Cámara
Official Spanish Chamber of Commerce in Belgium and Luxembourg

SFF spanish financial forum in Luxembourg

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The first publication connecting professionals of the financial sector from Spain and Luxembourg

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About the **SFF**

The **Spanish Financial Forum in Luxembourg** (SFF) is a Committee of the **Official Spanish Chamber of Commerce in Belgium and Luxembourg.** It was launched in 2019 at the initiative of professionals linked to the Luxembourg financial services industry.

Through the SFF, the Chamber aims **to create both in Luxembourg and in Spain, a space for opinion and debate on economic and financial issues**, where professionals working in companies related to the provision of financial services can share experiences, establish collaborations, exchange information on sector trends and develop business opportunities.

Organizational structure

More than **50 companies and over 100 professionals** are involved in the SFF. Its organizational structure is composed of **a President and four coordinators** who lead respectively the following sub-sectors:

- Banking
- Asset Management
- Tax
- Insurance

Join the SFF

All financial services providers that are members of the Official Spanish Chamber of Commerce in Belgium and Luxembourg can apply for free to join the SFF.

Access HERE to more information about membership application and benefits offered by the Chamber to its members.

SFF Magazine

THE OFFICIAL PUBLICATION OF THE
SPANISH FINANCIAL FORUM IN LUXEMBOURG

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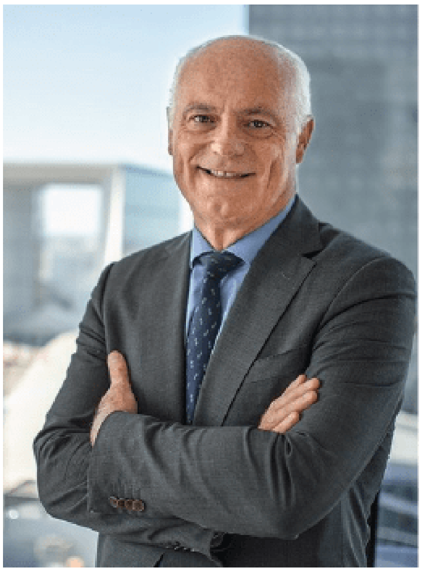
The SFF Magazine is a **quarterly and digital publication** addressed to financial professionals linked to the Spanish, Luxembourg and Latin American markets. It is published in **bilingual**, Spanish and English edition.

Most of the content is provided by SFF members and financial stakeholders. If you are interested in participating in the next future editions providing contents, do not hesitate to contact us by sending an email to publicacioneslux.ext@e-camara.com. The Chamber also offers the possibility of advertising and sponsoring contents.

"The COVID-19 pandemic and more recently, the Russian invasion of Ukraine, shows that events can develop very quickly – the main challenge for European banks is therefore likely to be stemming from something we cannot predict today. It is therefore important that the banking sector is robustly capitalized and can withstand external shocks."

Following the luncheon debate organized in June by the Official Spanish Chamber of Commerce in Belgium and Luxembourg with **José Manuel Campa**, the **Chairperson of the European Banking Authority (EBA)** shares with us his thoughts on the challenges, opportunities and trends affecting the European banking sector. Unpredictable events such as COVID-19 and the war in Ukraine, as well as new regulatory frameworks around sustainability and digitalization of the sector, are some of the factors that will determine the evolution of the European banks in the coming years.



We are living through a time of rapid and global change. Just when we thought that the crisis caused by Covid-19 was coming to its end, uncertainty has resurfaced due to the war in Ukraine. How successfully have European banks responded to the problems connected with COVID-19? European banks have responded well to the crisis conditions?

EU banks have so far overall coped well with the challenges posed by the COVID pandemic. One may well say that **banks were part of the solution** to address these economic challenges and not part of the problem.

Banks entered the pandemic well-capitalised and with sufficient liquidity to weather the upcoming storm.

Since the beginning of the pandemic, capital and liquidity ratios in EU banks have improved further. The average EU CET1 capital ratio [fully loaded] stood at 15.4% in Q4 2021, up around 40bps from pre-pandemic levels. Banks in Europe have maintained stable capital ratios in the past year which are comfortably above their regulatory minimum requirements. This positive outcome is not least due to the **assertive fiscal and monetary policies** undertaken by authorities as well as various regulatory and supervisory measures implemented.

The results of the EBA 2021 EU-wide stress test also confirmed that **banks are well equipped to withstand a severe macroeconomic downturn**. After an assumed 3.6% cumulative drop in EU GDP over the 2021-2023 three-year horizon (which is added to the 6% GDP drop registered in 2020), banks' fully loaded CET1 ratio would fall by 485bps to 10.2% on average. Moreover, 90% of the banks in the stress test sample would remain well capitalised relative to minimum requirements.

In the past few months, uncertainty around the macroeconomic outlook has risen substantially just like the medium and longer-term risks for the banking sector. **The Russian invasion of Ukraine is the main driver of this uncertainty.**

What are the main consequences of the war in Ukraine for the European banking sector? Does this war pose a systemic risk for European banks?

The Russian war against Ukraine and ensuing uncertainties about gas & oil supply add to uncertainty. They provide an **adverse backdrop** to the current market sentiment and the outlook for the European banking sector. GDP growth forecasts are revised downwards further (latest example: EU COM spring 2022 forecast and World Bank and OECD forecasts beginning of June). Coupled with rising inflation, they weigh on consumer and business confidence. Expectations about **monetary policy tightening** are reflected in market volatility and asset valuations.
Our initial risk assessment shows that first-round effects are small and broadly manageable for EU banks as aggregate direct exposures towards Russian and Ukrainian counterparties are rather limited and they do not pose a fundamental threat to financial stability.

Second-round effects might be more material from a financial stability perspective. Supply chain bottlenecks as well as rising energy and commodity prices are pushing **inflation** further up and are raising concerns over its persistence. **Stagflation related risks and implications for EU banks** are also more and more moving into focus.

