewed. In that nuanced environment, the 2010 year which represented a year of consolidation for Luxembourg UCIs, proved an excellent year with 19.45% growth in net assets under management.

2011, for its part, was a year of extremes -full of promise but at the same time arousing fears amongst investors- punctuated by the moods of the financial markets and the political and economic events for which it will be remembered. As of 31 December 2011, overall net assets of Luxembourg investment funds closed at EUR 2,096.512 billion, down EUR 102.482 billion from 2010.

This was the third time, following 2002 and 2008, that net assets had fallen since the first European directive introducing UCITS came into force in 1998. The impact in terms of

value (down 4.66% compared with the end of 2010) was however five times less than that recorded in 2008. At the same time, in May 2011, net assets under management also reached an all-time high of EUR 2,219.208 billion, making 2011 an atypical year.

After the excellent December 2010 results, the first quarter of 2011 got off to a very encouraging start. On the one hand, net sales over the reference period remained high at EUR 32.350 billion and already in February net assets achieved a new all-time record of EUR 2,208.198 billion. On the other hand, financial markets reacted to the soaring oil price resulting from the revolutions in the Middle East and North Africa, not counting the nuclear catastrophe in Fukushima following the tsunami in mid-March. These were all to have a negative impact on quarterly growth to the amount of EUR 40.448 billion, causing an overall fall in net assets of 0.37% to EUR 2,190.896 billion at the end of March 2011.

In response to runaway commodity prices and a persistent return of inflationary pressure, particularly in Europe, the European Central Bank (ECB) decided back in April to increase its refinancing rate by 25 basis points. At that time, investor confidence seemed unshakeable. Net sales remained positive between April and May (EUR +18.573 billion) and in May 2011 rising stock markets propelled net assets under management to a new record high of EUR 2,219.208 billion.

## the luxembourg investment fund industry in figures

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In June, the stream of bad economic news – the persistent absence of a concrete solution to the Greek sovereign debt crisis, and confirmation that the US economy was at risk of a slowdown – would ultimately shake investor confidence. For the first time in 12 months the Luxembourg industry recorded net disinvestment of EUR 4.879 billion which, combined with the negative impact of the financial markets to the value of EUR 29.330 billion, caused a slight downturn of 0.27% in net assets under management to EUR 2,184.999 billion at the end of June 2011.

The second half of the year was marked amongst other things by a global slowdown, a heightening of the sovereign debt crisis in Europe which spread to Spain, then Portugal, then Italy, fears of a credit crunch and the downgrading of the United States AAA rating in August. The consequences were immediate. As early as July, investors displayed a loss of confidence and withdrew investments massively (EUR 7.883 billion). That behaviour was to continue for the rest of the year, with the exception of November (EUR +0.206 billion), when net sales remained negative, reaching the highest point in August at EUR -10.550 billion and September at EUR -11.343 billion. We would need to go back to December 2008, a year of financial crisis, to find equivalent disinvestment from the Luxembourg investment fund industry.

Developments in the financial markets had a significant impact on net assets under management, fluctuating according to the economic and political news. The European summits of July, October and December with a view to containing the sovereign debt crisis, the introduction of austerity plans in Europe and the ECB's change of policy (lowering interest rates) boosted the stock markets. The fourth quarter closed the year on a hopeful note and posted quarterly growth of 3.17% in net assets under management, stemming essentially from the financial markets which accounted for EUR 75.419 billion. This reversal of the trend was to offset by 61% the very high risk aversion that had prevailed during the third quarter of 2011 when stock market indices tumbled, bringing in its wake a EUR 123.146 billion fall in the net assets of Luxembourg UCIs. The global amount of assets in UCIs in fact fell by 7% over the course of the third quarter, and 80% of that fall was attributable to the financial markets.

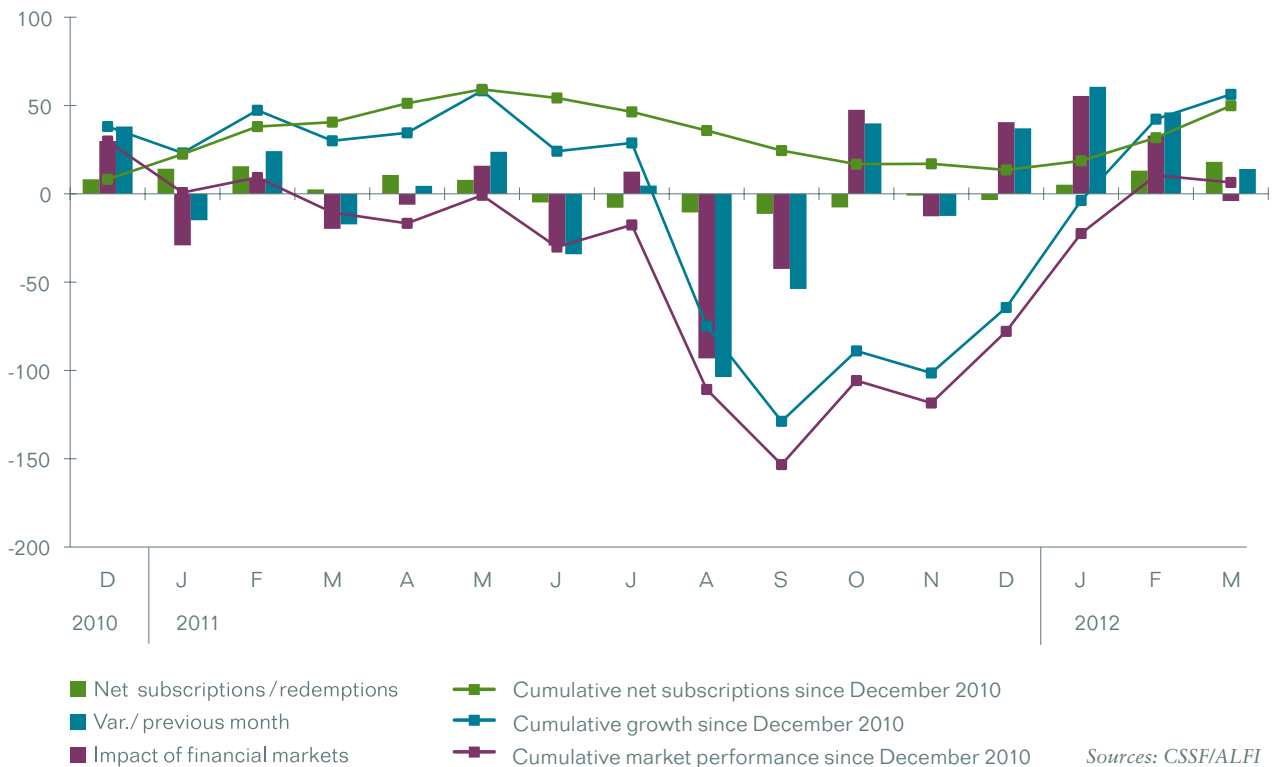
The beginning of 2012 provides a remarkable contrast with the second half of 2011. The recovery seems to be making a gentle start. Despite the publication of economic indicators suggesting signs of recession for certain countries, investors remain optimistic.

At the same time, by favouring the long term refinancing of European banks, the European Central Bank has given a shot in the arm to the European banking system.

From January, therefore, the net assets of Luxembourg UCIs started to climb again, reaching +2.89% as at 31 January compared to the end of December 2011, (that is to say, a total figure of EUR 2,157.081 billion).

Throughout the first quarter of 2012 net sales grew consistently to EUR 36.369 billion, contributing 30% to quarterly growth which stood at +5.76% (that is to say, EUR 2,217.206 billion of net assets under management as at 31 March 2012). The remaining 70% or EUR 84.325 billion is attributable to the financial markets, which seem to have returned to a more even keel.

## Growth factors in Luxembourg investment funds (in billions of euros)



### Detailed overview of the various components of growth

2011 was certainly a disappointing year for many investors. All stock markets turned in poor performances during the year and most indices fell significantly. The political and economic news which came thick and fast (the spreading eurozone sovereign debt crisis, ratings downgrades for a number of European countries and even the United States, the Fukushima catastrophe, rising commodity prices and the economic slowdown, for example), caused the very high volatility which prevailed throughout the year. Luxembourg UCIs suffered as a result of this negative climate. The 4.66% annual fall in net assets was entirely attributable to the financial markets. Their annual impact can be put at EUR -107.766 billion. It was in August and September that they most affected the Luxembourg fund industry, up to the amount of EUR 135.695 billion despite the recovery (EUR 75.419 billion) in the last quarter of 2011.

Net annual sales, despite having timidly eased the fall in annual growth by EUR 5.284 billion, revealed a behavioural dichotomy in investors. During the first half of 2011, private and institutional investors remained confident despite events and maintained an overall inflow of fresh money amounting

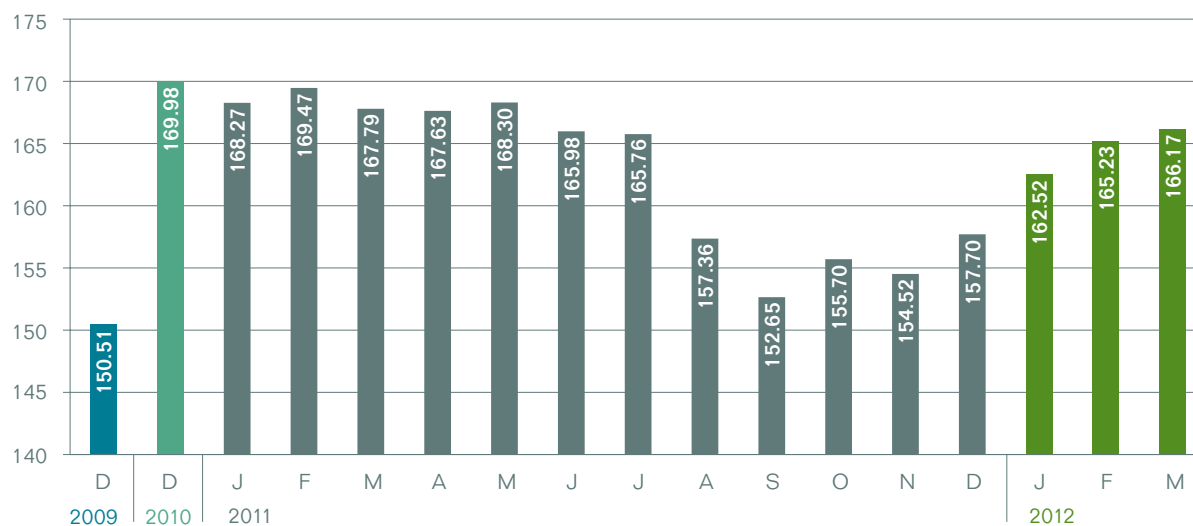
to EUR 46.044 billion (excluding June), offsetting by 77% the resulting contraction of the financial markets over the same period. The second half of 2011 was dominated by risk aversion, resulting in systematic net disinvestment (excluding November) of EUR 40.760 billion, almost equivalent to total net subscriptions in the first half.

In the first quarter of 2012, the overall net assets of Luxembourg investment funds returned to the growth begun in the fourth quarter of 2011. Thanks to a return of confidence in both the eurozone and United States, and with fears over the European banking system subsiding, the financial markets have taken off again since the beginning of the year.

Net assets under management continued to grow throughout the first quarter of 2012, rising by 2.89% in January, 2.14% in February and 0.64% in March, reaching EUR 2,217.206 billion, close to the record high of May 2011 (EUR 2,219.208 billion). With 5.76% quarterly growth, net subscriptions contributed 30% (or EUR 36.369 billion), the remaining 70% (or EUR 84.325 billion) being attributable to the financial markets. Obviously, investors have regained confidence and continue to favour Luxembourg funds as an investment instrument.

## the luxembourg investment fund industry in figures

### Net assets per fund unit\* (in millions of euros)



\* fund unit = the number of stand-alone funds plus the number of sub-funds in umbrella structures

Sources: CSSF/ALFI

At the end of 2011, the average size of fund units in terms of net assets per fund unit recorded a decrease of 7.22% to EUR 157.70 million, compared to 2010 when the average size was EUR 169.98 million. Although the number of fund units grew regularly throughout the year, with a few rare exceptions (+2.76% in 2011), this cannot in itself explain the significant fall in average net assets per fund unit.

In fact, average net assets followed changed in net assets, thus posting a fall for eight months of the year. In August and September, when the impact of the financial markets (EUR -135.695 billion) was worst for the Luxembourg fund industry, coupled with net disinvestment of EUR 21.893 billion, that average net assets per fund unit fell (-5% and -3% respectively for each month) to their lowest level since February 2010.

Alongside this, February, May, October and December turned in increases of 0.7%, 0.4% and 2% respectively in average net assets per fund unit. These were, indeed, the months that received the biggest boost from the stock markets and/or substantial positive capital flow. Average net assets per fund unit therefore increased only during those months.

Between alternate rises and falls throughout 2011, the average reduction in average net assets per fund unit, on a monthly basis, was 0.62%.

Strengthened by the recovery that began in January 2012, average net assets per fund unit stood at EUR 166.17 million at the end of March (a rise of 5.37% compared to the end of 2011), wiping out 69% of the fall which occurred in a single quarter of 2011.

