

# Luxembourg for Finance

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## EDITORIAL.....

Dear Reader,

Welcome to the second quarterly Newsletter published by Luxembourg for Finance, the agency for the development of the financial centre. In this edition we interview Graham Mather, president of the European Policy Forum, who believes that EU Member States would be better served by the application of a withholding tax than by the exchange of information in the area

of cross-border taxation of savings. The special dossier this quarter addresses a rapidly expanding business sector, Islamic finance. Enjoy reading our newsletter.

Fernand Grulms, Chief Executive Officer  
Luxembourg for Finance



# THE EUROPEAN POLICY FORUM IS IN FAVOUR OF A WITHHOLDING TAX SYSTEM

In the ongoing debate about the taxation of savings, it is widely assumed that automatic exchange of information systems represent best practice. However, in its report "Challenges to the EU Savings Tax Directive and Taxation of Income from Capital in the EU", the European Policy Forum stresses that an EU wide withholding tax system would be much more efficient. Interview with Graham Mather of the European Policy Forum.

**LFF:** In order to facilitate the taxation of savings, both the European Commission and the larger EU Member States are in favour of an automatic exchange of information between the country where the investor has invested his assets and his country of residence. In much of the debate surrounding the recent G20 Summit it has been assumed, almost without discussion, that automatic exchange of information represents best practice. What is the reason for this apparent attractiveness of an automatic exchange of information system?

**GM:** The debate has become tangled. OECD information exchange is on request. If all is well, there should be few cases where it is necessary to delve into people's financial affairs. Somehow this system has become bracketed together with "Automatic exchange of information" as practised in the EU. But this term is a misnomer. A better description would be "bulk transfer of financial

**The European Policy Forum** is an independent, international research institute active in financial services, energy, telecoms and utility market policy areas and in institutional and constitutional design. It holds regular seminars and conferences in Brussels, London and other European centres.

data". What it means is the passing of enormous financial data sets between banks and financial institutions in one country and the revenue authorities in another. There is nothing automatic about what happens next. Once received by a revenue authority the data requires a great deal of processing, alignment, matching and calculation to work out what, if any, tax might be due. The system is neither streamlined nor efficient. It is quite different in scale from the OECD model. And it is not automatic. In fact, using a withholding tax is a more automatic way of ensuring that tax gets paid.

**LFF:** The majority of the EU Member States is operating a final withholding tax system for the taxation of their residents. Nevertheless, they are in favour of an exchange of information system at a European level. How do you explain this ambivalent attitude?

**GM:** I think there is a historic wish by revenue authorities to gain as much information as possible about the activities of their residents abroad. Before globalisation this meant a relatively small number of relatively

## Methodology of the survey:

EPF approached EU member states on the operation of savings tax systems and fourteen member states responded, five producing detailed analyses. These were followed-up in discussions with the tax authorities and through examination of responses to questionnaires of paying agents across the EU. Responses were received from paying agents in twelve jurisdictions.

wealthy individuals. The domestic savings market, by comparison, was quite large and a withholding tax was obviously a much more efficient way of collecting tax arising. Given the development of cross-border banking markets, it would now make sense to use withholding tax approaches here too, in the cross border market. But fiscal authorities seem to be stuck in a time warp.

**LFF: You have compared the withholding tax and the exchange of information systems. If you were the European Commission, which system would you opt for to implement at an EU level?**

**GM:** I would adopt a withholding tax approach. The deduction of real cash by a bank and its transfer to the revenue authorities of another Member State is a more concrete act than the passing of large numbers of data files. It is simpler, more efficient, and more capable of audit. The so-called automatic information exchange is seriously affected by the quality of data received, prone



Graham Mather, President - European Policy Forum

to lengthy delays, frequently requires manual follow-up and further enquiries and is prone to confusion on what is taxable. It is disproportionate for small countries without large financial centres and it seems clear that much of the information received under it in the past has gone essentially unused.