The current high level of uncertainty about the outcome of the war and the potentially large impact on the wider EU and global economy are a key driver of concerns. Implications might include the direct economic fallout of the war including the **fiscal impact**, the **impact of sanctions** from all actors involved, **cyber risks** and the longer-term **impact on supply chains** in the global economy.

EU banks have reported overall robust Q1 2022 results. Preliminary EBA data indicates slightly lower profitability on a y-o-y basis, with RoE at 6.6% (7.7% in Q1 21 and 7.3% in Q4 21). Yet this was mainly driven by various one-off effects and an increase in contributions to Deposit Guarantee Schemes and the Resolution Fund.

EU banks' capital ratios were down Q-o-Q. CET1 (fully loaded) stood at 15.0% (15.5% in Q4 21). The decrease in capital ratios was a result of a rise in RWAs (around +3% Q-o-Q) and a slight decrease in capital.

Asset quality in Q1 22 continues on an improving trend, with an NPL ratio at 1.9% and a further decreasing NPL volume (2.0% NPL ratio in Q4 21) . But there are some early warning signs for deteriorating asset quality. Stage 2 allocation increased slightly to 9.1% (8.9% in Q4-21), yet with quite significant variation across countries.

Liquidity positions of EU banks slightly deteriorated. Liquidity nevertheless remains comfortably above minimum requirements in EU/EEA jurisdictions.

Operational risks of disruptions to financial infrastructure due to cyber-attacks, implementation of sanctions, etc, remain high. Although no system-wide cyber attacks were reported since the beginning of the Russian invasion, risk remain high, and competent authorities in the field of **cyber security** all recommend to remain highly alert.

The European financial sector is currently dealing with major challenges. Among other issues, Europe has led the way in developing a regulatory framework to incorporate ESG into risk management and business operations. How do you see this agenda evolving, and is it possible to achieve a globally coordinated approach?

The EU is indeed very active in terms of **climate and ESG-related regulatory developments**. The momentum is still there, as shown by the renewed **Sustainable Finance Strategy of the European Commission** published in July last year, and the proposed banking package (CRR3/CRD6) – currently under discussion by the EU co-legislators - which includes several provisions with regard to ESG risks and their management by institutions and supervision by competent authorities. At the EBA's level, we are also progressively complementing the **single rule book** in the areas of **disclosure, supervision, stress-testing and prudential treatment.**

Regarding the incorporation of ESG into risk management and business operations more specifically, we have already started to update some **EBA Guidelines** to include ESG risks in the requirements which apply to institutions in terms of internal governance arrangements, remuneration policies and loan origination and monitoring processes. These aspects will also have to be taken into account in the supervisory review. More guidance will come from the EBA, especially on the assessment and management of ESG risks, including with potential requirements on institutions' transition plans and stress testing. We also have an on-going **public consultation** on a discussion paper dealing with the integration of environmental risks in the prudential framework - the so-called '**Pillar one**' i.e. prudential treatment of exposures.

“At the EBA's level, we are also progressively complementing the single rule book in the areas of disclosure, supervision, stress-testing and prudential treatment.”

While achieving a fully coordinated approach may sometimes be challenging, the impacts of climate change and other ESG risks are commonly recognised as a global challenge which has to be addressed globally through a **coordinated regulatory response**. The work of EU authorities including the EBA is closely intertwined with other developments at international level and we are contributing to **international collaboration** in this area. This includes the work conducted by the Network for Greening the Financial System (NGFS) and the Basel Committee on Banking Supervision (BCBS). In that regard, the ever-growing membership of the NGFS (now more than 110 members across the globe) and the recent BCBS publication of "**Principles for the effective management and supervision of climate-related financial risks**" are encouraging steps towards the development of a coordinated supervisory approach to climate risks globally.

The sector is also undergoing a transformation linked to a disruptive element that is presenting itself as an alternative to the conventional financial system: crypto-assets. What are the implications of this paradigm shift for the banking industry and how can banks adapt to this new trend?

Crypto-asset products and services is a general term to refer to a new set of products and services that use a common technological innovation. This new technology, when regulated effectively, can complement existing financial products and services, for instance as an alternative means of capital-raising. And indeed, although **EU banking sector exposures to crypto-assets remain very low,** we see increasing experimentation and interest in DLT-based applications, for instance in the context of trade finance, inter-bank settlement, and securities settlement.

To facilitate responsible applications of crypto-assets it is absolutely essential that we have a **robust and consistent regulatory framework across the EU** and, insofar as possible, at the global level. The European Commission's proposal for a regulation on Markets in Crypto-assets (MiCA), currently completing its way through the co-legislative process, will create a framework that mitigates the key risks identified previously in the EBA's reports and advice to the European Commission whilst facilitating scaling up through establishing a common set of regulatory requirements for the issuance of crypto-assets and crypto-asset service provision. Crypto-asset service providers will also be in scope of the **Digital Operational Resilience Act** which will ensure the highest standards of resilience to guard against the significant threat of cyber-attack and operational disruptions. And the European Commission's AML package, once agreed, will result in very important extensions to the definition of 'obliged entity' to ensure that all crypto-asset service providers have in place robust AML/CFT policies and procedures.

"To facilitate responsible applications of crypto-assets it is absolutely essential that we have a robust and consistent regulatory framework across the EU and, insofar as possible, at the global level."

At a global level work along similar lines is underway and we at **the EBA are participating in multiple international standard-setter work streams** including:

- the Financial Stability Board's monitoring of crypto-assets and DeFi applications;
- the BCBS work on the prudential treatment of banks' exposures to crypto-assets on which we expect a further consultation imminently;
- and ongoing Financial Action Task Force (FATF) work to monitor the application of the standards and guidance to so-called virtual assets and virtual asset service providers.