## Number of Luxembourg investment funds (legal entities)



At the end of 2011, there were 3,845 legal entities domiciled in Luxembourg.

Over the course of the year, 469 new funds were launched and 291 withdrawn from the market. This gave a net variation of +178 funds over 12 months representing total net growth of 4.85% (as compared with +5.89% in 2010).

After a year of consolidation in 2010 following restructuring in 2009, and as a result of promoters' repositioning their fund ranges -which resulted in a significant drop in the number of newly created funds- 2011 followed a similar pattern to 2010. In 2011, the number of new funds was more or less equivalent to that in 2010 and liquidations only increased 9% which resulted in a slight slowdown.

Given the general context prevailing in the fund industry, 2011 was a strong and stable year. 469 new legal entities were created, which is 57% of the number of funds set up in 2007, a record year.

Throughout the year (with the exception of June, October and December), the number of fund units (that is to say the number of conventional funds plus the number of sub-funds in umbrella funds) increased from 12,937 fund units at the end of December 2010 to 13,294.

The resulting net variation of + 357 fund units is the

difference between the new fund units launched during the year and those closed during the same period, and represents a 2.76% growth in 2011 compared to 5.76% in 2010. However, 2,158 new fund units were in fact approved by the CSSF (the Luxembourg financial supervisor) in 2011. With 13,294 fund units at the end of 2011, it would appear that the Luxembourg fund industry has entered a period of moderate growth.

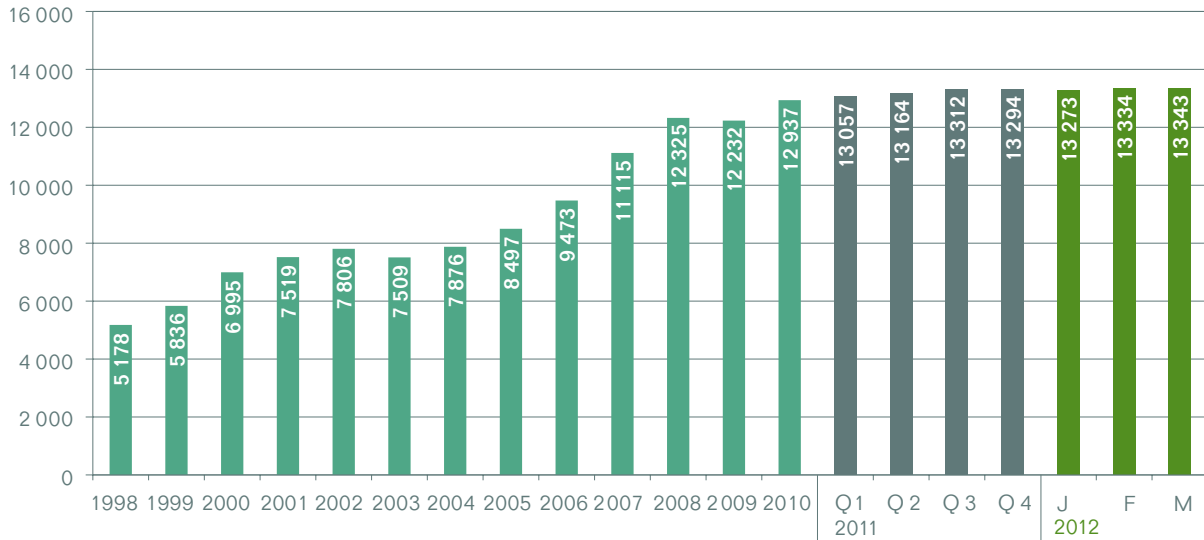
In the first quarter of 2012, dynamism was still the order of the day with a 0.37% increase in the number of fund units to total 13,343 at the end of March. While the number of net fund units increased by only 49 over that period, compared to 120 in 2010, the total of 13,343 was an all-time record.

At the same time, 114 new legal entities (new funds) have been launched on the market since January, which is slightly fewer than the 128 over the same period in 2011. With an additional 31% of fund liquidations (that is to say, 93 funds) compared with the first quarter of 2011 when 71 funds were withdrawn from the market, the sector seems to be stabilising.

In conclusion, the Luxembourg fund industry has once again demonstrated its ability to adapt to the economic and financial environment while continuing to respond in the best way possible to the needs of investors.

# the luxembourg investment fund industry in figures

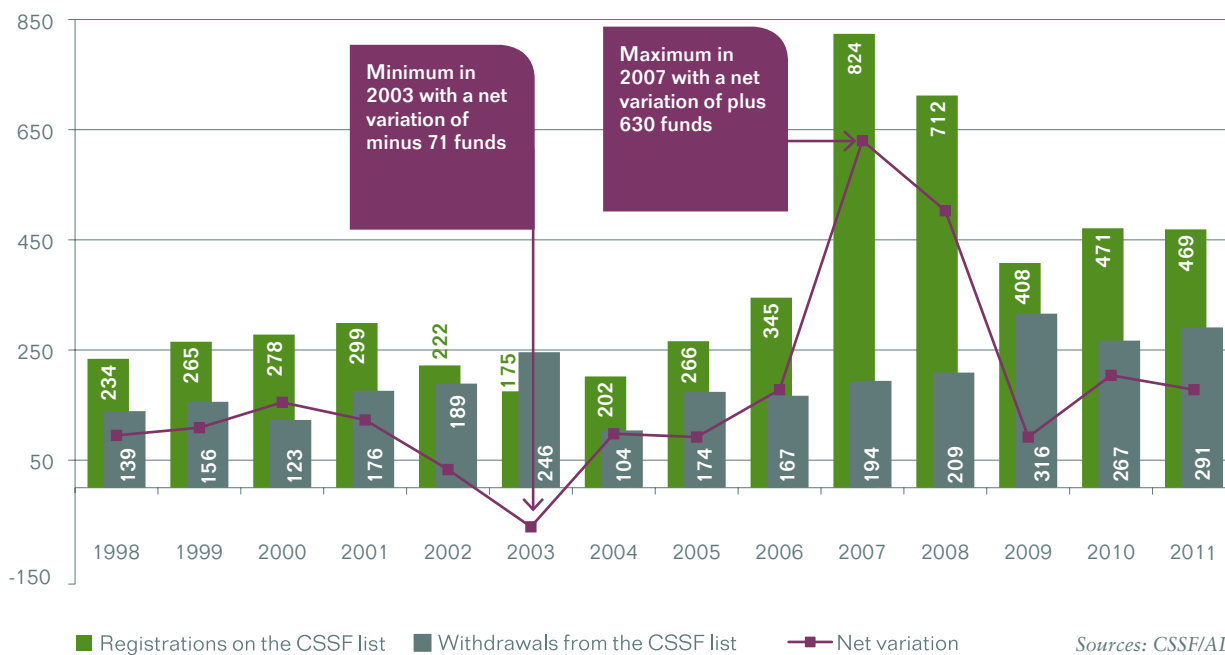
Number of Luxembourg fund units\*



\* fund unit = the number of stand-alone funds plus the number of sub-funds in umbrella

Sources: CSSF/ALFI

Number of funds registered on or withdrawn from the CSSF list since 1998



Sources: CSSF/ALFI

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Monthly evolution of registrations on/withdrawals from the CSSF list (number of funds)

	Registrations on the CSSF list	Withdrawals from the CSSF list	Net variation
March 2012	39	20	19
February 2012	39	29	10
January 2012	36	44	-8
December 2011	51	39	12
November 2011	43	29	14
October 2011	29	26	3
September 2011	41	24	17
August 2011	23	19	4
July 2011	68	22	46
June 2011	28	28	0
May 2011	29	16	13
April 2011	29	17	12
March 2011	41	22	19
February 2011	38	17	21
January 2011	49	32	17

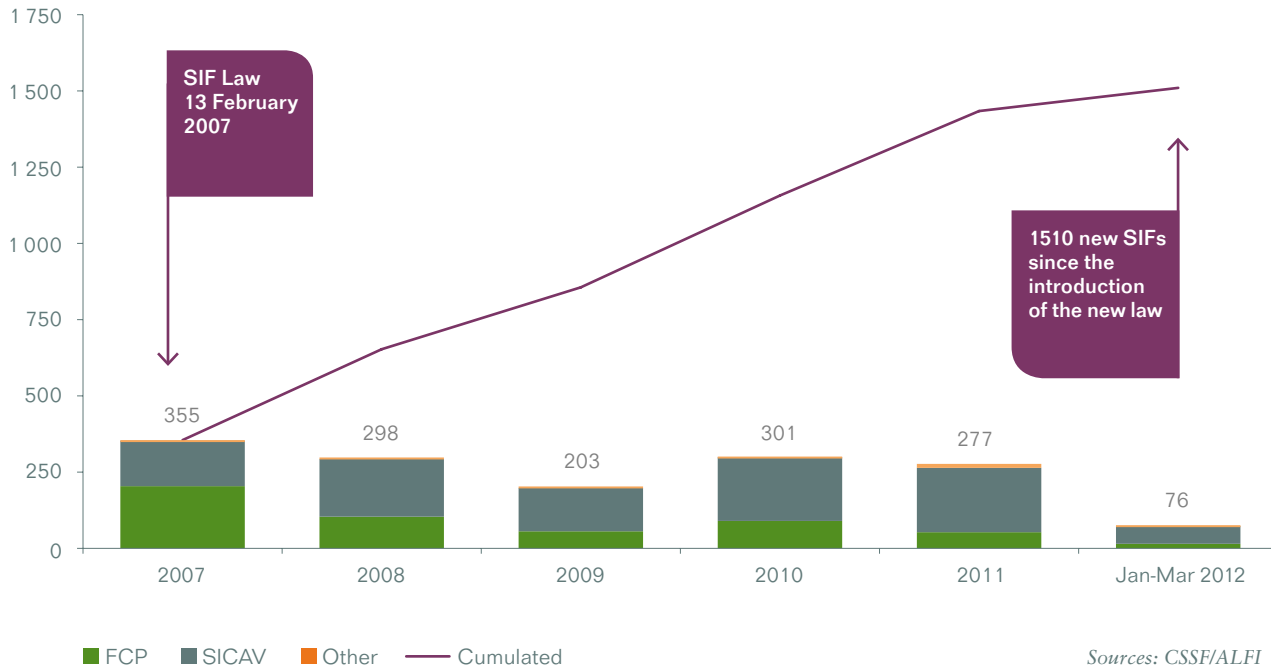
Sources: CSSF/ALFI

As Europe's leading marketplace for the fund industry, Luxembourg remains and is set to remain very attractive in terms of domiciliation. With 469 funds newly registered on the official CSSF list in 2011, last year was an

excellent one, similar to 2010. Boosted by the Law of 13 February 2007 as amended on specialised investment funds, Luxembourg is displaying very clear resilience in a constantly changing financial world.

# the luxembourg investment fund industry in figures

## Number of specialised investment funds (SIFs) launched since February 2007



The Law of 13 February 2007 as amended on specialised investment funds (the “SIF Law”) replaced the Law of 19 July 1991 on “institutional” UCIs. UCIs formed under the 1991 law were automatically converted into SIFs when the earlier law was repealed.

By means of this new law, Luxembourg sought to create a new legal framework for informed professional, institutional investors, better suited to their environment and needs, whilst observing the elementary rules on investor protection. The new law has meant that new products similar to the *fonds dédiés* available in France and the *Spezialfonds* available in Germany could be introduced.

With the advent of the SIF Law, a new category known as “informed investors” has been able to purchase these new products, whereas under the 1991 law, only investors classed as institutional could subscribe for shares or units in funds set up under the law.

Promoters wishing to create institutional funds can still do so under Part II of the 2002 law or can take advantage of the new provisions of the 2007 law.

The new legislation has had an undeniable impact on the Luxembourg market, since it made a far-reaching

contribution to attenuate the adverse effects of the 2008 crisis as a result of its attractiveness to investors, which has not diminished since it came into force.

At the end of 2007 and the end of 2008, 355 and 298 new SIFs respectively had been created in the space of two years, representing on average around 42% of the total number of funds launched in the period.

2009 benefited fully from the interest stimulated by this new investment vehicle with 203 SIFs launched, that is to say nearly 50% of the new funds registered for the whole of the year. In the following year, they accounted for up to 64% of newly registered funds.

2011 was an excellent year for fund creations, confirming how essential SIFs have become to the industry. They alone account for 59% of the new funds created in 2011 (or 277 SIFs), and thus made a significant contribution to the growth of the Luxembourg marketplace. A total of 1,510 SIFs (excluding liquidations and post-launch changes in legal status) has been set up since the introduction of the law in February 2007.