## ALL ABOARD AS ALTERNATIVES MOVE ONSHORE TO LUXEMBOURG

The trend for re-domiciliation of off-shore funds started some time ago. As a direct result of a circular issued by the financial supervisory authority, CSSF Circular 02/08 of 2002, which set specific rules for Luxembourg investment funds pursuing alternative investment strategies, many fund of hedge funds re-domiciled to Luxembourg from Cayman, Bermuda and the British Virgin Islands. The recently proposed Alternative Investment Fund Managers' (AIFM) Directive is likely to spur further onshore moves.



Didier Prime, Partner and Alternative Investments Leader at PwC Luxembourg describes this growing trend and the possibilities it brings to the Grand Duchy.

**LFF: As a direct result of CSSF Circular 02/08 many fund of hedge funds moved onshore to Luxembourg. Do you see this continuing?**

**DP:** Yes I do. Although, at the time, the circular was not considered to be flexible enough for hedge fund managers, it represents a good balance between investor

protection and flexibility of investment rules and this has proven to be very attractive. Some Luxembourg based funds of hedge funds are registered for public distribution in countries and territories that accept foreign based non-UCITS such as Germany, the Netherlands, Switzerland and Hong-Kong. For such products, the “Luxembourg” branding was a crucial element in re-domiciliation.

Today, we observe another type of re-domiciliation. US and UK based hedge fund managers are looking for new distribution opportunities and there is a demand by institutional investors for more regulation and more investor protection, especially in Continental Europe. These hedge fund managers are considering Luxembourg for creating new products and not necessarily just for the creation of specialised investment funds (SIFs). SIFs are well adapted to the hedge fund business, but new entrants are also interested in sophisticated UCITS that replicate hedge fund strategies. The UCITS label is more and more requested by institutional investors. So we observe the creation of sophisticated UCITS platforms by investment banks welcoming US and UK hedge fund managers. Such players are keen to understand all the flexibilities offered by UCITS III and often discover that their main strategy is consistent with UCITS rules.

**LFF: What is the potential impact of the proposed AIFM Directive on hedge funds in Luxembourg?**

DP: The proposed Alternative Investment Fund Managers (“AIFM”) Directive will have a huge impact on the alternative investment industry in Luxembourg. In the current proposal, the distribution of offshore funds to professional investors will not be possible for a period of three years after its implementation. This could result in a positive impact on Luxembourg and could accelerate the re-domiciliation of offshore funds to the Grand Duchy.

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For many funds of hedge funds distributed cross-border, the “Luxembourg” branding was a crucial element in re-domiciliation.

However, the proposed directive is also the subject of a lot of discussion. The industry is widely criticising the political pressure around hedge funds and the lack of consultation during the drafting of this document. The final directive may be subject to significant modification, but could, in the end, represent a very good opportunity for Luxembourg.

**LFF: Is re-domiciliation limited to products?**

DP: The AIFM Directive will create a management company passport, as in UCITS IV. It is difficult to assess the impact of this management company passport but, if we consider the tax and regulatory environment, Luxembourg is in a good position to take advantage of it. Domiciling their management company in Luxembourg will allow hedge fund managers and other alternative investment fund managers to benefit fully from the flexibilities of the directive in terms of product and distribution, while benefiting from a secure, flexible, stable and business minded environment.

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The Luxembourg hedge fund regulation represents a good balance between investor protection and flexibility of investment rules.

# ISLAMIC FINANCE: A SECTOR WITH A PROMISING FUTURE

## Islamic finance takes an ethical approach to the delivery of financial services: is this a sector whose time has come?

A packed two day conference on Islamic finance held recently in Luxembourg illustrates the imminent arrival of Islamic finance as a mainstream sector in the investment fund industry. Islamic scholars and experts in Islamic finance from Europe, the Middle East and Asia shared their experience in front of an audience invited by the Luxembourg Institute for Training in Banking (IFBL), the Association of the Luxembourg Fund Industry (ALFI) and the agency for the development of the financial centre, Luxembourg for Finance. A number of clear messages emerged.