The discussions at these tables are absolutely key **to ensure effective mitigation of risks** in the context of borderless technologies and global markets, in particular to address the risk of forum shopping and regulatory arbitrage.

In your opinion, what are the main challenges that European banks will face in the next 5 years?

The COVID-19 pandemic and more recently, the Russian invasion of Ukraine, shows that **events can develop very quickly** – the main challenge is therefore likely to be stemming from something we cannot predict today. It is therefore important that **the banking sector is robustly capitalized and can withstand external shocks**. That being said, if I were to venture a view, I would firstly look at the macroeconomic scenario, where the risk of a macroeconomic downturn or even recession would appear likely to occur within the next 5 years – banks need to be ready to handle this, something that we as regulators are very aware of.

If we look more broadly to the risk to bank business models, it is clear that **sustainability and the increased digitalization of the economy are areas where banks have to adapt**. The transition of the economy towards a more sustainable path is something that will affect all of us, but **banks need to be ready to finance the economy** and that will require investment into managing the risk stemming from such transition. At the same time, the increased use of technologies continues to transform our society – the use of **artificial intelligence technologies** also give rise to new challenges, but probably also expose us more to cyber-risks. For instance, banks will most likely be able to **automate more processes**, giving raise to cost reductions that can ultimately benefit customers, but we will also face a trade-off in how far we can go in the use of personal data. Banks will have to cope with all these significant challenges.

José Manuel Campa was appointed Chairperson of the EBA in March 2019 and is serving a renewable five-year term. He represents the Authority and by chairing the meetings of the Board of Supervisors and of the Management Board, he steers the strategic direction of the Authority.

From 2015 and prior to this appointment, Campa served as Global Head of Regulatory Affairs, for the Grupo Santander. Prior to that, he was Professor of Finance and Economics at IESE Business School. Between 2009 and 2011 Campa served as Secretary of State for the Economy in the Ministry of Economy and Finances of Spain. He was a member of the Financial Stability Board, the board of the European Financial Stability Facility, the Economic and Financial Committee and alternate governor in multilateral financial institutions.
He has served in the Expert Group, chair by Mr. Erkki Liikanen, evaluating policy recommendations on structural reforms for the European Banking industry.

About the EBA

The EBA is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

EBA European Banking Authority

Christine Majerus
Luxembourg's national road champion & proud member of Team SD Worx

Photo credit: @gettyimages

Opinion
ESG in spotlight - are asset managers ready for the new challenges?

Sustainability is currently a **leading topic in the financial industry**. In recent years, growing interest in environmental, social and governance (**ESG**) issues from investors, employees, customers, and other stakeholders has put pressure on companies to act. However, requirements and the level of complexity have significantly increased with the latest regulatory wave. The EU Action Plan combined with the EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR) are part of an **ambitious legislative framework** that will significantly shape sustainable investing.

In this context, **are asset managers ready for this new challenges?**

In this edition of the SFF Magazine, experts of the field share their opinions on this topic.

Asset managers – the capital vehicle of the green transition

Asset managers play an important role in achieving ambitious objectives for a green transition; they manage large chunks of the capital needed. Their importance is very clearly reflected in the **fast-evolving regulatory requirements for implementation of ESG** considerations. However, also civil society demands higher ESG standards and expects asset managers to make ESG considerations part of their fiduciary duty.

An equally significant sign of asset managers important role is the last years' record inflows in **green investment products**. Asset managers have reacted to the increase in ESG-investing appetite by expanding the market for sustainable finance products. However, they are also expected to overall manage the capital according to the investors' increased desire for more sustainability. **Investment stewardship plays a key role**, allowing asset managers to communicate shareholders' interests and drive change towards a more sustainable business model.

Therefore, asset managers are crucial intermediaries for society's desire **to reach carbon neutrality and companies' transition to net zero**. This is a responsible role that requires clear guidance from legislators for the industry to play its part. Exclusionary financial products are not the solution because it requires every company's contribution to reach a genuine transition. We cannot afford to leave companies behind only because of a larger environmental footprint currently. Instead, these companies require reasonable time, but even more importantly capital, to facilitate their transition. It is therefore short-sighted to divest from some companies which are not able to fulfil our growing sustainability interests right away. **Investments should be bound to measurable and reliable transition instead.**

Investment stewardship teams can communicate those requirements and subsequently monitor their implementation progress. It is this function that ultimately makes asset managers the capital vehicle of the green transition.

FTI™ CONSULTING

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The global pandemic accelerated the focus on ESG considerations and according to Bloomberg, ESG assets under management could reach more than a third of the projected USD 140.5 trillion global total by 2025.

This acceleration brings a series of **challenges for asset managers**, including navigating the raft of new regulation, the shifting nature of societal expectations around the definitions of ESG and the monumental challenge of the net zero transition given the triple energy challenge of security, affordability, and climate change, all brought into stark focus by the war in Ukraine.

Arguably, **data quality** is one of the biggest challenges but also a critical tool in addressing these challenges given, according to Bloomberg, one in every three dollars invested will be influenced by ESG data in some way.

As this dependency increases, then bluntly, if the data is not right, neither are the outcomes. As a result, we are rightly seeing increased scrutiny of that data, as well as regulation to help drive better data, such as mandating climate-related disclosure by companies, the recent EU consultation on ESG ratings and the introduction of the **EU taxonomy** to bring the definition of what is green into sharper focus.

Consistent data are vital, but so too is meaningful **interpretation and reporting**. ESG ratings conspicuously vary in how they construct assessments on company policies, management systems and disclosures. Comparable quantitative data remains limited and the shift in emphasis from ESG risks to the company to the impact of the company means there is both an urgent need to fully understand and assess the available data and to develop more appropriate indicators.

The EU's SFDR regulation represents a robust move towards imposing **disclosure obligations** of so-called 'principal adverse impact indicators', which aim to focus on impact of the companies held in portfolios.