While during the first year after the new law, a 57% majority of the new funds created were set up in the form of FCPs (*Fonds commun de placement*), the trend completely

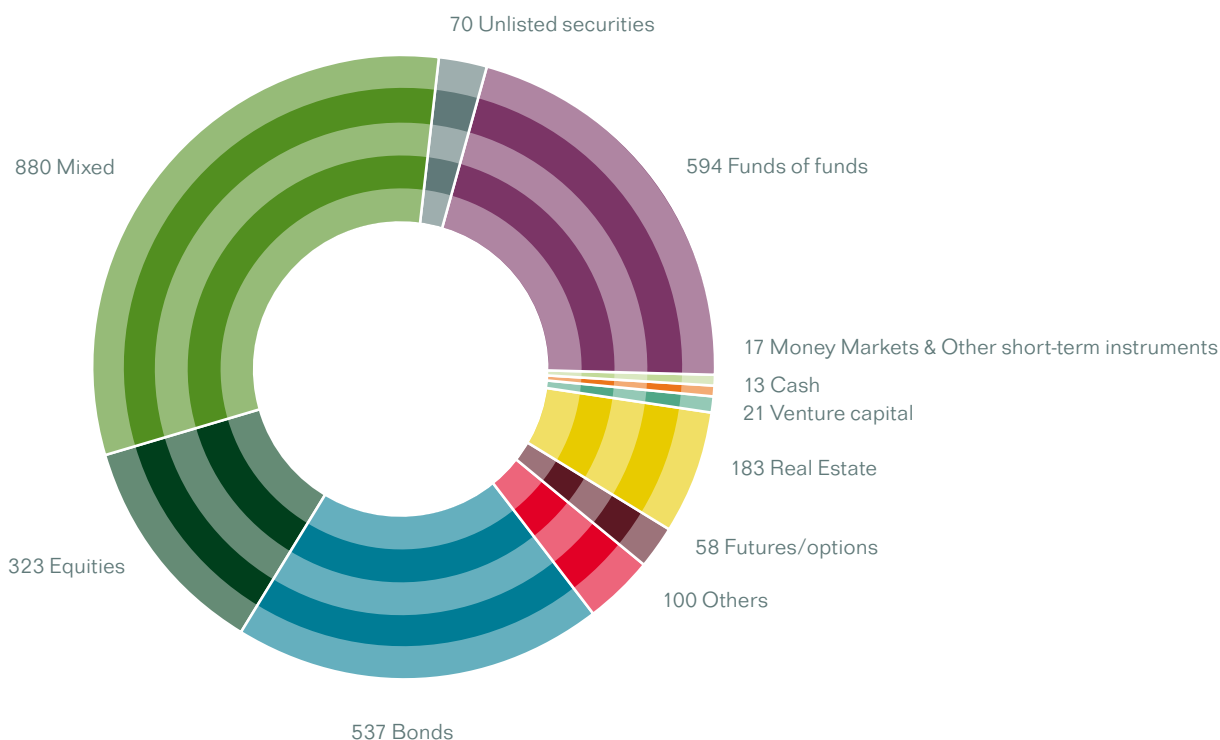
reversed from the following year and has stayed the same. In 2011, there were 53 new FCPs (a 59% decrease compared to 2010) and 211 new SICAVs (*Sociétés d'investissement à capital variable*), so the former accounted for 19% and the latter for 76%. The gap in the proportions has considerably widened in 2011, revealing the promoters' interest in a new legal structure: SICAFs, (*Sociétés d'Investissement à Capital Fixe*), 13 of which were launched in 2011 compared to only two in 2010.

Contrary to the number of fund units established under Part II of the 2002 law, which has been constantly going down since 2008, the number of fund units of SIFs has

continued to show double-digit growth, rising by 11.52% in 2011 compared to 18.31% in 2010 and 16.75% in 2009. With a +15.27% increase in the number of SIFs and an 11.76% increase in their net assets over the year, SIFs are the only category of funds to have seen their net assets under management rise in 2011, unlike part I funds (which have fallen by 6.08%) and part II funds, down by 9.23%.

SIFs are among the marketplace's leading products, now representing 35.7% of the number of funds, some 11.4% of total net assets and a constantly rising share of the Luxembourg fund market.

### Investment policy of Luxembourg SIFs at 31 December 2011 (number of fund units\*)

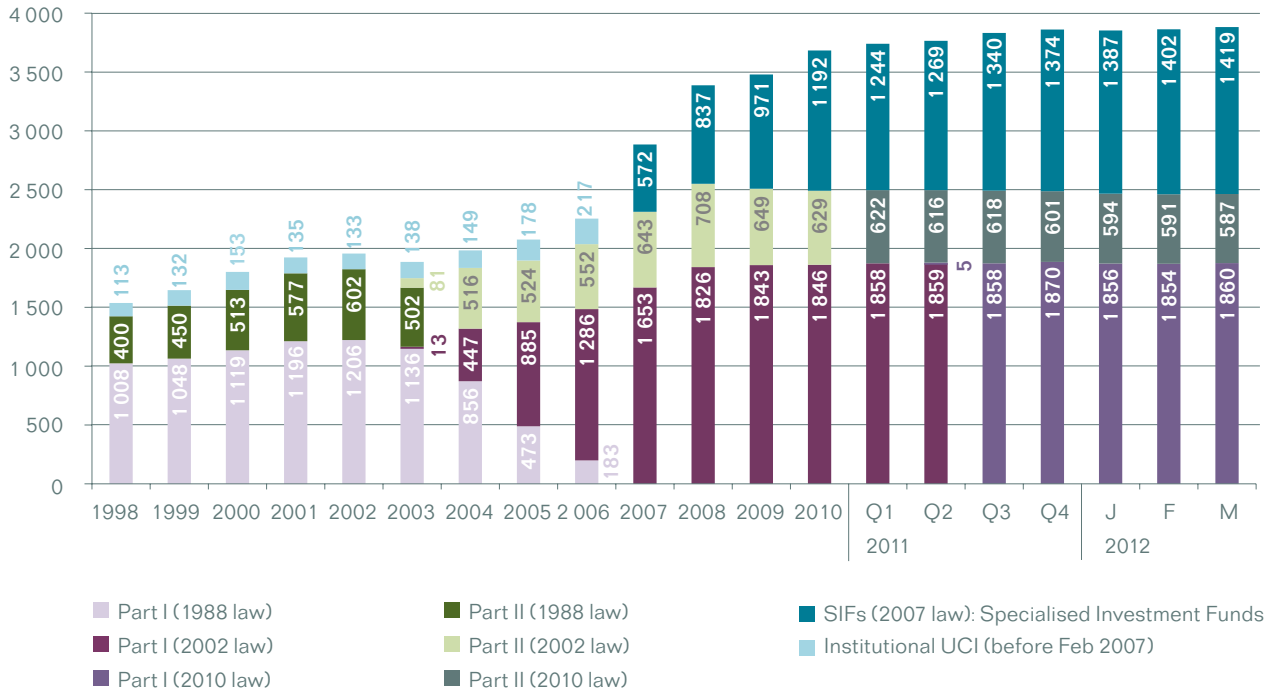


\* fund unit = the number of stand-alone funds plus the number of sub-funds in umbrella

Sources: CSSF/ALFI

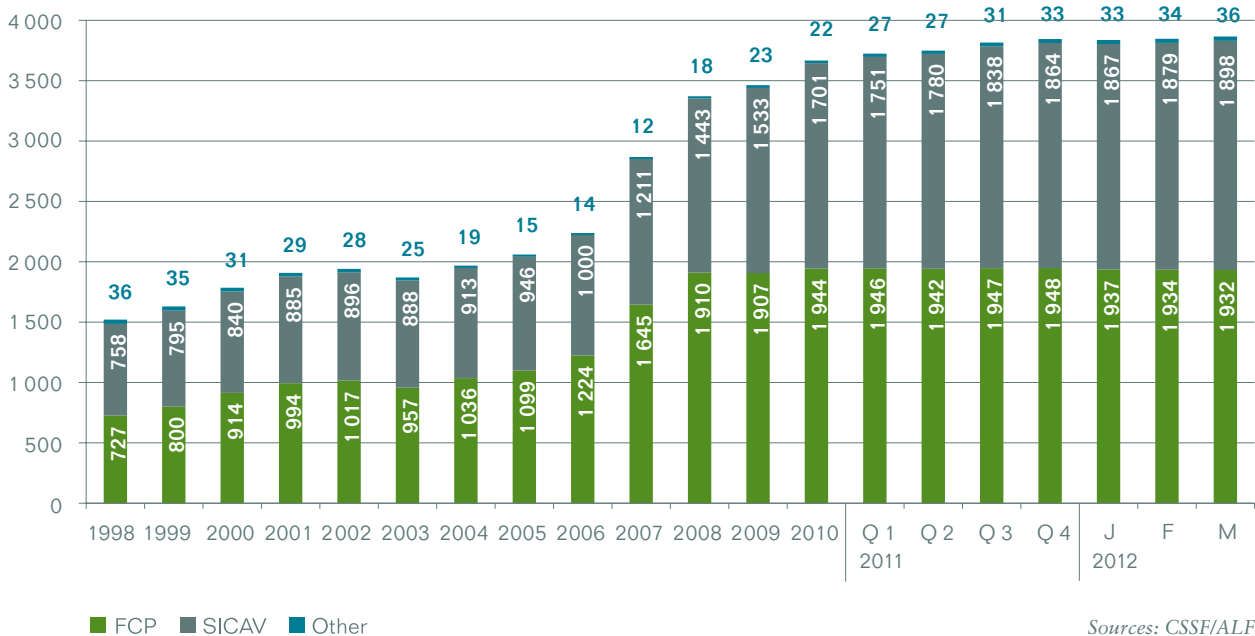
# the luxembourg investment fund industry in figures

## Legal status of Luxembourg domiciled investment funds (number of funds)



Sources: CSSF/ALFI

## Legal form of Luxembourg domiciled investment funds (number of funds)



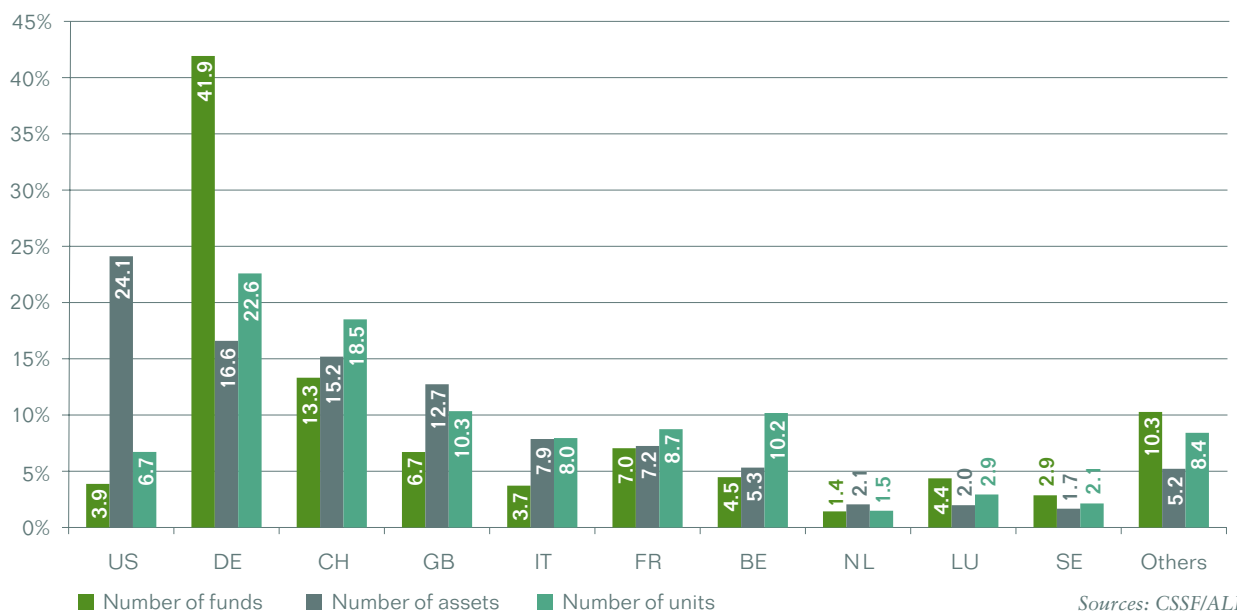
Sources: CSSF/ALFI

Until 1985, the FCPs (*Fonds commun de placement*) was legal form of favoured by promoters launching funds under Luxembourg law. Then, between 1986 and 1999, the SICAVs (*Sociétés d'investissement à capital variable*) came to the fore, overtaking FCPs during that period. Since the end of 1999, when FCPs and SICAVs each had a 49% share of the market equally, the trend has again reversed. The gap that used to exist between FCPs and SICAVs reappeared and widened slightly more every year in favour of FCPs. The 2008 crisis saw a return to the trend of the gap between FCPs and SICAVs tending once more to

narrow perceptibly. In 2009, restructuring of the range of products offered to investors primarily favoured SICAVs. At the end of 2011, FCPs still accounted for 50.66% of legal structures compared to 48.48% for SICAVs.

Today, at the end of March 2012, FCPs share the market virtually equally with SICAVs, representing 49.97% of all Luxembourg domiciled funds, and have therefore seen their market share decline steadily over the last three years. SICAVs have reached 49%, and the remaining 0.93% is made up of SICAFs.

### Market shares of promoters by country of origin at 31 December 2011



The fact that 2011 resulted in a 4.66% drop in net assets under management has not fundamentally impacted the geographical breakdown of the top ten Luxembourg investment fund promoters.