Islamic finance is recognised by both Muslims and non Muslims as an ethical alternative, protecting against the worst excesses of leverage whilst reinstating values, such as trust, which have been lost in conventional finance. Figures cited show that Islamic finance is growing in popularity as a result of the current crisis and there is scope for it to move into the financial mainstream with the sector estimated to reach \$4,000 billion in the next five years.

Nevertheless the audience noted that Islamic finance was not immune to the crisis even if it has been somewhat protected by its nature: equity-based products with a profit/loss structure backed by real assets and a high level of transparency, alongside the ban



on speculation and interest. Global equity prices have fallen, though shariah indices have fallen less steeply than conventional indices due to lack of exposure to the credit crunch. Sukuk have been severely impacted by the liquidity squeeze and the first defaults in sukuk issues have emerged.

Sukuk have to date been the most successful Islamic instrument outside the Muslim community: already 60% of sukuk investment comes from non-Muslims. Both France and the UK, amongst others, are considering a sovereign debt issue.

### Requirements for growth of the sector

Relatively speaking, Islamic finance is still in its infancy: the lack of historic data, critical mass, standardisation and experience are key concerns. Practitioners recognise a need to develop specifically Islamic risk management principles, in addition to conventional risk management practices.

Other requirements for continued growth include increased harmonisation between different cultures,

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The ALFI Committee on Islamic Investment Funds will set and maintain best practice standards for the Luxembourg market place.

Germain Birgen, Chairman of the Committee and Managing Director, HSBC Securities Services (Luxembourg) SA

standards, practices, shariah interpretation and regulatory oversight. Islamic finance practitioners must understand the culture of their regulators, whilst service providers and jurisdictions need to comprehend and respect the principles on which Islamic Finance is built and acknowledge that there will always be differences between Muslim schools of thought.

There is a need to build up a secondary market for sukuk or fixed income equivalent instruments. However, the paradox arises that whilst a secondary market is an absolute requirement for growth, the “buy and hold” principle is true to shariah whereas active trading (speculation) on a secondary market is not. Nevertheless, the sukuk market needs to develop a yield curve and there is a distinct lack of sukuk from AAA issuers.

Cash management is an issue for fund managers, since interest (riba) is forbidden, along with conventional borrowing. Solutions include operating a conventional account with zero interest, or making arrangements for fully shariah compliant accounts. Short term liquidity facilities are permissible for Islamic investment funds in order to cover any mismatches: a point particularly relevant for UCITS<sup>(1)</sup> and even more so for UCITS investing in sukuk given the current lack of a secondary market.

#### Advice from the financial supervisory authority

The Luxembourg supervisor, CSSF, and other speakers familiar with the authorisation process had the following advice for potential fund promoters:

- understand your material;
- choose the jurisdiction as you would for a conventional fund;
- the application and regulatory process will be the same, with additional questions asked on individual target investments, such as sukuk;
- recognise that the fund must be subject first to the law of the land and then also to Islamic principles;
- provide full disclosure in the prospectus of all shariah related processes and potential outcomes (e.g. purification);
- manage risk as for a normal fund, but be aware of additional shariah compliance risks, increased liquidity risk (borrowing restrictions, illiquid investments) and potential FX risk (no hedging).

Regarding the shariah board and shariah compliance, both are the responsibility of the board of directors and not subject to control by the CSSF (except where a shariah board member is also a regular board member, or where shariah rules touch UCITS regulations). The board of directors is responsible for all investment decisions. The CSSF does not intend to issue specific rules or definitions for shariah compliant funds – these should be defined in individual fund documentation – but it does not rule out the possibility of issuing guidelines in the future.

The Luxembourg regulator is familiar with the main shariah compliant asset types, including various kinds of sukuk, and is able to provide feedback on what is or is not acceptable, depending on the structure described in the documentation.