For us to be truly effective as an industry, it is imperative that we scrutinise and evolve appropriate data and metrics to inform our **investment decisions**, while communicating clearly and effectively so clients understand the impact of their investments on our future environment and society.

Mónica Hortelano López
Director - Senior Business Developer (FIM)
Quintet Private Bank, Luxembourg

"Regulations, Wave Net Zero, Clean Mobility, Privacy, Technological Progress, Big Data AI, Platform Economy, Cloud and E-Commerce, Sustainability, Climate Change, Sustainable Resources, ESG, Social Changes, Diversity, Inclusion, Citizens, Long-Term Trends ...etc."

And among all these words, a keyword "**transparency"**; and a key element "**regulation".**

I do not intend to go into too much regulatory detail, a lot has already been and continues to be written about ESG, with high-quality technical information, but I do try to ask some questions-answers that help us highlight the impact of what the **European Green Deal,** presented by the European Commission, represent for the financial sector, that is, the impact of implementing a growth strategy for Europe with the aim of making Europe the **first climate-neutral continent** in 2050. This means, among other things, that investments must be redirected towards long-term investments towards more sustainable technologies and businesses. Even if 2050 seems far away to us, the EU agreements on the first deadlines to be met are very close, this includes the deadlines to be met in the **EU Sustainable Finance Plan**, an ambitious plan with a considerable impact on the financial sector, so based on common definitions (taxonomy) of what sustainable activities are, the plan aims to anchor beliefs and actions in both, the financial sector, and among investors.

So, let's go to some of the questions:

What are the general regulatory requirements for sustainable finance?

Regarding MiFID II ESG and IDD
- Integration of Sustainability Risks in Policies and procedures.
- Consideration of sustainability preferences: selection process, investment advice, determination of conflicts of interest.
- Inclusion of sustainability factors in the description of the selection process of financial products offered in the investment advice process.
- Integration of sustainability factors in the product's governance obligation.
- Identification of the potential target market for which the financial instruments are compatible based on the clients' sustainability preferences.
- Consistency with the target market.
- Transparency of the sustainability factors of financial instruments.

Regarding SFDR (Sustainable Finance Disclosures Regulation)
- Product classification: Article 6, Article 8, Article 9: Sustainability Risk Policy, PASI Declaration (Comply or Explain) Integration of Sustainability Risks in the Remuneration Policy

Regarding the EU taxonomy

- Product without EU taxonomy alignment, disclosures in pre-contractual and periodic reports:
- For products that invest in investments aligned with the EU taxonomy, as of January 1, 2022:
  - Information on the environmental objectives and description of how and to what extent the investments qualify as EU Taxonomy aligned.
  - Breakdown of the proportion of EU Taxonomy aligned activities by enabling and transitional activities
  - Application of statement (Art. 6), "The do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmetally sustainable economic activities.
- For products which invest into EU Taxonomy aligned investments, as of 1st January, 2023:
  - Specific requirements embedded into the RTS templates.

What does sustainability preferences mean?

Taxonomy Alignment, a financial instrument for which the client or potential client determines that a minimum proportion should be invested in environmentally sustainable investments (minimum taxonomy compliance).

What does the EU sustainable financing plan include and the impact on Asset Managers?

Investment firms should, consider the sustainability risks associated with their investments and disclose how they are integrated into investment decisions that have at least some environmental or social characteristics.

The plan includes:

- Common definitions (taxonomy regulation).
- Transparency.
- Consideration of Sustainability risk.
- Strengthen the participation of investors.
- Standards and benchmarks.

Who are the main stakeholders, who have been driving the growth of ESG investing?

- Companies, Awareness of ESG-related risk in competitive advantage, Lower cost of capital if ESG-aligned and more purpose-driven.
- Government, Greater recognition of the need for standardization of definitions/processes, focus on climate commitments, post-COVID focus on social inequalities.
- Managers, increased availability and transparency of ESG data, more customer-centric delivery, more purpose-driven.
- Investors, generational change in values, perceived performance benefits, increased ability to assess authentic ESG integration.
- Community, Increased scrutiny on capitalism, post-COVID paradigm, Growing vocal engagement with business.
- European regulators drive global regulatory pace, regulation engages stakeholders to create collective action.

What are the challenges facing Asset Managers and Financial Institutions in adapting?

- Take a responsible investment approach.
- Adopt international standards.
- Apply to labels.
- Adapt the governance model.
- Monitor non-financial KPIs.

What is the key to the Asset Manager?

It is key for asset managers to have access to a reliable **ESG database**, so they can integrate this ESG data, indices, sustainability risks and opportunities, historical portfolio data, issuer-level analysis, and analysis into their existing investment processes.
Integrated ESG indices (broad and thematic markets) designed to align ESG and investment objectives, while ensuring low tracking error vs. comparable "standard" index.

What is one of the main contributions in this whole process of some key players such as the Asset Manager?

The Asset Managers are committed to incorporating ESG factors into their strategy and to implement the UN 2030 agenda for sustainable development.
UHNWIs and managers are increasingly involved in achieving by 2025, and It is considered that at least a third of portfolios to be invested in environment.

- For this reason **is necessary a critical contribution of the Asset Manager of the information of the data, the transparency of the data and the alignment of the taxonomy to contribute to the success of this strategy.**

We will continue reading and learning with these and many other questions, but I hope that at least these brief ones have made us think about the impact that this growth strategy represents, and that it is not only the responsibility of the main stakeholders, as if we were not part of them, but of all of us as individuals, and of course of all that play a relevant role in the financial sector such as custodians, private bankers, asset managers, insurance companies, who incorporate an ESG policy into their business strategies.

And now yes, last and not least, like last year around this time, I take the opportunity to wish you all a **happy summer holidays**!