The top three, for years consisting of US, German and Swiss promoters, still account for more than 55% of the overall market as in 2010.

In 2011, in terms of net assets, US promoters held on to the first place which they have occupied since September 2009. As at 31 December 2011, they further increased their market share by 1.5 points as they have done every year since 2009, and now account for 24.1% of the Luxembourg fund industry at EUR 505.571 billion. They are followed by promoters of German origin with EUR 347.901 billion

(or 16.6%) who have seen their market share ease by 0.7 points for the third year running. Swiss promoters, for their part, retain third place with EUR 318.475 billion and a stable market share at just over 15%, as was the case last year.

In terms of absolute value, of the top 10 promoters, only two countries, the United States and Luxembourg, saw their net assets grow in 2011 (by 1.83% and 28.83% respectively) while the other countries experienced falls of between 2% and 16%. As far as US promoters are concerned, this rise (EUR 9.078 billion) was primarily significant in the fourth quarter of 2011 and probably attributable to a rise in the dollar/euro exchange rate in favour of the dollar given that the number of fund units remained generally stable in 2011 with growth comparable to that of the fund industry as a

## the luxembourg investment fund industry in figures

whole, increasing by 2.76% or a net 24 fund units (net variation).

Alongside this, Luxembourg promoters stood out for the first time. In 2011, they achieved the highest rise both in terms of net assets (EUR 9.298 billion or 28.33%) and number of fund units (57, or 17.12%), rising one place to ninth position in the top ten for net assets by origin of promoter.

At the same time, UK, German and French promoters recorded the largest falls in net assets in 2011, at EUR -40.595 billion, EUR -32.923 billion and EUR -28.358 billion respectively, totalling 99.41% of the annual reduction of EUR 102.482 billion. While French promoters experienced simultaneously a 15.73% fall in their net assets and a 5.83% reduction in their number of fund units, the same is not true of German and UK promoters. Their net assets declined throughout 2011, and they gave up their fifth place at the end of June, exactly one year after gaining it, to Italian promoters who, with EUR 164.915 billion of net assets at the end of 2011, ended up with the same 7.9% market share as in 2010.

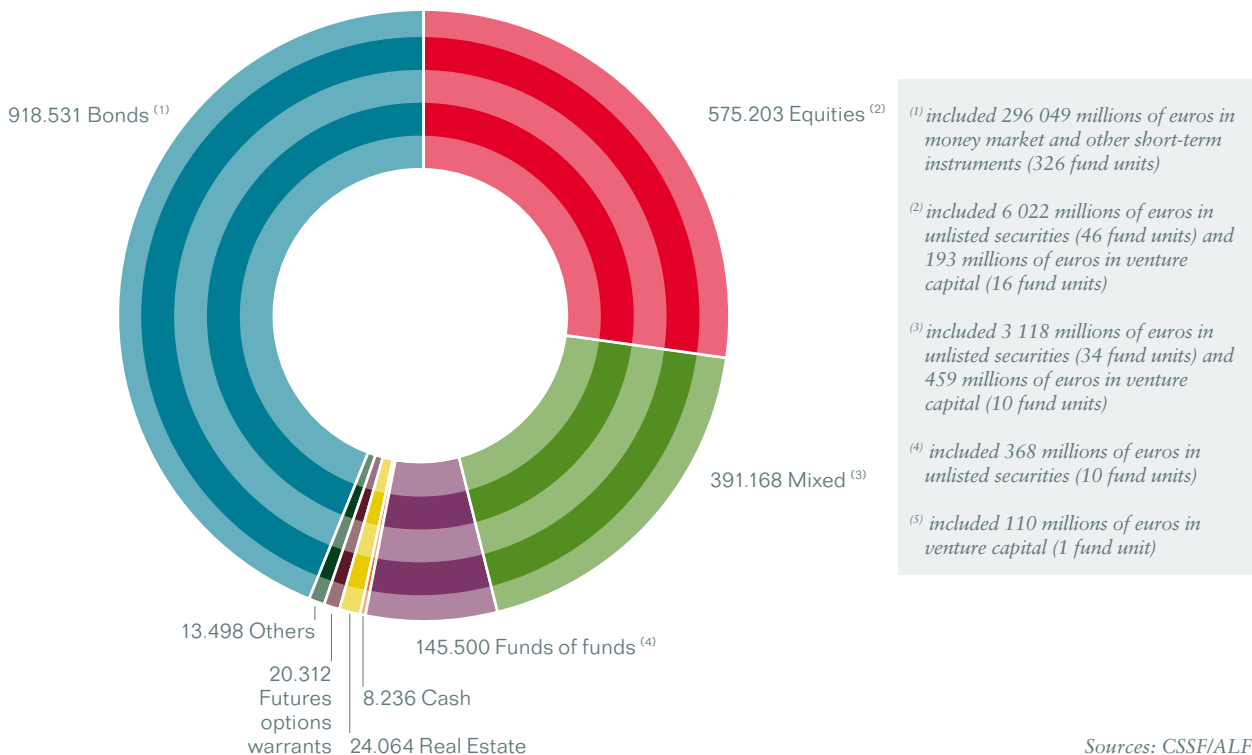
The number of net fund units created by German promoters in 2011 was generally down but remained positive at 1.08% i.e.

32 fund units, compared with 102 in 2010. Next to them, UK promoters were the most active with 140 net fund units, an 11.34% rise compared to 2010. They thus had a 39.22% share of the total number of net fund units created over the year. Thanks to this sustained activity, combined with a net drop of 93 fund units for Belgian promoters, UK promoters, with a total of 1,353 fund units at the end of 2011, were propelled into fourth place in terms of the number of fund units by promoter origin. In fact, with 1,353 fund units (or 10.2% of the market) Belgian promoters still recorded a one-point loss of market share.

Since September 2007, German promoters have held the top position in terms of market share both as regards the number of funds (41.9% or 1,612 funds) and the number of fund units (22.6% or 3,003 fund units). Traditionally favouring non-compartmentalised funds, they are the biggest in the Luxembourg global market by number of funds.

Generally speaking, 2011 was a very uneven year in terms of promoter nationality, being impacted to a greater or lesser extent by the general decrease in net assets in the Luxembourg fund industry.

### Investment policy of Luxembourg investment funds at 31 December 2011 (in billions of euros)



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While in 2008, with the financial crisis, the landscape of Luxembourg investment funds underwent far-reaching change in terms of investment policy, with a redistribution of the weighting which had existed for years between the various categories, in 2009 there was a perceptible shift back towards something closer to the pre-2008 configuration. 2010, regarded as a year of stabilisation following emergence from crisis, confirms that trend, which is much more striking when one compares the 2010 data with those of 2008.

2011 was seriously affected by political and economic events, and particularly the eurozone and the sovereign debt crisis, which dominated the media during the second half of the year, significantly damaging investor confidence. Despite the introduction of austerity plans, ECB interventions and European Union bailout proposals, investors became much more risk averse. This resulted in very high volatility in all financial markets, with most indices down on the year, including the STOXX Europe 600 and MCSI Europe. At the end of 2011, Luxembourg funds changed their policies to reflect all of these factors.

Taking into account various economic and financial circumstances, investors concentrated on products with a more balanced risk profile. As a result, “variable-income securities” suffered most from the fall in the financial markets during 2011, and their net assets declined by 16.53% to EUR 575.203 billion at the year end, losing 4 basis points in market share to end the year at 27.5%. Equity funds alone accounted for 111% of the annual decline in net assets in 2011 (EUR -113.906 billion, compared to EUR -102.482 billion for the fund industry as a whole).

Once again in 2011, investors preferred “diversified securities”, which accounted for 315, or 88%, of the net 357 fund units created. By increasing their market share expressed in number of fund units by more than 4 points over the last two years to more than 29% at the end of 2011 (3,901 fund units), mixed funds became the largest asset class in the Luxembourg investment fund industry. With a total figure of EUR 391.168 billion as at 31 December 2011, the net assets of mixed and balanced funds increased by only 3.79% (EUR 14.270 billion) over the year compared to the remarkable 27.17% achieved in 2010. Finally, at the end of 2011, they accounted for 18.66% of the investment fund industry.

By contrast, the net assets of “fixed-income securities”, which include money market instruments and other short-term securities, increased by only 0.57% (EUR 5.220 billion), thereby remaining the leading asset class with EUR 918.531 billion at the end of December. Nevertheless, the fixed-income sector continued to represent over 40% of assets under management, rising to 43.81% as at 31 December 2011, that is, an increase of more than 2 points up on the year.

Since 2009, these three asset class categories alone have made up 90% of the fund sector as a whole.

Among the other asset classes, “cash” category returned to growth, with net assets up by 5% in 2011 following sharp falls in net assets of 45.97% in 2010 and 34.67% in 2009. However, against a background of low-interest rates, this category no longer found favour with investors, with a net reduction of 31.43% in the number of units, from 140 at the end of 2010 to only 96 in 2011, out of the 13,294 fund units making up the fund industry. Their net assets stood at EUR 8.236 billion at the end of 2011.

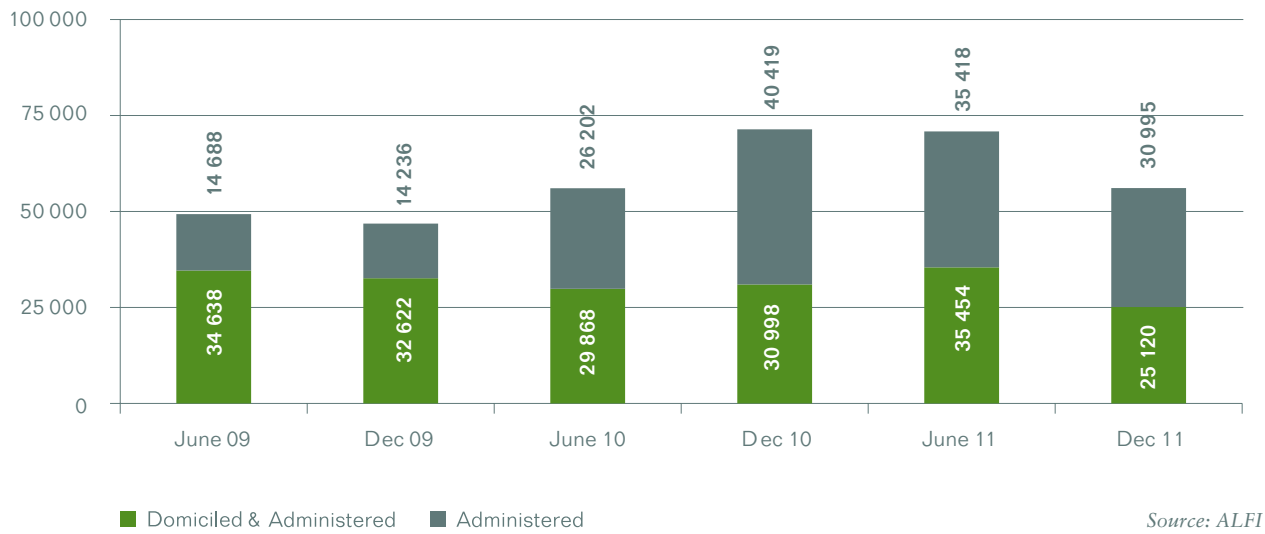
The “funds of funds” category followed the general trend, with net assets down by 9.46% to EUR 145.500 billion during 2011.

Only “real estate funds” maintained a similar level of activity to that of 2010. Net fund units were up by 31, compared to 29 in 2010, and net assets increased by 12.31% over the year.

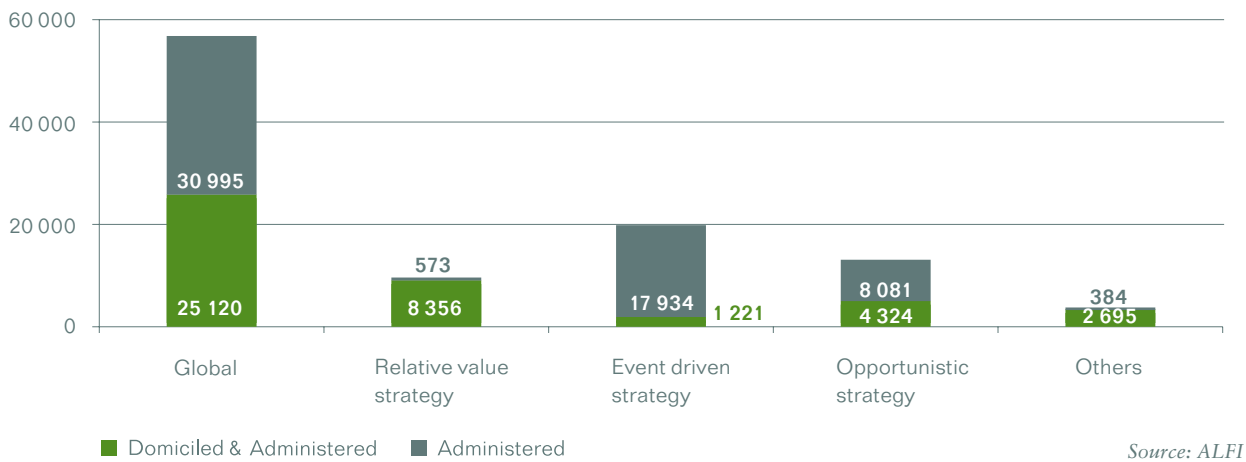
In conclusion, all asset classes, with the exception of real estate funds and other securities, suffered from annual decline to a greater or lesser extent.

