



association of the  
luxembourg fund industry



## Drivers for innovation in the Luxembourg fund industry

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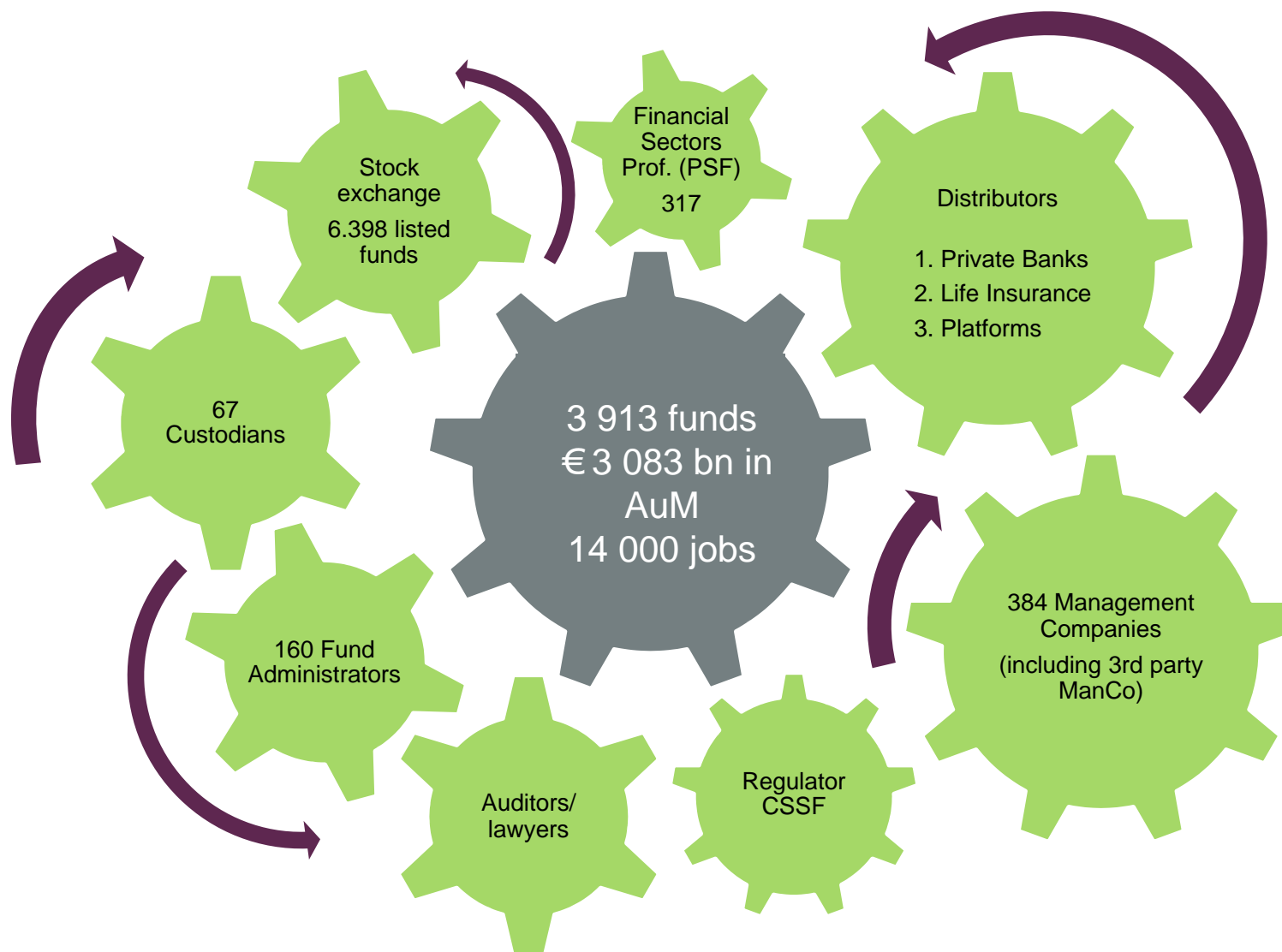