#### Cross border experience attracts fund promoters

Speaking at the conference, companies such as HSBC, the Bank of London and the Middle East, BMB Islamic, Blackrock, NCB Capital and Nomura Asset Management were all confident that UCITS can provide Islamic

## The Luxembourg Government supports the development of Islamic finance

- In April 2008, Minister Frieden set up a working group to identify potential obstacles to the development of Islamic finance in Luxembourg and ways that it can be further developed.
- The Government has asked the tax authorities to look into the characteristics of Islamic finance deals and come up with proposals to ensure that these transactions are applied equivalent tax treatment as traditional banking and financial transactions.
- The Government is examining to what extent Islamic financial products, such as sukuk, could be used for funding purposes of the Government or entities belonging to the Government.
- The Government supports the application by the Luxembourg Central Bank to become the first “non regional” associate member of the Islamic Financial Services Board, the international regulator of Islamic financial markets.

funds with international recognition and distribution. These companies praised the ease with which an Islamic fund can be set-up and distributed internationally from Luxembourg. Advantages cited include the flexible legal and regulatory framework, export-oriented workforce and the network of tax treaties – factors that have earned Luxembourg a 75% market share in the cross-border distribution of traditional funds.

There are currently 23 Luxembourg domiciled Islamic funds and fund compartments. A further 10 structures have been authorised but are still to be launched. The funds are predominantly UCITS run by European fund managers, although service providers confirm increasing interest from the Middle East and Asia.

<sup>(1)</sup> Undertakings for Collective Investment in Transferable Securities – UCITS – are funds that qualify for the EU passport for retail distribution throughout the European Union

Miriam Gerver, Senior Fund Solutions Manager,  
HSBC Securities Services

Eleanor de Rosmorduc, Communications Manager,  
Luxembourg for Finance



## OPPORTUNITIES FOR ISLAMIC FINANCE IN LUXEMBOURG

Since 1983, when Luxembourg welcomed Europe's first shariah compliant insurance company (takaful), the Grand Duchy has been an active sponsor of Islamic finance.

The Luxembourg Stock Exchange was the first European exchange to list a shariah compliant bond (sukuk) in 2002 and now lists 15 sukuk with a combined value of \$5.5bn, putting the exchange on a par with London. These have been issued by a geographically diverse range of borrowers from the GCC region and from countries such as Pakistan and Malaysia. The majority are sovereign debt issues, attracted by the political neutrality of Luxembourg.

However it is in the area of shariah compliant investment funds that Luxembourg stakes its claim for the title of European capital. This is a market in which Luxembourg has enjoyed a clear competitive edge for several decades.

Luxembourg domiciled shariah funds are managed by some of the world's leading investment managers, such as the Al Dar Islamic World Equity Fund (managed by Pictet), the BNP Paribas Equity Optimiser, the Citi Islamic Portfolio Global Equity and the HSBC Amanah

Global Equity Index Fund. Other managers include Crédit Agricole Asset Management, Nomura and Bank of London and the Middle East (BLME).

Luxembourg's importance as a centre for Islamic funds is not confined to equity-based products. There is also a growing interest in "fixed interest" equivalent funds, invested in sukuk. For example, KFH Bahrain and Fortis Private Real Estate have recently launched a shariah compliant overnight fund (SCOF), which is an innovative Luxembourg incorporated solution for managing short-term liquidity in accordance with Islamic principles.

### Outlook for the sukuk market

According to Standard & Poor's (S&P), global issuance of sukuk fell sharply in 2008, driven by the global credit crisis. The sukuk market was also negatively impacted by the uncertainty that arose when doubts were expressed about the religious compliance of the structure



Sohail Jaffer,  
Partner - FWU Group

by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Nevertheless, analysts agree that the longer term case for the sukuk market remains compelling. As S&P commented in its review at the start of 2009, "several factors support sustainable growth of this market, including increasing popularity of shariah compliant products and government openness to Islamic finance, massive investment and financing needs in the Gulf, and issuers' desire to tap investors from the Middle East and Muslim Asia. Issuers from more than 20 countries have expressed interest in issuing, or announced their intention to issue, sukuk, and we anticipate that several new sovereigns will enter the market."