# the luxembourg investment fund industry in figures

Net assets in hedge funds under administration in Luxembourg (in millions of euros)



Net assets in hedge funds breakdown by strategy at 31 December 2011 (in millions of euros)



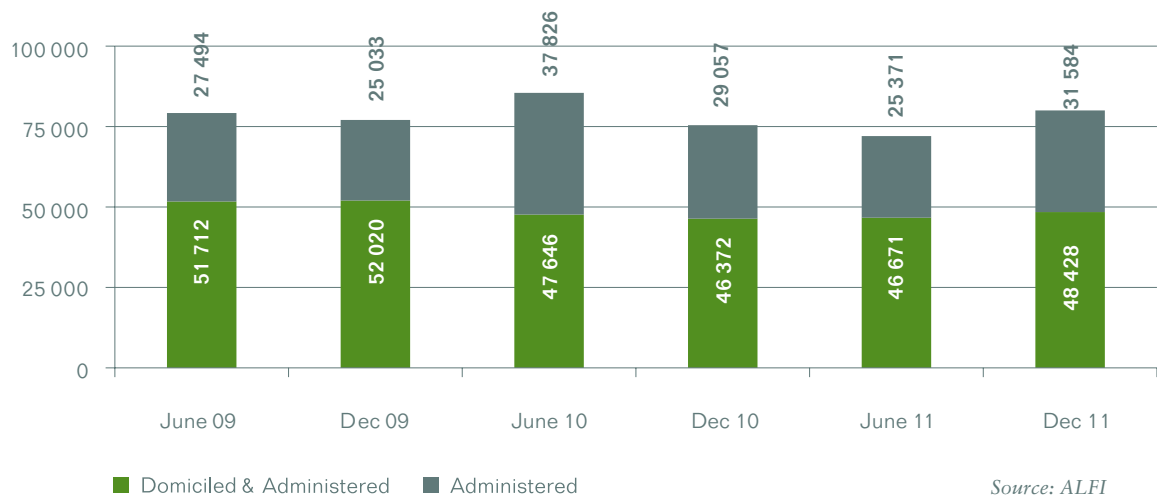
Between December 2003, when ALFI launched its first member survey of hedge funds, and June 2007, the sector represented by hedge funds domiciled in Luxembourg had grown continuously. Net assets multiplied 12.5 times over that period, reaching EUR 58.566 billion at the end of June 2007. With the sub-prime crisis in August 2007 however, they saw their net assets diminish steadily, even in 2009 and 2010, when there was a return to growth rates of more than 18% in the investment fund industry.

In 2011, while the Luxembourg fund industry saw its net assets decline by 4.66%, the domiciled hedge fund sector

plunged by 18.96%. With net assets standing at EUR 25,120 billion as of 31 December 2011, the sector has in fact experienced an overall slump of 57% since June 2007.

However, a slight caveat applies to 2011. Over the first half of the year, the net assets of domiciled hedge funds improved by 14.37%, largely offsetting the annual fall of 4.98% recorded in late 2010, and despite a simultaneous 6.86% decrease in the number of fund units. At the end of June 2011, the number of fund units was 380, the same as a year ago.

## Net assets in funds of hedge funds under administration in Luxembourg (in millions of euros)



In the second half of the year, the domiciled hedge fund sector was dominated by investor fears and very high volatility (with a downward trend) in the financial markets. At the end of December 2011, with net assets down 29.15% over the last six months (that is to say a total amount of EUR 25.120 billion), domiciled hedge funds failed to capitalise on that volatility. On the contrary, the market contracted and the number of fund units offered to investors dropped a further 7.37% to 352. We need to go back to the first half of 2007 to see an equivalent number of fund units. At the same time, the number of domiciled hedge fund legal structures also contracted by 21%. Thus, at 31 December 2011 there were 120 hedge fund legal entities, (compared to 152 a year earlier).

Whereas domiciled hedge funds dominated the sector until 2009, this primacy was reversed in 2010 in favour of non-domiciled hedge funds and lasted during 2011. Non-domiciled but administrated hedge funds saw their net assets diminish by more than 12% in net assets in each half of 2011, falling from EUR 40.419 billion at the end of 2010 to EUR 30.995 billion at 31 December 2011. In a similar way to domiciled hedge funds, this decrease in net assets was also accompanied by a 4.58% fall in the number of fund units (i.e. a total of 125 fund units compared with 131 at the end of 2010). Non-domiciled hedge funds now account for 55% of the Luxembourg market in administrated hedge funds.

In terms of the strategies favoured by hedge funds domiciled in Luxembourg, there was no asset reallocation in 2011, thus the breakdown established in 2010 did not change. The most common strategies were “relative value strategies”, which increased by 2 points and accounted for 33% of net assets at

the end of 2011 compared to 31% at the end of 2010. “Opportunistic strategies” slipped back slightly over 1 point with a market share of 17.2% compared with 18.5% at the end of 2010. “Event-driven strategies” remained stable at 4.9%.

For hedge funds administered but not domiciled in Luxembourg, conversely, event-driven strategies which had become dominant in late 2010 at 53% of net assets continued their ascent, representing 58% at the end of 2011. Following close on their heels, opportunistic strategies were becoming a strategy of choice, increasing from 7.2% of net assets at the 2010 year end to 26.1% in 2011.

Whilst the funds of hedge funds sector has been losing momentum since 2008, affected by an outflow since the crisis, in 2011 it developed against the general hedge fund trend, revealing positive growth rates.

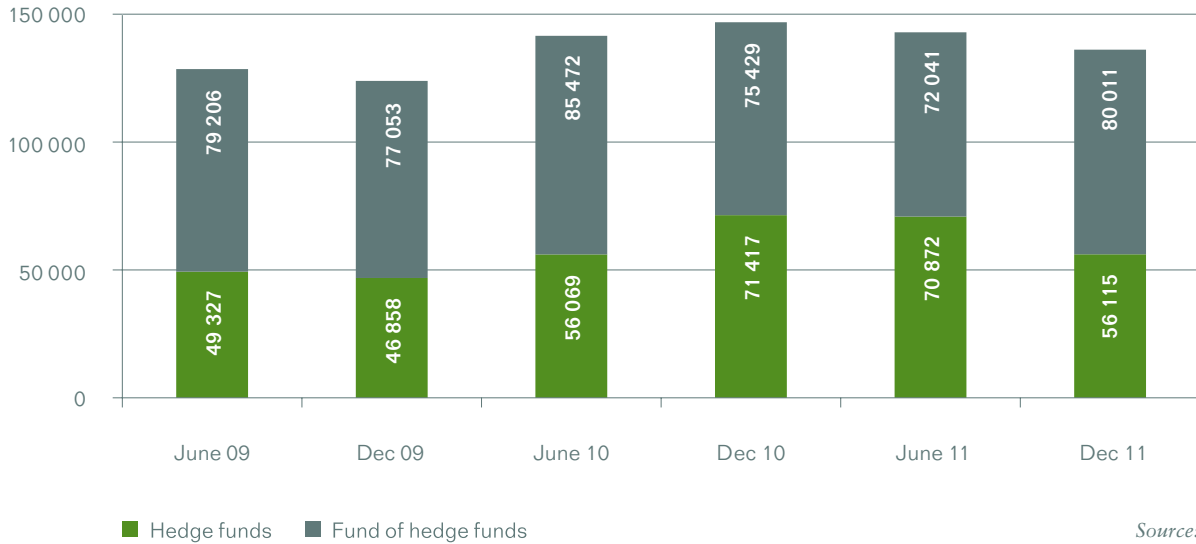
As at 31 December 2011, funds of hedge funds, both domiciled and non-domiciled, recorded rises in net assets of 4.43% and 8.69% respectively over the year (that is to say, EUR 48.428 billion for domiciled funds of hedge funds and EUR 31.584 billion for non-domiciled funds of hedge funds by the end of 2011).

However, it is important to note that non-domiciled funds of hedge funds saw a significant slide of nearly 13% in net assets in the first half of the year before bouncing back to 24.5% in the second half.

That annual growth was followed by a 2.63% increase in the number of fund units for the sector as a whole in 2011.

# the luxembourg investment fund industry in figures

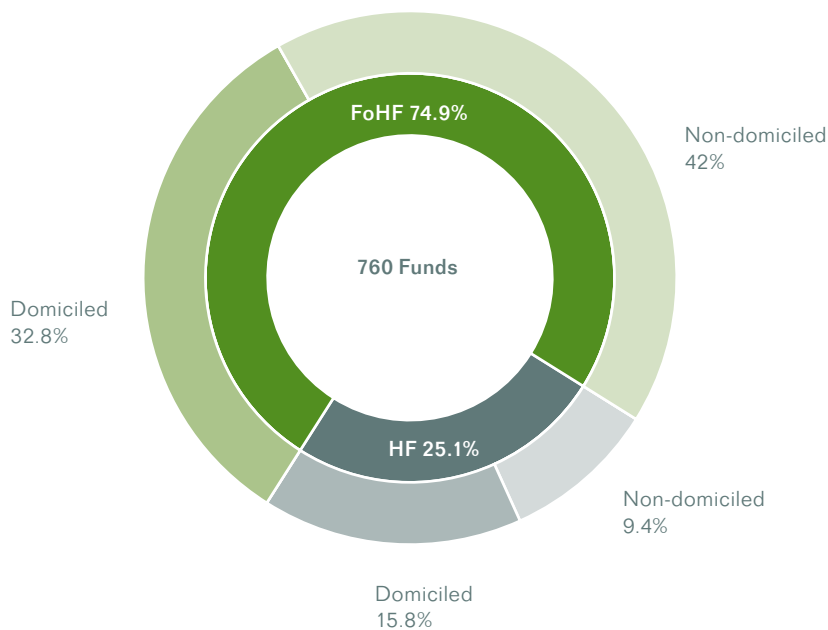
Combined net assets in hedge funds and funds of hedge funds under administration in Luxembourg (in millions of euros)



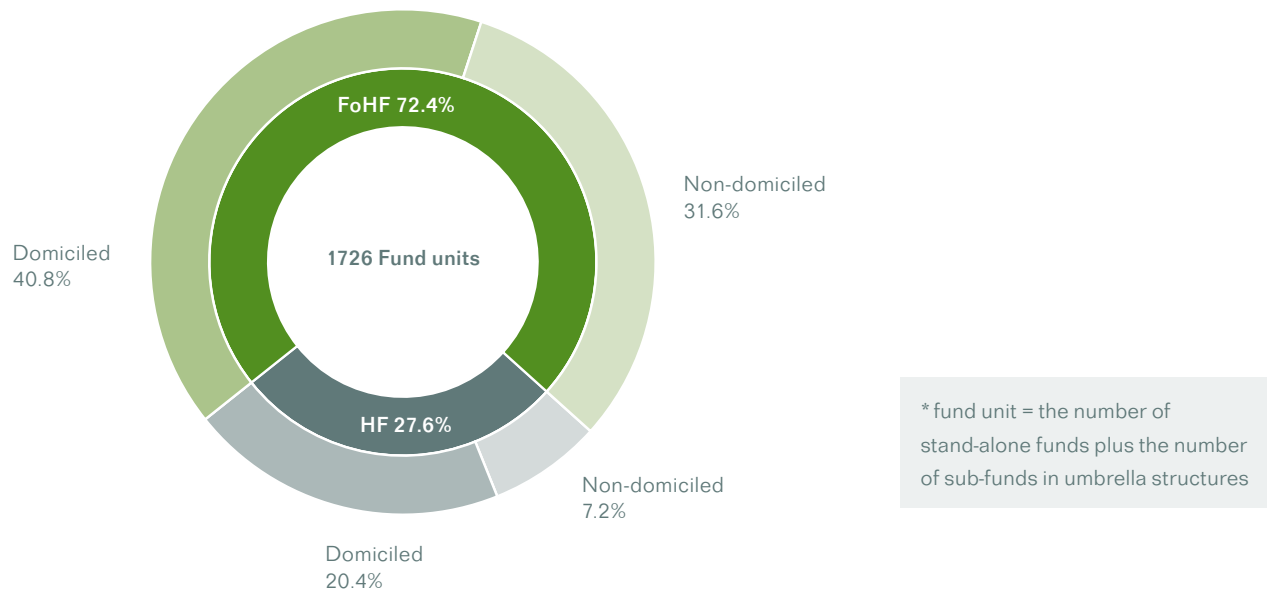
At the end of 2011, there were 703 fund units for domiciled funds of hedge funds and 546 fund units for non-domiciled funds of hedge funds. Although the hedge funds and funds of hedge funds industry experienced an overall fall of 7.30% in net assets

under management compared with 2010, recording EUR 136.126 billion at the end of 2011, developments were fundamentally different in each of these sectors. With 58.8% of the sector, funds of hedge funds dominate overall in the hedge fund sector.