Sources: Quintet, UN, WHO, Knowledge4policy, IPCC, BNEF, CB Insights, Cybersecurity Ventures, Statista, McKinsey EFA, Deloitte.

Dossier
Training & Human Resources

Many things have changed in recent times in the **human resources sector**, with both employers and employees having to adapt to a new way of working, resulting in a new standard beginning to take shape and notable trends emerging.

Thus, the Covid has changed attitudes toward building a career. People seem less interested in finding a paycheck commensurate with their experience, and more keen on **flexibility** as they search for meaning and purpose in their work lives. The result is a "**war for talent**".

Luxembourg has historically been an ideal location to find a job in financial services. The country has built a **financial industry** that is uniquely specialised in cross-border activities and has rapidly expanded along the value chain. It attracts individuals looking to work in most sectors of finance: from fund servicing and accounting to insurance, banking, or private equity deal making. **The country ranks first worldwide for attracting talent** (INSEAD 2021), with the non-Luxembourgers population representing 47,2 % of the total population (STATEC 2021).

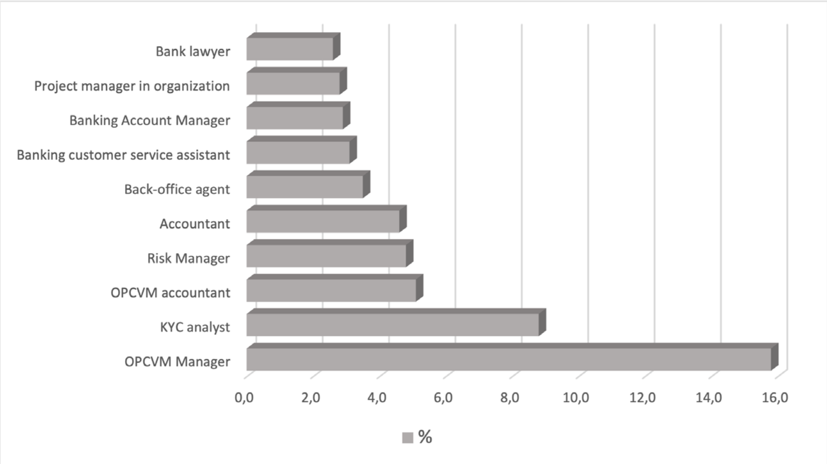
However, the job market in Luxembourg is currently undergoing many shocks. While the unemployment rate has been steadily decreasing in recent months, companies are finding it increasingly difficult to recruit the right profiles.

In this context, a **growing trend is observed in the arrival of Spanish professionals to join the Luxembourg labor market, and more specifically in the financial sector**. Although there are no concrete figures on the number of Spanish people who have recently joined the Luxembourg financial sector, according to STATEC data, **the Spanish population resident in Luxembourg has increased by more than 35% in the last five years** (period 2017 - 2022). Spanish talent is highly recognized abroad, and the professional development opportunities offered by Luxembourg in this sector attract qualified profiles looking for international experience in one of the most important financial centers in Europe.

What are the trends affecting the human resources sector in Luxembourg? What does the Luxembourg market offer to attract and keep international talent? What type of profiles and what skills are required to develop a career in the financial sector? What initiatives are being taken by companies to keep talent? What legislative changes are affecting the sector? In this dossier we try to answer these and other questions, thanks to the collaboration of professionals in the field of human resources.

Luxembourg HR ecosystem
Key figures in the financial sector

10 most in-demand jobs in the financial sector (2015 - 2020)
Source: ADEM



In-demand accounting certifications

- IFRS
- ACCA
- CIMA
- CFA
- CAIA
- CPA

Diversity, equity and inclusion (DEI) is becoming a top priority as companies are increasingly:

- Developing programmes and guidelines to make sure that their employees are treated with respect and empathy.
- Offering transparency in their application processes.
- Considering DEI as core to their corporate culture.
- Measuring DEI efforts and communicating their objectives.

Trends in perks and benefits

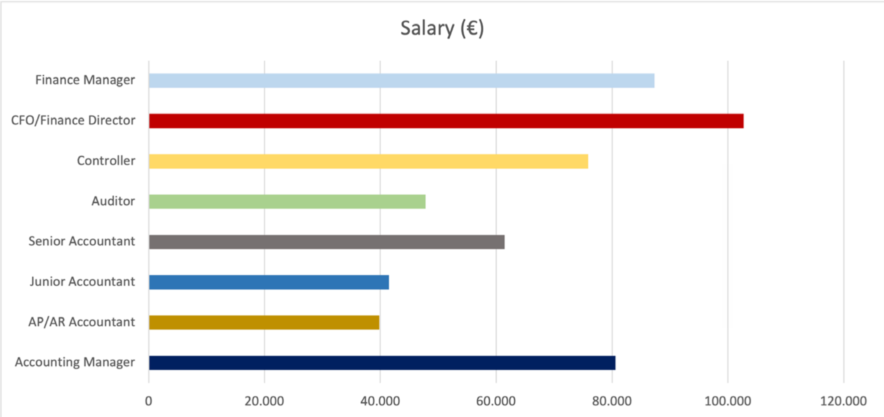
Fringe benefits frequently offered:

- Meal vouchers
- Year-end bonus
- Retirement savings plan
- Health insurances
- Company car and fuel card
- Parking spot

New benefits:

- Commuting discounts
- Gym membership
- Health insurance
- Cell phone and/or subscription
- Dental insurance

Starting salaries* in finance and accounting on the Luxembourg labour market
Source: Robert Half, 2022 Salary Guide



*The candidate has little or no prior experience in the position. Salaries listed do not include bonuses, benefits and other forms of compensation

Key Skills

Source: Luxembourg for finance

Finance is changing, becoming increasingly **digitalised, sustainable and transparent** and a new professional culture is increasingly becoming the norm. Due to this, a wide range of **skills**, both soft and hard, are critical for the future finance professional. These skills range from **communication, relationship management and marketing & sales to data analysis, sustainable finance, programming and financial modelling.** Alongside this change in finance, Luxembourg's financial centre has also been climbing up the value chain of financial services over recent years.