#### Luxembourg – a pragmatic choice for sukuk issuers

The Luxembourg Stock Exchange is expected to attract a strong share of sukuk listings. As Central Bank Governor Mersch said in February, "when it comes to the listing of sukuk, the Luxembourg Stock Exchange is pragmatic as it requests only documentation concerning the underlying transactions rather than a comprehensive description of the sukuk's structure."

### Advice from a shariah scholar

#### Do

- expect Islamic culture to be different in India, Malaysia, Bahrain, Saudi Arabia or North Africa; local culture will effect what is acceptable;
- apply expected standards (act in good faith);
- offer an appealing profit: your clients expect it.

#### Don't

- be cynical with regards to differing legal opinions or the search to create shariah products that replace European instruments;
- short-cut on the facts (act in good faith).

The Governor added that Luxembourg's pre-eminence in clearing and settlement also stands the Duchy in good stead to play a leadership role in the sukuk market. "On the operational side, Clearstream Banking, the Luxembourg International Central Securities Depository (ICSD) holds under custody and offers the clearing and settlement of a range of Islamic securities."

#### Sukuk-based products

Luxembourg is well-positioned to attract managers and distributors of shariah compliant funds based on sukuk, which are a relative newcomer to the universe of Islamic funds, compared with the longer-established equity-based products. One example of a player that is demonstrating its commitment both to the sukuk market and to Luxembourg is European Finance House (EFH), a subsidiary of the Qatar Islamic Bank. EFH has announced the launch of the Luxembourg-based Global Sukuk Plus Fund, which is targeting a size of US\$200m.

Another international player, Deutsche Bank, has recently unveiled the Al Mi'yar open architecture platform domiciled in Luxembourg which "looks to transform Islamic markets by offering truly shariah compliant, liquid investment products which span a wide range of asset classes and pay-offs."

The range and depth of skills concentrated in Luxembourg are such that the financial centre will undoubtedly stake a claim to several niche markets within the European Islamic finance sector in the years ahead.

## Principles of Islamic finance

The concept is that a transaction should be fair and just:

- both sides must profit from a deal;
- there must be equal risk on both sides;
- an item and its consideration must be lawful, in existence, deliverable and unmistakable;
- deception, speculation and gambling are prohibited;
- usury is prohibited;
- making a profit from fear or misery is prohibited.

It results from these rules that the charging of a fixed interest, short sales, derivatives trading, dealing in goods and services prohibited by Islam (such as alcohol, pork, casinos and pornography) and traditional insurance products are not permitted.

Dr Aly Khorshid, shariah scholar and consultant

# LUXEMBOURG PENSION FUNDS: FINALLY UNDER STARTER'S ORDERS

Following ten years of uncertainty, cross-border pension funds can now target the international market after European legislators removed the main tax obstacles.

Since 1999 the Grand Duchy of Luxembourg has had specific legislation for funding supplementary pensions through legally independent vehicles known as pension funds. Luxembourg pension funds<sup>(1)</sup>, which are subject to the prudential supervision of either the financial supervisory authority (*Commission de Surveillance du Secteur Financier*) or the insurance supervisory authority (*Commissariat aux assurances*), provide services on a pan-European basis since they benefit from the European passport<sup>(2)</sup>.

This new market experienced a slow start due to several factors. The setting-up of a uniform pension system within a multinational company is subject to a lengthy in-house decision process, notably as a result of the need to coordinate and organise various local pension plans within the pension fund as well as the necessity for holding negotiations with employee representatives to that end. Moreover, structuring a pension fund presents real challenges as regards tax issues, the respect of certain legal provisions in the employer's country<sup>(3)</sup>, as well as governance.

On the eve of the 10th anniversary of the Luxembourg law on pension funds, it is worthwhile pointing out some major developments in these fields.