## Europe's investment funds brand : UCITS

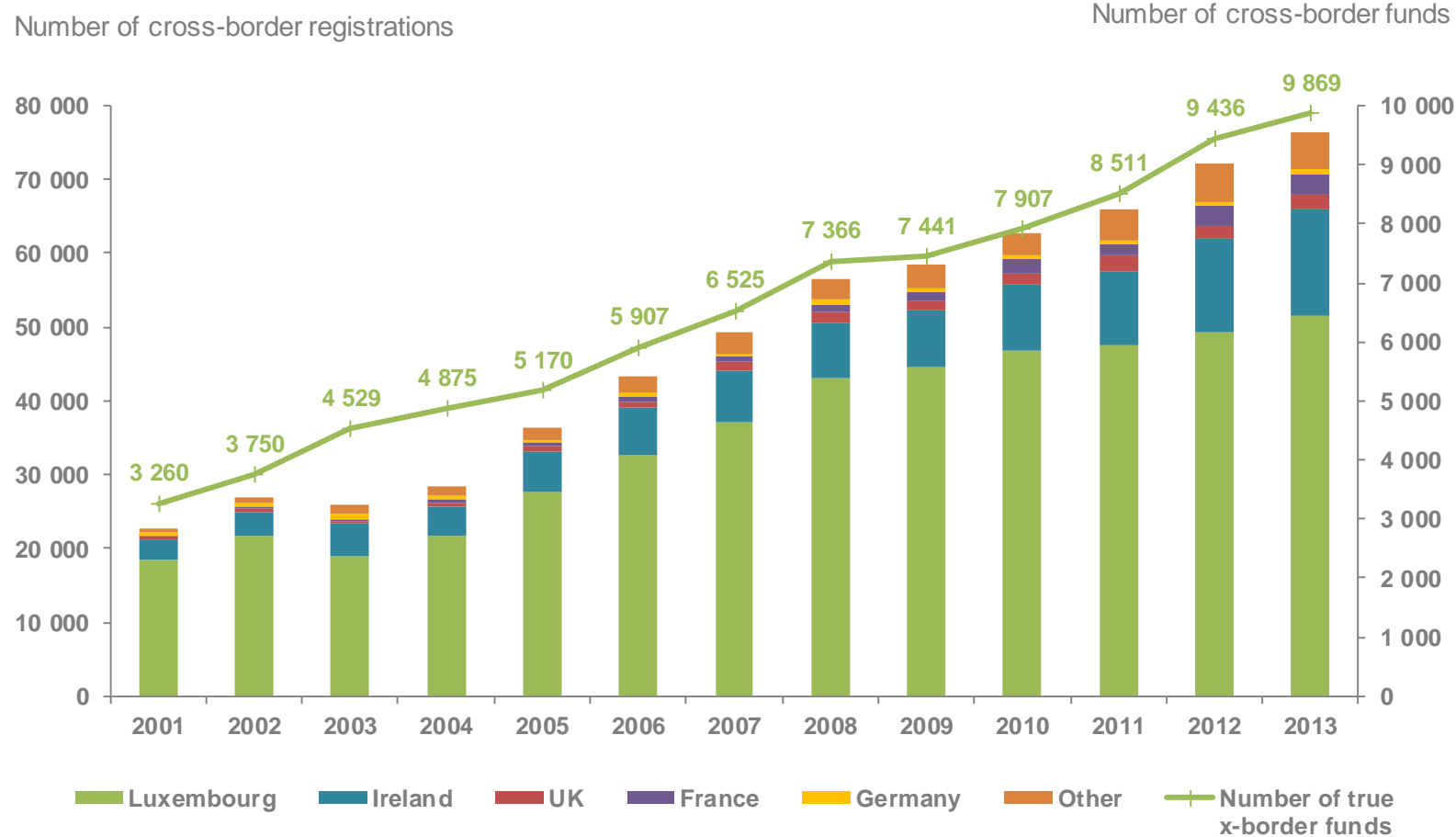
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- UCITS : Undertakings for Collective Investment in Transferable Securities.
- A set of European Union Directives that aim to allow collective investment schemes to operate freely throughout the EU on the basis of a single authorization from one member state.
- Distribution passport: an innovative concept that will create a new business model.