Luxembourg has grown into a regulatory, risk management and compliance competence centre. Many firms have built up teams in Luxembourg which serve as the group's regulatory nerve centre and global control tower. Since the financial crisis, risk and compliance functions have come to play a central role in the global operations of financial institutions. As a result, **the functions performed in Luxembourg are becoming key to the global operations of these groups**, which increasingly assign these functions a more prominent middle-office role.

More and more front-office functions, as well as an increasing number of key decision-making roles, are operating out of Luxembourg. Whether it is client relations managers that serve large banks from their Luxembourg hub or investment advisors and sales teams for asset management firms, or dealmaking functions for PE houses.

The sector is changing, and professionals need to adapt and acquire the necessary skills to meet the demands of an increasingly competitive and demanding industry.

The Chamber, through the SFF, is launching a new training program in Luxembourg focused on the financial sector

LEARNING SOLUTIONS

Marta González
Secretary General
Official Spanish Chamber of Commerce
in Belgium and Luxembourg

The Official Spanish Chamber of Commerce in Belgium and Luxembourg has been offering **training solutions** for years, with the aim of contributing to the promotion of lifelong learning and the improvement of professional skills of its members.

In order to meet the needs of the SFF members, it will expand its training offer with a specific program **focused on the financial sector** in the last quarter of 2022.

The secretary general of the Chamber, Marta González, tells us more details about the project, which will be developed under the name "**SFF Learning Solutions**".

What are the Chamber's objectives with this new training proposal?

The idea of launching this training offer focused on the financial sector was proposed by several members of the SFF. Many of our member companies **have problems to attract and keep talent** for their companies in the Grand Duchy. This problem is not unique to our members, but for most of companies in this sector, a fact that has been exacerbated by the pandemic.

At the same time, in recent years the Chamber has identified a **growing number of Spanish young people in Luxembourg** who are looking for a job opportunity. Many of them have studies related to the financial sector, but they need to specialize in **specific topics that affect the Luxembourg financial industry** in order to improve their employability in this country.

For this reason, and taking advantage of the expertise of our members, we have decided to launch these training pills. On the one hand, we want to help young people to acquire **new professional skills** that will improve their employability, and, on the other hand, we want to help our member companies to cover their workforce needs. Furthermore, these activities will help to improve the visibility and positioning of the Chamber among a new target audience, who are our future, and allow us to diversify the activities we develop in the Grand Duchy.

What content will be covered in this first series of training courses?

In this first stage, we will address **three key areas for the Luxembourg financial sector**: Corporate and Governance, Compliance and Private Equity. The modules will be taught in **English**, and each module will have a duration of two or three hours depending on the content to be covered. They will be carried out in **hybrid format**, and participants will be able to choose whether to sign up for a single training session or several and will be able to benefit from a discount depending on the number of training sessions that the same person wishes to attend. A cocktail will be offered at the end of each session in order to promote networking among participants.

Corporate and Governance

Compliance

Private Equity

Who is it aimed at?

It is aimed at **all Spanish young people who have recently arrived in Luxembourg** and who need to strengthen their knowledge in certain areas of the financial sector in order to improve their employability.

What added value does it bring to the members of the SFF?

On the one hand, we want to respond to the needs of our member companies by training young Spanish talents who start their **professional career in Luxembourg** in sectors where there is a need for qualified personnel adapted to the needs of the financial sector in the Grand Duchy. This project will also serve to expand the Chamber's network of contacts and enhance the networking of professionals working in the financial services industry.

How is it different from the existing offer?

It is a high-quality training offer, provided by Spanish professionals with a **solid track record** in the financial sector in Luxembourg and is aimed at Spanish young people who have recently arrived in the Grand Duchy. At present, there is no similar offer, and it is a real privilege to be able to count on our members to provide these training courses.

More information about SFF Learning Solutions will be available soon on the Chamber's website:
www.e-camara.com

SFF spanish financial forum in luxembourg
LEARNING SOLUTIONS

Esperanza López
Talent Acquisition Partner - Human Resources
Lombard International Assurance S.A.

LOMBARD
INTERNATIONAL
ASSURANCE

Talent Attraction: A Change of Perspective

It is a fact that during the last year the professional market is more active than ever, and as a direct consequence, companies must reinvent themselves **to find, attract and keep the best talent.**

In an international market that is becoming not only **extremely active but also demanding**, it is no longer enough to be the number one in the sector or to have a well-recognized brand. You must reinvent yourself and adapt to the new synergies of the labor market.

Like many other companies, Lombard International Assurance has had to react quickly, identifying trends in both employee and candidate expectations to attract the best talent.

The Covid-19 pandemic has undoubtedly set a precedent in the way we build our expectations, both personally and professionally. Thus, Lombard International Assurance has decided to move in line with this new context.

Having heard our **employees**, as well as keeping an eye on what is happening in the **external market**, we are working on the implementation of a **Human Resources strategy** that keeps the focus on three fundamental pillars for us: recruitment, training and career development; and defining the career path of our employees.

When we talk about **recruitment**, there are several factors that make this process challenging. However, it is these same factors that make our job offer so interesting to candidates.

Wealth Assurance is competing for talent in the same space as many other financial institutions, and we often face the **challenge** of developing a business activity that is not as familiar to candidates as, for example, other areas such as banking, consulting, or fund management.

In any case, this is a well-established and fast-growing segment of the financial services industry, which is very attractive as it is identified as a **talent accelerator** for ambitious minds that like to be challenged in an enriching and innovative work environment, as well as having the opportunity to learn new and valuable skills while working with a **great team of professionals.**

Lombard International Assurance operates in an **international context** that involves a great deal of networking and multicultural coverage. Always aiming to provide an excellent service to our clients, beyond the technical knowledge and professional background of our employees, we are often looking for new colleagues with specific language skills to connect and work with our clients around the world: Spain, Latin America, Portugal, Italy, France, Belgium, Sweden, Finland, Norway, Germany, Switzerland, Asia...