First, as regards tax issues, the main points of contention, which consisted in discriminatory treatments for pension funds operating on a cross-border basis, have been settled. The IORP Directive does not address tax issues. Nevertheless, the work of the European Commission and the Court of Justice of the European Communities has clarified that the deductibility of contributions paid by an employer to a pension fund set up in another Member State, retirement benefits paid by this pension fund to a beneficiary established in a different Member State as well as the transfer of assets from a local pension scheme to a pension fund set up in another

Member State may not give rise to the application of discriminatory tax rules.

Recently Luxembourg has successfully initiated the notification procedure provided for by the directive, allowing certain Luxembourg pension funds to offer services in Europe, notably in countries that have long-standing experience with respect to supplementary pensions.

These first positive signs from abroad are evidence of the quality and adequacy of the Luxembourg vehicles for funding occupational pension schemes. The choice of structures available and specifically the possibility of setting up umbrella pension funds make it possible to optimise the funding of supplementary pensions for a multinational group, for instance enabling the company to set up different pension schemes within one vehicle that respect labour and social law provisions for each individual employer, the representation of employees through ad hoc committees and confidentiality of information on schemes and benefits.

<sup>(1)</sup> (i) Law of 13 July 2005 on the activities and supervision of institutions for occupational retirement provision; (ii) Law of 13 July 2005 on institutions for occupational retirement provision in the form of pension savings companies with variable capital and pension savings, which replaced the law of 9 June 1999; (iii) Grand-Ducal regulation of 31 August 2000 on pension funds subject to the prudential supervision of the Insurance committee, as amended.

<sup>(2)</sup> In accordance with Directive 2003/41/EC on institutions for occupational retirement provision ("the IORP Directive").

<sup>(3)</sup> Under the IORP Directive a pension fund must abide by the labour and social law in force in the country where the employer is established.



Anne Contreras, Partner  
Investment Management  
Arendt & Medernach

# LUXEMBOURG: FIRMLY FOCUSING OUTWARDS

In this interview, Claude Kremer, Chairman of the Association of the Luxembourg Fund Industry (ALFI), explains why Luxembourg came to be market leader in cross-border fund distribution and why he intends to work with other Member States in support of the current EU initiative to extend regulation to non-UCITS funds.

**LFF: Luxembourg is today the largest fund domicile in Europe and the world-wide leader in cross-border fund distribution. Why is this?**

CK: This success is the result of a unique combination of elements: an excellent regulation, a thriving offer from fund producers and an ever-increasing demand for safe products from investors. The origins of these components lie outside Luxembourg. The regulation is European (the UCITS framework created by the European Union over 20 years ago). The fund promoters come from both within and outside the EU and include the major asset managers from Germany, the United States, Switzerland, Belgium, the UK, Italy, France, and the Netherlands. As for our clients, these now stem not only from Europe but also from Asia, the Middle East and Latin America. In this equation, Luxembourg has become the recognised platform for the creation and distribution of investment funds sold on a global cross-border basis.

**LFF: But why just Luxembourg? With common rules in all EU countries, other domiciles could have been just as attractive.**

CK: Luxembourg, having no significant home market, has always been oriented towards cross-border activities. Our expertise is to know what it takes to go "international" - to have a fund distributed in a large number of different countries around the globe - and we have the work force that caters for these needs.

The success story of the Luxembourg investment fund industry is based to a large extent on the availability of a high-quality labour force. The banking sector is able to call on technical skills that originate in our neighbouring markets and in many other countries. The multilingualism and the variety of international expertise present in Luxembourg are essential for a good understanding of the needs of our clients.

**LFF: Common EU rules only apply to retail (UCITS) funds: what about hedge funds, private equity or real estate?**

CK: The European Commission has just issued a proposal for a European directive on non-UCITS funds. The details of this legislation now need to be discussed and fine-tuned but we welcome the initiative. ALFI is one of the biggest contributors to EFAMA, the European Fund and Asset Management Association and we will work closely with our European colleagues to make this directive a European success story in the same way as UCITS has been.