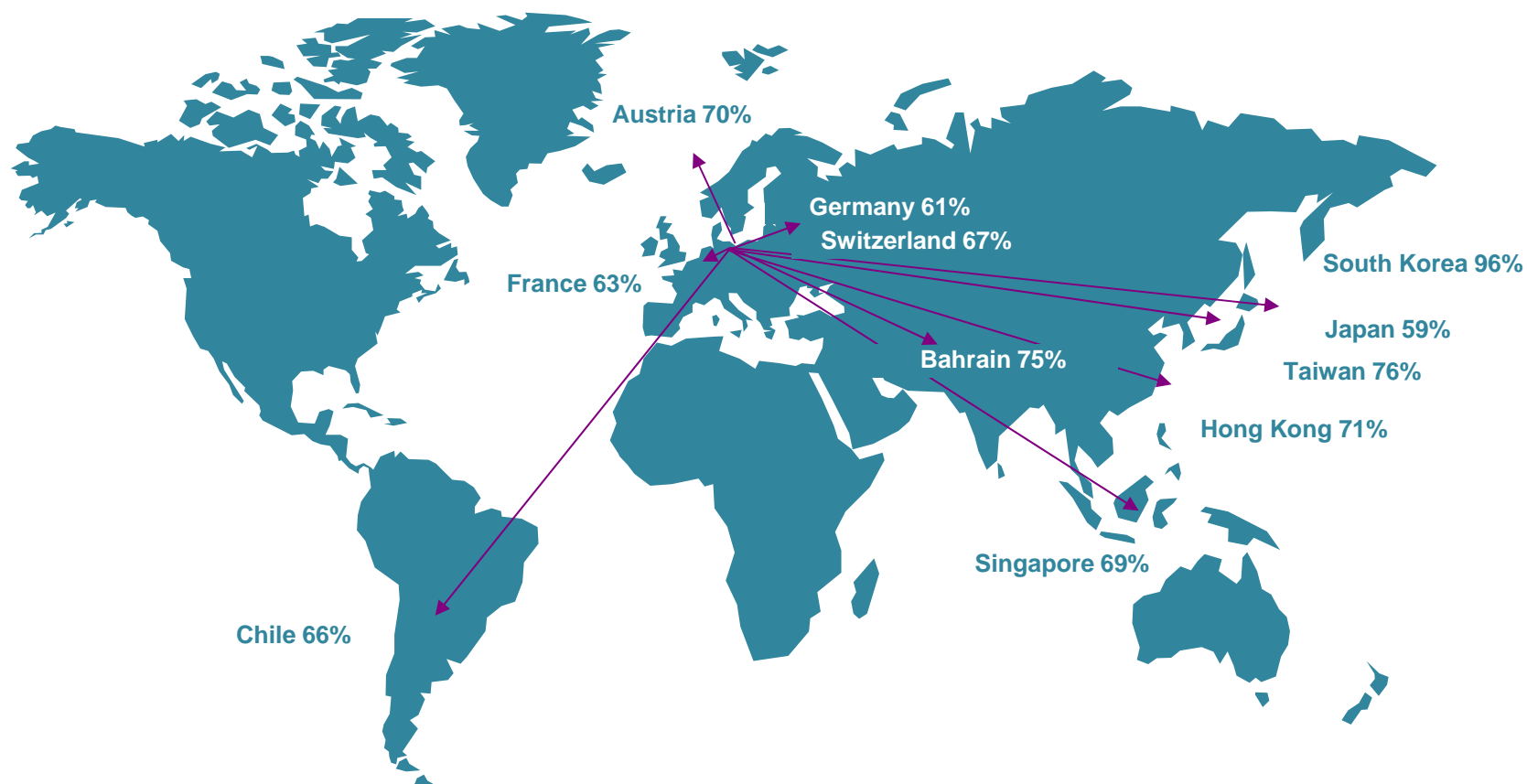
## Luxembourg fund industry : market infrastructure



# Evolution of cross-border fund distribution



## Luxembourg market share of foreign funds registered for sale in key countries



Source: PwC Global Fund Distribution 2014 – data as of 31 December 2013

# UCITS evolution



**UCITS**  
20 December 1985

**UCITS III**  
21 January 2002

**UCITS IV**  
13 July 2009

**UCITS V**  
2014



Driving Forces			
Permit cross-border offering of open-ended investment funds to EU investors	More asset classes eligible (bank deposits, units of other UCIs, MM and use of derivatives)	Permit industry consolidation, improve efficiency and increase investor protection	Responsibility of depositary, policies on remuneration, sanctioning regime
Benefits			
<ul style="list-style-type: none"> <li>Harmonization of investor protection rules</li> <li>Marketing through simple notification process - passport</li> </ul>	<ul style="list-style-type: none"> <li>Widening of investment power and product offering in UCITS</li> <li>Enhanced risk management procedure</li> </ul>	Principal amendments to UCITS regime: <ul style="list-style-type: none"> <li>Simplified notification procedures</li> <li>KII</li> <li>EU-wide fund merger regime</li> <li>Management Company Passport</li> <li>Master-Feeder structures</li> </ul>	<ul style="list-style-type: none"> <li>Harmonize EU approach on eligible entities acting as depositaries</li> <li>Clarify depositary responsibilities</li> <li>Reduce conflicts of interest</li> <li>Facilitate enforcement</li> </ul>



## Innovation in Luxembourg

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- Innovation is a shared constant process involving both the industry and the authorities.
- Some sources of innovative ideas in the Luxembourg fund industry are:
  - 160 Working Groups, Technical Committees and Fora within ALFI
    - Exchange ideas, assess market trends and recommend actions
  - Strategic Advisory Board
    - Elaboration of ambition plan



## Three pillars of the Luxembourg fund industry

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- UCITS
- Alternative Funds (Hedge Funds, Private Equity and Real Estate)
- Responsible Investing



## Conclusion : three main drivers for innovation

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- **New regulations**
  - Adapt to new regulation and changing regulatory framework: UCITS, AIFMD
- **Demand for new products**
  - Responsible investing, Shariah compliant funds
- **Business model improvements**
  - Cross-border distribution model



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