Accordingly, **we are establishing partnerships with the main Universities and Business Schools in Spain**, with the aim of building a bilateral cooperation that helps their students to find **international opportunities** for the development of their university internships at the beginning of their careers, as well as connecting with their Alumni to help them in the search for the first job opportunities that best fit their profiles once they graduate.
Among the more than forty different nationalities that make up Lombard International Group, we count on our Spanish colleagues to develop specific business areas, such as Wealth Planning, Sales or Accounting Management.

Training and **career development** are fundamental basics to ensure that our employees have access to all the tools that will guarantee their success in a very dynamic context that requires excellent interpersonal communication skills, ambition, and resilience.

During 2021, our employees dedicated more than 13,000 hours to the development of training on different topics: from learning a new foreign language to team management and other soft skills, as well as other technical and professional skills that will boost their development and ambition to continue evolving to the next step in their professional careers.

As far as 2022 is concerned, we are currently working on the more than 5,000 hours of training that have been requested, which translate into 625 days of training that are specific and customized for each team/employee, depending on their specific activity within the company, area of business and individual preferences.

Beyond these customized trainings, our employees have access to different platforms, such as LinkedIn Learning, where they can find a catalog of courses that they can benefit from according to their professional preferences or even personal interests.

Finally, in connection with the professional development of our colleagues, we make every effort to offer them the opportunity to evolve as much as possible within the company, through a **career strategy** that allows them to consider natural progressions within their own team and department, but also by enhancing opportunities for further growth in other business areas of the company thanks to our internal mobility program.

Cathrine Foldberg Møller
Partner
Simmons & Simmons Luxembourg LLP

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Supervising Associate
Simmons & Simmons Luxembourg LLP

CSSF introduces rules on telework

Due to the COVID-19 pandemic and the restrictions to movement and contact with other people, **the financial market rapidly had to adapt its method of working.** During the pandemic, the CSSF allowed for a degree of flexibility and leniency. Although the world is still recovering from the effects of the pandemic **most financial institutions have adopted telework as the new normal.** Staff have become accustomed to the flexibility and many CEOs were positively surprised at how smoothly the somewhat forced transition was.

Noticing this trend in the market, the *Commission de Surveillance du Secteur Financier* (the "CSSF") took the initiative and decided to address potential abuse and other shortcomings or deficiencies of remote working and published a Circular with rules applying across the Luxembourg financial sector. **The new rules will apply as of 1 July 2022.**

The Circular provides the framework of governance and security requirements for supervised entities regarding the implementation and use of work processes based on telework solutions. **It is addressed to all entities supervised by the CSSF, including their branches in Luxembourg or abroad.** The aim of these requirements is to help the supervised entities to adapt to the new work trends while maintaining a **prudent management and adequate governance** and preserving the information security, which is crucial for the sector and its clients.

Concerned financial institutions who wish to resort to remote working will therefore need to ensure that they have a **dedicated policy in place by the end of June.** No prior approval by the CSSF is required in order to implement, maintain or extend telework solutions for staff in a supervised entity.

What is telework?

Telework is defined in the Circular as "*a form of organising and/or carrying out work, using information and communication technologies within the framework of an employment contract authorising work, which would ordinarily be carried out on the employer's premises, to be performed outside the premises of the employer.*"

As key points included in the definition of this concept, the CSSF clarifies that telework can be performed either on a regular or on an occasional basis and **must be voluntary**, always within the number of working hours settled between the supervised entity and the employee and at a predetermined place that is different from the employer's premises. The employee will therefore need to indicate to their employer the **precise address** from which they intend to make use of this flexibility.

Furthermore, it is explained in the Circular that **other forms of remote working** such as, for example, during a business trip or when attending conferences or professional training, are not within scope.

Central administration

The Circular stresses the fact that the implementation of the telework regime should not jeopardise the regular operational functioning of a supervised entity, which should maintain, at all times, a robust central administration in Luxembourg and to maintain sufficient substance on its premises. This means **ensuring the maintenance of the "decision making centre"**, which must include sufficient staff with the necessary skills, knowledge and expertise as well as the technical and administrative infrastructure, to exercise the function or activity. **Staff members are also required to be able to return to the supervised entity's premises on short notice in case of need.** This is an an important factor to be taken into account when the employee chooses his remote working location. More strict rules apply to authorised management and employees with key functions.

Internal organisation and internal control framework

The telework policy is the **responsibility of the Board of Directors** which is charged with paying particular attention to risk management and identifying the inherent risks, such as operational risks, legal, Information and Communication Technology (ICT), compliance and reputational risks. The Board will also need to develop mitigating controls and measures to keep the residual risks within the acceptable limits, according to the entities' risk appetite.

Ongoing monitoring of the use of telework and compliance with the internal policy will become an additional point for the internal audit.

Compliance with other legal provisions

The CSSF clarifies that it is expected that supervised entities do not attempt to **circumvent provisions of the Luxembourg Labour Code** and take into account the relevant legal provisions, especially laws and regulations relating to tax (domestic, foreign and international), companies, professional secrecy, data protection and social security while implementing the telework policy. The local legislation will also need to be taken into account for any branches located outside the Grand Duchy.

New opportunities: how will the Circular impact employees and employers?

The flexibility that the Circular will continue to allow for shows the commitment of the CSSF and the Luxembourg financial sector to create a **more efficient and attractive work ecosystem in Luxembourg**, which is aligned with the current expectations of workers in the technological age we are living.