**LFF: Over the last year, the world has changed. How will these changes affect your industry?**

CK: Our role as a distributing platform puts us into the unique position of being able to identify what investors need. What I hear are buzzwords linked to safety, transparency, investor protection, social responsibility...

We must live up to the expectations of our clients.



**Claude Kremer**, Chairman of the Association of the Luxembourg Fund Industry (ALFI)

# LUXEMBOURG FINANCIAL FORUM 2009

The fourth edition of the Luxembourg Financial Forum, held on 29 May, brought together some 500 participants and a dozen high level speakers who shared their views on the theme: "Financial markets: paving the way for a new international order".

In his opening speech, Prime Minister Jean-Claude Juncker spoke of the need for more transparency and standardisation in regulation, particularly in the area of hedge funds.

Afterwards, the speakers attempted to answer a range of questions.

## Is this the end of globalisation?

According to Edmund Phelps, Nobel Prize winner in economics in 2006, globalisation is here to stay. It is regrettable that governments are reacting to the crisis with protectionism. Companies must face competition both at home and abroad.

## Do we need more regulation?

The speakers agreed that what was needed was not more, but better, regulation. Regulation is too static and effort becomes focused on finding ways around it. The answer is to regulate the actors, not the products.

## Are rating agencies to blame for the financial crisis?

No, said some, investors didn't do their sums: anybody could have calculated the true value of the US housing



Edmund Phelps, Nobel Prize in Economics 2006

market. To others, the semi-official role of rating agencies gave a false sense of security and this has to be addressed.

## Do we still need banks?

For some speakers, banks are "fanastically efficient at redistributing wealth". For others they are becoming obsolete and will be replaced by cooperative banks or retail companies with a banking license – names that the public trust.

These views notwithstanding, banks do add value to the real economy. Furthermore they will continue to make a profit from it, though less profit than before, and they will always be faced by the phenomenon of cyclical crisis.

For more detailed information on the debates see: [www.lff.lu](http://www.lff.lu)

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A reasonable level of regulation does not stifle business development; Luxembourg has been demonstrating this for the last 40 years.

Jean-Claude Juncker, Prime Minister



The 13th edition of the Blues'n Jazz Rally features both international stars and local talent / Grund and Clausen / 18 July 2009 | © D. O. Fierro

## SUMMER IN LUXEMBOURG.....

### National Day Eve on 22 June



From 10 p.m. torch parade around the city followed by an amazing firework display which lights up the entire Petrusse Valley. Numerous concerts around the city extend the fun into the small hours.

### Music festival "Rock um Knuedler" on 5 July



Best rock-pop international artists and rock bands "made in Luxembourg" share the two open air stages installed in the place Guillaume II. Every year, more than 10,000 people attend the various concerts. Headliner 2009: Simple Minds.  
[www.rockumknuedler.lu](http://www.rockumknuedler.lu)

### Blues'n Jazzrallye on 18 July



Music lovers will appreciate this famous jazz and blues marathon which takes place in the bars and open air stages of Clausen and the Grund.  
[www.bluesjazzrallye.lu](http://www.bluesjazzrallye.lu)

### Summer follies / Open air film festival

Free open air film shows on Friday and Saturday nights, in the courtyard of the "Théâtre des Capucins".  
In July and August.

### Visit of the Grand Duke's palace

The majestic interior and state rooms of the palace are open to the public exclusively during the summer. An opportunity to visit this sumptuous residence endowed with a beautiful facade that dates from the Flemish Renaissance (XVI century).  
From mid-July to early September.  
[www.lcto.lu](http://www.lcto.lu)

### Schueberfouer



Huge funfair on the Glacis car park. Thrills and quality entertainment for the all family. With roller coasters, fairground cinemas, all kinds of attractions, candyfloss and Luxembourgish specialities, it is the perfect place to spend a few hours.

From 21 August to 9 September.  
[www.schueberfouer.lu](http://www.schueberfouer.lu)

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