Global overview of hedge funds & funds of hedge funds at 31 December 2011 (number of funds)



Global overview of hedge funds & funds of hedge funds at 31 December 2011 (number of fund units\*)



Source: ALFI

The total number of hedge funds under management was 191 in 2011 compared with 216 at the end of 2010. The number of portfolios or fund units fell -as in 2010- by 11.50% during the year, to 477 fund units. 90% of that drop can be attributed to the reduction in the number of fund units in the domiciled hedge fund sector.

Funds of hedge funds with 569 entities (up 49% in 2011) and 1,249 fund units (up 2.63% in 2011), clearly up on 2010, are widening the previously existing gap with hedge funds and now account for nearly three quarters of the market (between 75% and 72.5% depending on whether one is talking about legal entities or fund units).

Thanks to a very large surge in the number of legal entities in 2011, non-domiciled funds in Luxembourg have more than won back the market shares they lost in 2010, and now account for more than half of the market, with 51.4% (compared with 46.2% in 2009).

This trend is distinctly less marked in terms of fund units, whose market share is slightly up, at 38.9%, compared to 37.6% at the end of 2010. This can be explained by the fact that not all foreign jurisdictions allow investment funds to be set up in the form of umbrella structures as in Luxembourg.

## **governing bodies of alfi**

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## 1. board of directors

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<b>Marc Saluzzi</b>	Chairman	PricewaterhouseCoopers S.à r.l
<b>Gilbert Schintgen</b>	Vice Chairman, National Affairs	UBS Fund Management (Luxembourg) S.A.
<b>Denise Voss</b>	Vice Chairman, International Affairs	Franklin Templeton Investments
<b>Julien Zimmer</b>	Treasurer	DZ PRIVATBANK S.A.
<b>Jean-Christoph Arntz</b>	Allianz Global Investors Luxembourg S.A.	
<b>Georges Bock</b>	KPMG Luxembourg S.à r.l	
<b>Freddy Brausch</b>	Linklaters LLP	
<b>Stéphane Brunet</b>	BNP Paribas Investment Partners Luxembourg S.A.	
<b>Pascal Chauvaux</b>	Pictet & Cie (Europe) S.A.	
<b>Jacques Elvinger</b>	Elvinger, Hoss & Prussen	
<b>Michael Ferguson</b>	Ernst & Young S.A.	
<b>Noel Fessey</b>	Schroder Investment Management (Luxembourg) S.A.	
<b>Rafik Fischer</b>	KBL European Private Bankers S.A.	
<b>Jonathan P. Griffin</b>	JPMorgan Asset Management (Europe) S.à r.l	
<b>Ewald Hamlescher</b>	Swiss & Global Asset Management (Luxembourg) S.A.	
<b>Claude Hellers</b>	FIL (Luxembourg) S.A.	
<b>Holger Hildebrandt</b>	Deka International S.A.	
<b>Rudolf Kessel</b>	Union Investment Luxembourg S.A.	
<b>Lou Kiesch</b>	Deloitte Luxembourg	
<b>Jean-Michel Loehr</b>	RBC Dexia Investor Services Bank S.A.	
<b>Michel Maquil</b>	Société de la Bourse de Luxembourg S.A.	
<b>Claude Niedner *</b>	Arendt & Medernach	
<b>Thomas Seale</b>	European Fund Administration S.A.	
<b>Germain Trichies</b>	Credit Suisse Fund Management S.A.	
<b>Camille Thommes</b>	Director General	Association of the Luxembourg Fund Industry
<b>Anouk Agnes</b>	Director Communications and Business Development	Association of the Luxembourg Fund Industry
<b>Evelyne Christiaens</b>	Secretary of the Board of Directors	Association of the Luxembourg Fund Industry

\*replaces Claude Kremer, coopted on 7th July 2011

## 2. executive committee

<b>Marc Saluzzi</b>	Chairman	PricewaterhouseCoopers S.à r.l
<b>Gilbert Schintgen</b>	Vice Chairman, National Affairs	UBS Fund Management (Luxembourg) S.A.
<b>Denise Voss</b>	Vice Chairman, International Affairs	Franklin Templeton Investments
<b>Julien Zimmer</b>	Treasurer	DZ PRIVATBANK S.A.
<b>Camille Thommes</b>	Director General	Association of the Luxembourg Fund Industry
<b>Anouk Agnes</b>	Director Communications and Business Development	Association of the Luxembourg Fund Industry
<b>Pierre Oberlé</b>	Secretary of the Executive Committee	Association of the Luxembourg Fund Industry

## 3. technical committees chairpersons group

<b>Marc Saluzzi</b>	Chairman	PricewaterhouseCoopers S.à r.l
<b>Gilbert Schintgen</b>	Vice Chairman, National Affairs	UBS Fund Management (Luxembourg) S.A.
<b>Denise Voss</b>	Vice Chairman, International Affairs	Franklin Templeton Investments
<b>Julien Zimmer</b>	Treasurer	DZ PRIVATBANK S.A.
<b>Jean-Christoph Arntz</b>	Chairman Risk Management Committee	Allianz Global Investors Luxembourg S.A.
<b>Georges Bock</b>	Chairman Tax Committee	KPMG Luxembourg S.à r.l
<b>Freddy Brausch</b>	Chairman Legal and Regulatory Committee (International Affairs)	Linklaters LLP
<b>Olivier Carré</b>	Co-Chairman Risk Management Committee	PricewaterhouseCoopers S.à r.l
<b>Josée-Lynda Denis</b>	Chairwoman TA Forum	
<b>Martin Dobbins</b>	Chairman ABBL/ALFI Depository Bank Forum	State Street Bank Luxembourg S.A.
<b>Jacques Elvinger</b>	Chairman Legal and Regulatory Committee (National Affairs)	Elvinger, Hoss & Prussen
<b>Lucien Euler</b>	Chairman Human Resources & Training Committee	Luxcellence Management Company S.A.
<b>Michael Ferguson</b>	Chairman Promotion Committee	Ernst & Young S.A.
<b>Noel Fessey</b>	Chairman Fund Distribution Committee	Schroder Investment Management (Luxembourg) S.A.
<b>Henry Kelly</b>	Chairman Fund Governance Forum	KellyConsult S.à r.l
<b>Rudolf Kessel</b>	Chairman Investor Forum	Union Investment Luxembourg S.A.
<b>Bob Kneip</b>	Co-Chairman Conferences & Communication Committee	Kneip Communication S.A.
<b>John Li</b>	Chairman Pensions & Long Term Savings Committee	The Director's Office S.A.
<b>José-Benjamin Longrée</b>	Co-Chairman Conferences & Communication Committee	
<b>Claude Niedner</b>	Chairman Alternative Investments Committee	Arendt & Medernach
<b>Thomas Nummer</b>	Co-Chairman Risk Management Committee	Carne Global Financial Services, Luxembourg S.à r.l
<b>Frédéric Pérard</b>	Chairman Operational Techniques Committee	BNP Paribas Securities Services, succursale de Luxembourg
<b>Julian Presber</b>	Chairman Statistics & Financial Research Committee	Luxembourg School of Finance
<b>Thomas Seale</b>	Chairman Responsible Investing Committee	European Fund Administration S.A.

<b>Camille Thommes</b>	Director General	Association of the Luxembourg Fund Industry
<b>Anouk Agnes</b>	Director Communications and Business Development	Association of the Luxembourg Fund Industry
<b>Evelyne Christiaens</b>	Secretary of the Technical Committees Chairpersons Group	Association of the Luxembourg Fund Industry

## 4. strategic advisory board

<b>Marc Saluzzi</b>	Chairman	PricewaterhouseCoopers S.à r.l
<b>Denise Voss</b>	Vice Chairman, International Affairs	Franklin Templeton Investments
<b>Pierre Cimino</b>	CACEIS Bank Luxembourg	
<b>Noel Fessey</b>	Schroder Investment Management (Luxembourg) S.A.	
<b>Rafik Fischer</b>	KBL European Private Bankers S.A.	
<b>Diana Mackay</b>	MackayWilliams LLP	
<b>Julian Presber</b>	Luxembourg School of Finance	
<b>Jean-Nicolas Schaus</b>		
<b>Thomas Seale</b>	European Fund Administration S.A.	
<b>Klaus-Michael Vogel</b>	DWS Investment S.A.	
<b>Camille Thommes</b>	Director General	Association of the Luxembourg Fund Industry
<b>Anouk Agnes</b>	Director Communications and Business Development	Association of the Luxembourg Fund Industry
<b>Pierre Oberlé</b>	Secretary of the Strategic Advisory Board	Association of the Luxembourg Fund Industry

## 5. regulatory advisory board

<b>Jacques Elvinger</b>	Chairman of the Regulatory Advisory Board	Elvinger, Hoss & Prussen
<b>Jean-Michel Loehr</b>	Vice Chairman of the Regulatory Advisory Board	RBC Dexia Investor Services Bank S.A
<b>Freddy Brausch</b>	Linklaters LLP	
<b>Stéphane Brunet</b>	BNP Paribas Investment Partners Luxembourg S.A.	
<b>Jonathan P. Griffin</b>	JPMorgan Asset Management (Europe) S.à r.l	
<b>Holger Hildebrandt</b>	Deka International S.A.	
<b>Lou Kiesch</b>	Deloitte Luxembourg	
<b>Claude Niedner</b>	Arendt & Medernach	
<b>Gilbert Schintgen</b>	UBS Fund Management (Luxembourg) S.A.	
<b>Julien Zimmer</b>	DZ PRIVATBANK S.A.	
<b>Susanne Weismüller</b>	Secretary of the Regulatory Advisory Board	Association of the Luxembourg Fund Industry

## 6. alfi head office

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### Directory

Camille Thommes, Director General, [camille.thommes@alfi.lu](mailto:camille.thommes@alfi.lu)  
Anouk Agnes, Director Communications & Business Development,  
[anouk.agnes@alfi.lu](mailto:anouk.agnes@alfi.lu)

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### Administration

The Administration department is in charge of

- Organisation and administration of ALFI's Technical Committees & Working Groups (meetings, membership applications, documents): [committees@alfi.lu](mailto:committees@alfi.lu)
- Registrations for non-paying meetings and seminars: [registrations@alfi.lu](mailto:registrations@alfi.lu)
- Accounting
- Database
- IT and website

**Team members are:**

**Support:** Françoise Boettcher, [francoise.boettcher@alfi.lu](mailto:francoise.boettcher@alfi.lu)  
Filipe de Lemos, [filipe.delemos@alfi.lu](mailto:filipe.delemos@alfi.lu)  
Claude Leuschen, [claudio.leuschen@alfi.lu](mailto:claudio.leuschen@alfi.lu)  
Adina Lupu, [adina.lupu@alfi.lu](mailto:adina.lupu@alfi.lu)  
Ihsane Silistre, [ihsane.silistre@alfi.lu](mailto:ihsane.silistre@alfi.lu)

**Accounting:** Murielle Albessard, [murielle.albessard@alfi.lu](mailto:murielle.albessard@alfi.lu)  
Lydia Galla-Ruscitti, [lydia.galla@alfi.lu](mailto:lydia.galla@alfi.lu)  
Catherine Levanti, [catherine.levanti@alfi.lu](mailto:catherine.levanti@alfi.lu)

**IT:** Laurent Molitor, [laurent.molitor@alfi.lu](mailto:laurent.molitor@alfi.lu)

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### Industry Affairs & Statistics

This department tracks all issues relating to fund operation and administration, from the accounting, TA, depositary, IT, technical, statistical and reporting angle. It also produces market statistics and handles membership relations.

**Team members are:**

François Drazdik, [francois.drazdik@alfi.lu](mailto:francois.drazdik@alfi.lu)  
Alexander Fischer, [alexander.fischer@alfi.lu](mailto:alexander.fischer@alfi.lu)  
Régine Rugani, [regine.rugani@alfi.lu](mailto:regine.rugani@alfi.lu)

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### Business Development

This unit supervises and coordinates ALFI's promotion, development, research and communication efforts. It organises conferences, roadshows, member seminars and press events, publishes promotional material and handles website content.

**Team members are:**

**Communication & Business development**  
Anouk Agnes, [anouk.agnes@alfi.lu](mailto:anouk.agnes@alfi.lu)  
Marthe Noesen, [marthe.noesen@alfi.lu](mailto:marthe.noesen@alfi.lu)  
Pierre Oberlé, [pierre.oberle@alfi.lu](mailto:pierre.oberle@alfi.lu)  
Anna Příhodová, [anna.prihodova@alfi.lu](mailto:anna.prihodova@alfi.lu)

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#### Events

Andreea Bran, andreea.bran@alfi.lu  
Siobhán Roche, siobhan.roche@alfi.lu  
Irene Schultz-Gerstein, irene.schultz@alfi.lu  
Virginie Tripet, virginie.tripet@alfi.lu  
Eleftheria Kollia, eleftheria.kollia@alfi.lu  
Karen Tsang, karen.tsang@alfi.lu

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#### Legal & Tax Affairs

The Legal and tax affairs team tracks regulatory developments at international and national level. It prepares and coordinates responses to regulatory consultations, and analyses and addresses legal issues.

