

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)