

## The shift towards Luxembourg in the recent regulatory climate and Lawson Conner's Lux AIFM solution

### Who is affected

Fund Managers, Wealth Managers and Financial Services Firms.

### Summary

Luxembourg has become the largest investment fund centre in Europe, and it is set to have a greater pull for UK fund managers and investors post-Brexit, as uncertainty mounts about whether the UK will retain access to the single market and ECB liquidity swap lines. Lawson Conner's Lux AIFM solution offers our clients a fully integrated compliance and regulatory infrastructure option across different jurisdictions, including Luxembourg. Our solution meets the ever-increasing demand of our clients to help them navigate through the complexities of fund management, compliance and regulation.

### Luxembourg as a financial hub

Luxembourg is the largest fund centre in Europe, and the second largest in the world, just behind the US. The country hosts around 4000 funds, and has total assets under management of 3.5 trillion EUR. 75% of the world's UCITS funds are distributed from Luxembourg.

Luxembourg is responsible for over 45% of all European regulated fund sales and the Luxembourg Stock Exchange lists more than 37,000 securities in 55 currencies. It is also the home of the European Investment Bank and the European Investment Fund, which raised 25bn EUR last year. Luxembourg has the aim of becoming the prime onshore centre for private equity by 2020.

The current regulatory changes and the possibility of losing access to the single market have led to a growing shift towards Luxembourg for UK fund managers.

### Lawson Conner's AIFM Solutions

At Lawson Conner, we have a Lux AIFM solution that we can offer our clients. It gives access to integrated fund solutions and ManCo services, including Alternative Investment Funds, Undertakings for Collective Investment in Transferable Securities (UCITS) and Reserved Alternative Investment Funds (RAIFs). The solution is provided together with our local service partners for legal, administration, and ManCo services.

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There are major benefits to using our AIFM, it saves time, money and adds an extra layer of governance and risk management in a climate where regulations are becoming ever more complex. The Lawson Conner Lux AIFM solution gives our clients exposure to Europe without having to build out that whole infrastructure.

## MiFID II

MiFID II, which recently came into force, sets a whole new framework for the regulation of EU investment, aimed at increasing transparency for investors. Luxembourg has come under scrutiny for lagging behind in its implementation of MiFID II, and there is still some uncertainty about amendments that could be transposed into its law.

Using Lawson Conner's Lux AIFM solution offering adds an extra layer of governance so whatever effect MiFID II has on Luxembourg, your regulatory compliance will always be robust and up-to-date.

## Negating the risks of Brexit with our solution

The UK financial industry has been mired with uncertainty since the Brexit referendum as it awaits the implications for trading with the EU – most notably whether it will retain access to the single market. Many of the 'passports' that asset managers are currently using to sell funds and investment services, including EuVECA, could be revoked in the case of a hard Brexit.

The European Securities and Markets Authority are said to be analysing the impact of a UK withdrawal from the single market. Verona Ross from ESMA told the FT that "ESMA was "very aware" that asset managers were "particularly concerned" about the co-operation arrangements that must be in place between national regulators if portfolio management or risk management functions are delegated to an entity in a third country. The UK will be classified as a third country after Brexit."

With our Lux AIFM solution, clients will continue to benefit from the provision of a robust compliance and regulatory infrastructure, while also having access to AIFM /UCITS compliance, risk, governance and portfolio management, and the ability to distribute funds to European investors through the Passport Regime.

Our Lux AIFM solution offers flexible fund solutions and uninterrupted service across European jurisdictions, whatever the outcome of Brexit.

## Luxembourg and the RAIF

For managers looking to set up funds in Luxembourg, the RAIF structure is an increasingly attractive option. RAIFs have more contractual freedom than Luxembourg-based fund vehicles and they are not subject to ongoing CSSF supervision or prior authorisation. RAIFs must be set up by an authorised alternative investment fund manager domiciled in Luxembourg, so using our Lux AIFM solution could be the fastest, easiest route to accessing RAIFs. Working with an established AIFM, like Lawson Conner, removes much of the regulatory burden of compliance, saving time and cost, and enabling managers to focus on generating returns.

## How we can help?

Lawson Conner has worked extensively with our clients to assess the impact of regulatory change. We would be delighted to discuss how we can help support you to meet these new challenges. Our team of compliance professionals can assist you at every stage as you seek to comply with the new regulatory obligations.

## About Lawson Conner

Lawson Conner provide regulatory infrastructure and managed compliance services.

Lawson Conner offers customised solutions in the areas of Fund Structuring, Compliance Advisory, Global Regulatory Infrastructure, Fund Distribution, Regulatory Hosting, Appointed Representative Services and ManCo Services.

As a reliable and trusted partner, we create long term value by working with passion, expertise and unparalleled commitment to the industry and our clients.



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