#### Team members are:

Evelyne Christiaens, evelyne.christiaens@alfi.lu  
Eva Hartmann (secondment), eva.hartmann@alfi.lu  
Isabel Hog-Jensen, isabel.hog-jensen@alfi.lu  
Susanne Weismüller, susanne.weismueller@alfi.lu

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#### Asia Representative Office

The office promotes the Luxembourg fund industry, maintains a dialogue with stakeholders, monitors regulatory and legal developments, ensures contact with local sister associations and regulatory authorities, provides support for ALFI events in the region and handles follow-up for visits and roadshows in Asia.

Ching Yng Choi, chingyng.choi@alfi.lu

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#### ABBL/ALFI Representation Office, Brussels

The Brussels office represents both ALFI and ABBL to the EU institutions. It maintains and enhances networking, monitors and gathers information and presents the associations' views to European policy makers.

Aurélie Cassou, aurelie.cassou@abbl-alfi.lu  
Antoine Kremer, antoine.kremer@abbl-alfi.lu

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#### Luxembourg for Finance

ALFI is one of the main contributors to Luxembourg for Finance and has assigned two of its staff members to the activities of LFF.

Jean-Jacques Picard, jean-jacques.picard@lff.lu  
Eleanor de Rosmorduc, eleanor.derosmorduc@lff.lu

## 7. structure of alfi committees 2011/2012

■ Committee ■ Sub-Committee ■ Working Group ■ Sub-Working Group

### **B** Promotion Committee

Chairman: **Michael Ferguson**

(Ernst & Young S.A.)

ALFI Coordinator: **Pierre Oberlé**

#### **B** Promotion Steering Committee

**Michael Ferguson**

(Ernst & Young S.A.)

#### **B1** Europe

**Mark Evans**

(PricewaterhouseCoopers S.à r.l.)

#### **B2** Asia Pacific

**Gast Juncker**

(Elvinger, Hoss & Prussen)

#### **B3** Middle East

**Germain Birgen**

#### **B3.1** Dubai

**Valérie Mantot** (Loyens & Loeff)

#### **B4** America

**Joe Hendry** (Brown Brothers

Harriman (Luxembourg) S.C.A.)

#### **C2.1.1** REIF Fin. Framework, Valuation of Properties, Nav, Fin. Reporting

**Benjamin Lam**

(Deloitte Luxembourg)

**Alison Macleod**

(KPMG Luxembourg S.à r.l.)

#### **C2.1.2** REIF Depositories

**Rodrigo Delcourt** (Linklaters LLP)

**Michael Hornsby** (Ernst & Young S.A.)

#### **C2.1.3** REIF Transfer Agency & Distribution

**Patrick Reuter**

(Elvinger, Hoss & Prussen)

**Renaud Breyer** (Ernst & Young S.A.)

#### **C2.1.4** REIF Fund Administration

**Edith Baggott** (Brown Brothers

Harriman (Luxembourg) S.C.A.)

**Robert Brimeyer**

(Alter Domus Luxembourg S.à r.l.)

#### **C2.2** REIF Marketing

**Catherine Martougin**

(Arendt & Medernach)

**Stéphane Haot**

(KPMG Luxembourg S.à r.l.)

#### **C2.2.1** REIF Publications

**Jeannette Vaude-Perin**

(Arendt & Medernach)

**Johan Terblanche** (Loyens & Loeff)

#### **C2.2.2** REIF Events

**René Paulussen**

(PricewaterhouseCoopers S.à r.l.)

**Lize Griffiths**

(Deloitte Luxembourg)

#### **C2.2.3** REIF Industry Associations & Distribution Channels

**Catherine Baudhuin**

(Alter Domus Luxembourg S.à r.l.)

#### **C2.4** REIF Training

**Frauke Carola Oddone**

(KPMG Luxembourg S.à r.l.)

**Conor Cleere**

(Citco Bank Nederland N.V.

Luxembourg Branch)

#### **C2.5** REIF Strategy

**Joëlle Hauser-Thannen**

(Clifford Chance)

#### **C3** Private Equity & Venture Capital

**Gilles Dusemon**

(Arendt & Medernach)

**Alain Kinsch** (Ernst & Young S.A.)

### **C** Alternative Investments Committee

Chairman: **Claude Niedner**

(Arendt & Medernach)

ALFI Coordinator: **Isabel Hog-Jensen**

#### **C1** Hedge Funds

**Jerôme Wigny**

(Elvinger, Hoss & Prussen)

**Michael Ferguson**

(Ernst & Young S.A.)

#### **C1.1** Promotion of Luxembourg

**Alain Guérard**

(ManagementPlus (Luxembourg))

**Jerôme Wigny**

(Elvinger, Hoss & Prussen)

#### **C1.2** Service Provider Forum

**Luc de Vet** (Citco Fund Services

(Luxembourg) S.A.)

#### **C2** Real Estate Investment Funds

**Keith Burman**

(State Street Global Services)

**Michael Hornsby**

(Ernst & Young S.A.)

#### **C2.1** REIF Best Practices

**Amaury Evrard**

(PricewaterhouseCoopers S.à r.l.)

- C3.1 Best Practice**  
**Alain Kinsch**  
 (Ernst & Young S.A)  
**Gilles Dusemon**  
 (Arendt & Medernach)
- C3.1.1 Tax and Legal**  
**Raymond Krawczykowski**  
 (Deloitte Luxembourg)  
**Frédérique Lifrange**  
 (Elvinger, Hoss & Prussen)
- C3.1.2 Custody**  
**Christoph Lanz** (Banque Privée  
 Edmond de Rothschild Europe)
- C3.1.3 Fund Administration and TA**  
**Pascal Leclerc** (European Fund  
 Administration S.A.)  
**Johan Blaise**  
 (PricewaterhouseCoopers S.à r.l)
- C3.2 Publications**  
**Joachim Kuske**  
 (VP Fund Solutions)  
**Gabriel Bleser**  
 (Allen & Overy Luxembourg)
- C3.3 Events**  
**Carmen Von Nell Breuning**  
 (Ernst & Young S.A.)  
**Alexandre Prost-Gargoz**  
 (Alter Domus Luxembourg S.à r.l)
- C3.4 Trainings**  
**Axelle Ferey**  
 (Ernst & Young S.A.)  
**Daniela Bergmans** (European Fund  
 Administration S.A.)
- C3.5 Strategy and hot topic**  
**Alain Kinsch**  
 (Ernst & Young S.A.)  
**Gilles Dusemon**  
 (Arendt & Medernach)
- C3.5.1 SCS**  
**Laurent Schummer**  
 (Linklaters LLP)  
**Patrick Mischo**  
 (Allen & Overy Luxembourg)
- C3.5.2 AIFMD**  
**Yves Courtois**  
 (KPMG Luxembourg S.à r.l)  
**Rodrigo Delcourt** (Linklaters LLP)
- C3.5.3 Topic around managers**  
**François Pfister** (Ogier)

- C5 Infrastructure Funds**  
**Amaury Evrard**  
 (PricewaterhouseCoopers S.à r.l)  
**Jean-Christian Six**  
 (Allen & Overy Luxembourg)  
 ALFI Coordinator: **François Drazdik**

## **D Fund Distribution Committee**

Chairman: **Noel Fessey** (Schroder  
 Investment Management (Luxembourg) S.A.)  
 ALFI Coordinator: **Susanne Weismüller**

- D1 Dematerialised Mutual Fund Sales Agreement**  
**Noel Fessey** (Schroder Investment  
 Management (Luxembourg) S.A.)
- D3 Key Investor Information Documents, KID**  
**Noel Fessey** (Schroder Investment  
 Management (Luxembourg) S.A.)
- D4 UCITS IV – Simplified Notification Procedure**  
**Michael Flynn**  
 (Deloitte Luxembourg)  
 ALFI Coordinator:  
**Evelyne Christiaens**
- D5 International Distribution**  
**Lou Kiesch**  
 (Deloitte Luxembourg)
- D5.1 Distribution Focus**  
**Vincent Heymans**  
 (KPMG Luxembourg S.à r.l)  
 ALFI Coordinator:  
**Pierre Oberlé**
- D5.2 Trade Agreements**  
**David Capocci**  
 (Deloitte Luxembourg)

## **E Human Resources & Training Committee**

Chairman: **Lucien Euler**  
 (Luxcellence Management Company S.A.)  
 ALFI Coordinator: **Pierre Oberlé**

## 7. structure of alfi committees 2011/2012

■ Committee ■ Sub-Committee ■ Working Group ■ Sub-Working Group

### **F** Legal and Regulatory Committee

Chairman International Affairs:

**Freddy Brausch** (Linklaters LLP)

Chairman National Affairs:

**Jacques Elvinger** (Elvinger, Hoss & Prussen)

ALFI Coordinators:

**Evelyne Christiaens, Susanne Weismüller**

#### **F1** International Affairs and Developments

**Freddy Brausch** (Linklaters LLP)

##### **F1.1** UCITS Developments

**Freddy Brausch**

(Linklaters LLP)

##### **F1.2** European Selling Rules

**Hermann Beythan**

(Linklaters LLP)

##### **F1.2.1** MiFID

**Alastair Woodward**

(Aberdeen Global Services S.A.)

**Graham Goodhew**

(JPMorgan Asset Management

(Europe) S.à r.l.)

##### **F1.2.2** Private Placement

**Frédérique Lifrange**

(Elvinger, Hoss & Prussen)

##### **F1.2.3** PRIPs (Packed Retail Investment Products)

**Heimo Plössnig** (Assenagon Asset

Management S.A.)

##### **F1.2.4** ICSD (Investor Compensation Schemes Directive)

**John Li** (The Director's Office S.A.)

#### **F2** National Affairs and Implementation

**Jacques Elvinger**

(Elvinger, Hoss & Prussen)

##### **F2.1** UCITS Implementation

**Jacques Elvinger**

(Elvinger, Hoss & Prussen)

##### **F2.2** UCITS Eligible Assets-General

**Emmanuel Frédéric Henrion**

(Linklaters LLP)

**Michèle Eisenhuth**

(Arendt & Medernach)

**Nathalie Dogniez**

(KPMG Luxembourg S.à r.l.)

##### **F2.3** Securities Lending

**Jacques Elvinger**

(Elvinger, Hoss & Prussen)

##### **F2.4** Anti-Money Laundering

**Marco Zwick**

(Schroder Investment

Management (Luxembourg) S.A.)

##### **F2.5** Cross Sub-Fund Investment

**Michel Mengal**

(Elvinger, Hoss & Prussen)

ALFI Coordinator: **Isabel**

**Hog-Jensen**

##### **F2.6** Changes to Luxembourg

**Company Law**

**Frédérique Lifrange**

(Elvinger, Hoss & Prussen)

##### **F2.7** Liquidity Funds

**John Parkhouse**

(PricewaterhouseCoopers S.à r.l.)

ALFI Coordinator: **Alexander Fischer**

##### **F2.8** Shadow Banking

**John Parkhouse**

(PricewaterhouseCoopers S.à r.l.)

ALFI Coordinator: **François Drazdik**

### **G** Operational Techniques Committee

Chairman: **Frédéric Pérard**

(BNP Paribas Securities Services,

succursale de Luxembourg)

ALFI coordinators: **Alexander Fischer,**

**François Drazdik**

#### **G** Operational Techniques Steering Committee

**Frédéric Pérard** (BNP Paribas Securities Services, succursale de Luxembourg)

##### **G1** Fund-Related Tax Requirements

**Renato Moreschi** (RBC Dexia

Investor Services Bank S.A.)

##### **G1.1** Swiss Tax

**Yvonne Billerbeck** (UBS Fund

Services (Luxembourg) S.A.)

**Mathias Wasemann**

(PricewaterhouseCoopers S.à r.l.)

##### **G2** TER – Total Expense Ratio

**Daniela Klasen-Martin**

(Dominion Corporate Group S.A.)

##### **G2.1** Transaction costs

**Nadia Faber**

(Ernst & Young S.A.)

- 
- G3 German tax**  
**Jens Uwe Pätsch**  
(European Fund Administration S.A.)
  - G4 UK Tax**  
**Birgitt Schitthoff-Hönninger** (RBC  
Dexia Investor Services Bank S.A.)
  - G5 Austrian Tax**  
**Johannes Höring** (Universal-  
Investment-Luxembourg S.A.)
  - G6 CSSF Regulation 10-4**  
**Henning Schwabe**  
(Arendt & Medernach)  
**Eduard Koster** (RBC Dexia Investor  
Services Bank S.A.)
  - G6.1 Organisational requirements**  
**Silke Bernard-Alps** (Linklaters LLP)  
**Eduard Koster** (RBC Dexia Investor  
Services Bank S.A.)
  - G6.2 Conflicts of interest**  
**Evelyn McHale**  
(Brown Brothers Harriman  
(Luxembourg) S.C.A)
  - G6.3 Rule of Conduct**  
**Henning Schwabe**  
(Arendt & Medernach)
  - G7 Global Investment Performance  
Standards (GIPS)**  
**Fanny Sergent**  
(PricewaterhouseCoopers S.à r.l.)
  - G8 Swing Pricing**  
**Gary Janaway**  
(Schroder Investment Management  
(Luxembourg) S.A.)
  - G10 Solvency II**  
**Thierry Flamand**  
(Deloitte Luxembourg)
  - G10.1 Solvency II Q&A**  
**Christelle Veeckmans**  
(KPMG Luxembourg S.à r.l.)
  - G11 EMIR/OTC Derivatives**  
**Pascal Scatozza**  
(BNP Paribas Securities Services,  
succursale de Luxembourg)
  - G11.1 Legal Questions & Contractual  
Arrangements**  
**Henning Schwabe**  
(Arendt & Medernach)  
**Emmanuel Frédéric Henrion**  
(Linklaters LLP)
  - G11.2 Executions & Clearing with CCP**  
**Pascal Scatozza**  
(BNP Paribas Securities Services,  
succursale de Luxembourg)
  - G11.3 Collateral Requirements**  
**Clifford Bullock** (JPMorgan Asset  
Management (Europe) S.à r.l.)
  - G11.4 Valuation and Trade Repositories**  
**Sven Muehlenbrock**  
(KPMG Luxembourg S.à r.l.)  
**Qi Chen** (Commerz Funds  
Solutions S.A.)
  - G12 Fund Reporting Requirements**  
**Johnny Yip**  
(Deloitte Luxembourg)
  - G13 International Financial Reporting  
Standards (IFRS)**  
**Johnny Yip** (Deloitte Luxembourg)
  - G14 ETF Exchange Traded Funds**  
**Florence Alexandre** (State Street  
Bank Luxembourg S.A.)
  - G15 T2S/CSD**  
**Gary Janaway** (Schroder Investment  
Management (Luxembourg) S.A.)
- 
- H Responsible Investing Committee**  
Chairman: **Thomas Seale**  
(European Fund Administration S.A.)  
ALFI Coordinator: **Eva Hartmann**
  - H1 SRI Policy and Research**  
**Nathalie Dogniez**  
(KPMG Luxembourg S.à r.l.)
  - H2 Microfinance**  
**Thomas Seale**  
(European Fund Administration S.A.)
  - H3 Carbon Finance**  
**Benoit Moulin**  
(PricewaterhouseCoopers S.à r.l.)
  - H4 Responsible Investing Conference**  
**Christian Descoups**  
(Société de la Bourse de  
Luxembourg S.A.)  
**Valérie Arnold**  
(PricewaterhouseCoopers S.à r.l.)
  - H5 LuxFLAG**  
**Anne Contreras**  
(Arendt & Medernach)
-

## 7. structure of alfi committees 2011/2012

■ Committee ■ Sub-Committee ■ Working Group ■ Sub-Working Group

- H6** Islamic Finance  
**Germain Birgen**  
ALFI Coordinator: **Pierre Oberlé**
- H7** European Impact Investments  
Luxembourg  
**Corinne Feypel-Molitor**  
(Banque de Luxembourg S.A.)

### I Statistics & Financial Research Committee

Chairman: **Julian Presber**  
(Luxembourg School of Finance)  
ALFI Coordinator: **Régine Rugani**

- I1** Data Collection and Normalisation  
**Dominique Valschaerts**  
(Finesti S.A.)
- I2** Economic Research  
**Paolo Vinciarelli**  
(Banque et Caisse d'Epargne de L'Etat, Luxembourg)

### J Tax Committee

Chairman: **Georges Bock**  
(KPMG Luxembourg S.à r.l.)  
ALFI Coordinator: **Susanne Weismüller**

- J1** Tax Steering Committee  
**Georges Bock**  
(KPMG Luxembourg S.à r.l.)
- J2** Subscription Tax  
**John Parkhouse**  
(PricewaterhouseCoopers S.à r.l.)  
**Jacques Elvinger**  
(Elvinger, Hoss & Prussen)
- J3** Taxation of Savings  
**Georges Bock**  
(KPMG Luxembourg S.à r.l.)
- J4** Double Tax Treaties  
**Keith O'Donnell**  
(Atoz S.A.)
- J5** Value Added Tax, VAT  
**Michel Lambion**  
(Loyens & Loeff)
- J6** Foreign Account Tax Compliance Act Steering Committee (FATCA)  
**Gérard Laures**  
(KPMG Luxembourg S.à r.l.)

- J6.1** FATCA Lobbying and Interpretations  
**Gérard Laures**  
(KPMG Luxembourg S.à r.l.)
- J6.2** FATCA Operational Steering Committee  
**Thierry Detz**  
(BNP Paribas Securities Services, succursale de Luxembourg)  
**Gudrun Goebel**  
(Société Générale Securities Services Luxembourg)
- J7** AIFMD Tax Aspects  
**Raymond Krawczykowski**  
(Deloitte Luxembourg)
- J8** Financial Transaction Tax  
**Thorsten Vollmer**  
(DWS Investment S.A.)

### K Risk Management Committee

Chairmen:  
**Jean-Christoph Arntz**  
(Allianz Global Investors Luxembourg S.A.)  
**Thomas Nummer**  
(Carne Global Financial Services, Luxembourg S.à r.l.)  
**Olivier Carré**  
(PricewaterhouseCoopers S.à r.l.)  
ALFI Coordinator: **Alexander Fischer**

- K1.1** Risk Management Steering committee  
**Jean Christoph Arntz** (Allianz Global Investors Luxembourg S.A.)
- K1.2** Market Risk  
**Laurent Denayer**  
(Ernst & Young S.A.)  
**Luc Neuberg**  
(BCEE Asset Management)
- K1.3** Counterparty Risk and Issuer Risk  
**Thomas Nummer**  
(Carne Global Financial Services, Luxembourg S.à r.l.)  
**Olivier Carré**  
(PricewaterhouseCoopers S.à r.l.)
- K1.4** Operational Risk  
**Graham Goodhew**  
(JPMorgan Asset Management (Europe) S.à r.l.)

- K1.5 Liquidity Risk**  
**Bastian Wagner**  
(Deka International S.A.)  
**Sven Muehlenbrock**  
(KPMG Luxembourg S.à r.l.)
- K1.6 Risk Management for Alternative Investment Funds**  
**Christophe Adamy** (Allianz Global Investors Luxembourg S.A.)
- K1.6.1 Risk Management for Alternative Investment Funds – Hedge Funds**  
**Jean de Courrèges**  
(ME Business Solutions)  
**Henning Schwabe**  
(Arendt & Medernach)
- K1.6.2 Risk Management for Alternative Investment Funds – Private Equity/Real Estate**  
**Michael Hornsby**  
(Ernst & Young S.A.)  
**Christoph Lanz** (Banque Privée Edmond de Rothschild Europe)

## **L Conferences & Communication Committee**

Chairmen:

- Josée-Benjamin Longrée**
- Bob Kneip** (Kneip Communication S.A.)
- ALFI Coordinator Communication:  
**Anna Přihodová**
- ALFI Coordinator Conferences:  
**François Drazdik**

- L1 Internet Site and Web 2.0**  
**Troy Bankhead**  
(Kneip Communication S.A.)
- L1.1 Internet Site – Phase 2**  
**Troy Bankhead**  
(Kneip Communication S.A.)
- L1.2 Web 2.0**  
**Troy Bankhead**  
(Kneip Communication S.A.)
- L2 Publications**  
**Gaëlle Dimmer-Thiault**  
(European Fund Administration S.A.)
- L4 Conferences**  
**Lou Kiesch** (Deloitte Luxembourg)
- L4.1 Spring Conference**  
**Laurent Halbgewachs** (F2C S.à r.l.)

- L4.2 Global Distribution Conference**  
**Michel Lentz**
- L4.3 Risk Management Conference**  
**Christophe Wintgens**  
(Ernst & Young S.A.)
- L4.4 Alternative Investment Funds Conference**  
**Michel Lentz**
- L4.5 ALFI Golf Event**  
**Ulrich Binninger**  
(ULB Consult S.à r.l.)
- L4.7 Responsible Investing Conference**  
**Thomas Seale**  
(European Fund Administration S.A.)
- L4.8 TA & Distribution Forum**  
**Josée-Lynda Denis**
- L4.9 Leading Edge Conference**  
**Christophe Lentschat**  
(APEX Fund Services)

## **N Pensions and Long Term Savings Committee**

Chairman: **John Li**  
(The Director's Office S.A.)  
ALFI Coordinator: **Eva Hartmann**

- N1 Pensions Funds**  
**Ruth Bültmann**  
(Deloitte Luxembourg)

## 8. forums

■ Committee ■ Sub-Committee ■ Working Group ■ Sub-Working Group

### 1 Asset Management Forum

ALFI Coordinator: **Camille Thommes**

### 2 Fund Governance Forum

Chairman: **Henry Kelly** (KellyConsult S.à r.l.)

ALFI Coordinator: **Eva Hartmann**

### 3 Investor Forum

Chairman: **Rudolf Kessel**

(Union Investment Luxembourg S.A.)

ALFI Coordinator: **Anna Příhodová**

### 4 TA & Distribution Forum

Chairwoman: **Josée-Lynda Denis**

ALFI Coordinator: **François Drazdik**

#### 4. TA Forum Steering Committee (TASC)

**Josée-Lynda Denis**

#### 4.1. TA Operations

**Josée-Lynda Denis**

#### 4.1.1. Standardisation

**Caroline Prosperi**

(CACEIS Bank Luxembourg)

#### 4.1.2. Global Distribution Support

**Steve Bernat**

(Lemanik Asset Management S.A.)

#### 4.1.3. Alternative Investments Operations

**Sue Lee**

(HSBC Securities Services

(Luxembourg) S.A.)

#### 4.1.4. TA Industry Training Programme

**Josée-Lynda Denis**

#### 4.1.5. TA Regulatory

**Josée-Lynda Denis**

#### 4.1.6. TA Reporting

**Nicolas Buck**

(Victor Buck Services S.A.)

**Mario Mantrisi**

(KNEIP Communication S.A.)

#### 4.1.7. Luxembourg Fund Infrastructure

**Sue Lee**

(HSBC Securities

Services (Luxembourg) S.A.)

**Gary Janaway** (Schroder Investment

Management (Luxembourg) S.A.)

#### 4.1.8. UCITS IV Operations

**Olivier Portenseigne**

(RBC Dexia Investor Services

Bank S.A.)

#### 4.2. Communication

**Josée-Lynda Denis**

#### 4.2.1. Marketing & Communication

**Josée-Lynda Denis**

#### 4.2.1.1. Articles

#### 4.2.1.2. Luxembourg TA & Distribution Forum

#### 4.2.1.3. TA Forum Website

#### 4.2.2. Events

#### 4.2.3. Industry Associations:

**Building Bridges**

**Josée-Lynda Denis**

**François Drazdik**

(Association of the Luxembourg

Fund Industry)

#### 4.2.3.1. ALFI/HKIFA Cooperation Agreement

**Josée-Lynda Denis**

**François Drazdik**

(Association of the Luxembourg

Fund Industry)

#### 4.2.3.2. ALFI TA & Distribution Forum Asia

**Josée-Lynda Denis**

**Ching Yng Choi**

(Association of the Luxembourg

Fund Industry)

### 5 ABBL / ALFI Depositary Bank Forum

Chairman: **Martin Dobbins** (State Street

Bank Luxembourg S.A.)

ALFI Coordinator: **Alexander Fischer**

#### 5.1. Depositary Bank Forum Steering Committee

**Martin Dobbins**

(State Street Bank Luxembourg S.A.)

#### 5.2. Depositary Guidelines & Best Practices

**Yvan de Laurentis**

(BNP Paribas Securities Services,

succursale de Luxembourg)

**Christian Ridole**

(J.P.Morgan Bank Luxembourg S.A.)

**Julie Krentz**

(Svenska Handelsbanken Ab (publ),

Luxembourg Branch)

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- 5.2.1 In-Bank Assets**
    - Christoph Haas**  
(Ernst & Young S.A.)
    - Julie Krentz**  
(Svenska Handelsbanken Ab (publ),  
Luxembourg Branch)
  - 5.2.2 Not-In-Bank Assets - Classic**
    - Sonia Thein-Biraschi**  
(State Street Bank Luxembourg S.A.)
    - Yvan de Laurentis**  
(BNP Paribas Securities Services,  
succursale de Luxembourg)
  - 5.2.3 Not-In-Bank Assets - Alternative**
    - Christoph Lanz**  
(Banque Privée Edmond de  
Rothschild Europe)
    - Yvan de Laurentis**  
(BNP Paribas Securities Services,  
succursale de Luxembourg)
  - 5.2.4 Oversight duties**
    - Christopher Stuart Sinclair**  
(Deloitte Luxembourg)
    - Christian Ridole**  
(J.P.Morgan Bank Luxembourg S.A.)
  - 5.2.5 Training & Education**
    - Yvan de Laurentis**  
(BNP Paribas Securities Services,  
succursale de Luxembourg)
  - 5.3 External Relations**
    - Franck Wassmer**  
(The Bank of New York Mellon  
(Luxembourg) S.A.)
  - 5.4 New Regulations Forum**
    - Carlo Matagne**  
(Banque et Caisse  
d'Épargne de L'Etat, Luxembourg)
    - Hermann Beythan**  
(Linklaters LLP)
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