Many financial institutions have already put in place policies around remote working and will need to verify that they meet the standards of the CSSF. For the business with a global footprint it will be important to verify the local rules where staff may be employed by branches. Employees of supervised entities will be able to benefit from the **flexibility of working** from home and the initiative can be considered a starting point of the adaptation of work policies, to a more a more remote working scenario, which is likely to swiftly evolve in the coming years.

Álvaro Laorden
Head of Treasury & Market Services and Executive Committee member of RBC IS Bank Luxembourg, Sponsor of the RBC NextGen Employee Resource Group

RBC NextGen
"Our vision is to prepare the next generation for the professional world, and give a positive view about working in the financial/banking sector"

Diversity & Inclusion is one of RBC's five Values and, as such, a core component of the group's Collective Ambition. RBC has a long standing approach to promoting Diversity & Inclusion in all aspects of its activities as defined in our **Diversity & Inclusion Blueprint** which sets the direction for our priorities, objectives and commitments throughout the year. It aligns with our organizational purpose, and focuses on **attracting and developing the best talent**, providing advice and solutions for diverse client markets, and enabling the social and economic development of our communities through partnerships, research, volunteerism, and corporate citizenship.

Diversity at RBC IS Bank Luxembourg

RBC IS Bank Luxembourg invests in diverse opportunities **to educate, inspire and empower our employees**, and to provide valuable gateways to **professional development**. Our Diversity objectives are:

- To be a recognized leader in workforce diversity;
- To be the financial institution of choice for diverse clients, and;
- To leverage diversity for the growth of RBC, and the success of the clients and communities we serve.

RBC IS Bank Luxembourg is an active member of ***Inspiring More Sustainability*** (IMS) Luxembourg and a privileged partner of the ***Diversity Charter Lëtzebuerg***. This charter is committed to promoting diversity that goes beyond legal and regulatory obligations of non-discrimination.

In 2014, RBC IS Bank Luxembourg created a **Diversity Leadership Council** (DLC), now known as the Citizenship & Diversity Committee (CDC), whose mandate is to:

- Promote awareness and understanding of diversity.
- Accelerate cultural change across the organization to leverage RBC's Value of Diversity & Inclusion
- Advance diversity within the organization to create a rewarding and inclusive work environment for all employees.

When it was created, the DLC was made of three streams: Gender Diversity, Active Leaders, and Multicultural Workforce. In 2020, however, the CDC initiated a redesign of its structure and governance, and expanded its Diversity & Inclusion strategic focus on five pillars:

Pride: Contribute to creating a positive, inclusive and sustainable work environment for lesbian, gay, bisexual and transgender (LGBT+) employees.

Mosaic: Promote an environment that recognizes the multicultural interests of its employees, clients and other constituencies, and embraces the inclusion of different perspectives, backgrounds and experiences of all employees.

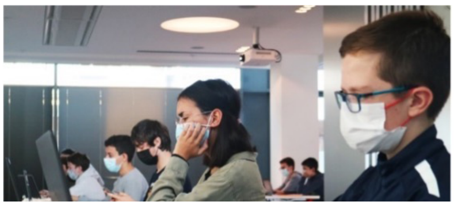
RWomen: Foster the development and career aspirations of women. Create an environment where employees have equal opportunities to grow, succeed, and achieve their full potential.

RBC Green: Generate a positive impact for the environment as a company, and through the actions of its employees.

RBC NextGen: Enable employees in their 20s and 30s to build connections with peers and leaders while creating positive impact within RBC and in the community. Connect with schools and universities in Luxembourg and in the Great Region to build partnerships and enable mentoring.

The last pillar, **RBC NextGen**, is the one I'm sponsoring.

Our vision is to prepare the next generation for the professional world and give a positive view about working in the financial / banking sector. We've collaborated with **external parties** such as schools and the University of Luxembourg to get involved with local young people and **create a dialogue** that can benefit both parties.



We've recently sponsored the Scienteens Lab – an extracurricular learning centre at the University of Luxembourg. Society is undergoing a rapid **digital transformation** and smart technologies have become part of our daily life, so it is crucial to familiarize young generations with technology. The sponsorship allowed the Scienteens Lab to develop a new workshop, entitled 'Art and AI'* which is now offered to young people aged 12 to 19 – and an opportunity that was also provided to 40 children whose parents work at RBC!

We've also engaged with Lycée des Garçons d'Esch and provided several workshops on CV and interview skills. We participated in the **dayCare.lu charity program** with four students who spent a day at RBC to learn more about what we do, and how RBC and staff are engaged on Environmental Social & Governance initiatives. This event will be renewed in October 2022, and combined with the new **#DigitalChallenge program** supported by IMS. The main objective of the Digital Challenge is to create a lasting cooperation between students, teachers, high school guidance units and companies' human resources departments. The aim is to understand together the new challenges linked to the future of employment and to accompany young people in their quest for meaning, especially on the job market.

Recently, we've welcomed 14 students from the IAE Paris – Sorbonne Business School for an insightful discussion on Human Resources Management and Corporate Social Responsibility, where the students were able to learn about the world of investment banking and how the industry is incorporating **CSR initiatives**.

RBC NextGen continues to be engaged in the youth community, in 2022 and beyond. The objective for RBC is **to expose young people to an international company in the financial sector**, and reinforce the message that RBC is also an innovative technology company.

This commitment will be reinforced via:

- New partnerships including schools, Chambers of Commerce etc.;
- Supporting internship and apprenticeship programs to attract new young talent;
- Supporting the Digital Girls program launched by the University of Luxembourg (which is focused on promoting computer science to girls) and engaging 'RBC Role Models'" within our organization (a joint initiative with the RWomen stream);
- Finally, engaging our primary community (the children and students of our RBC employees) via webinars and 'Ask Me Anything' sessions on the financial sector, existing and future jobs, technology, Cyber Security etc.

*The participants discovered that artificial intelligence can be used to create works of art. They learn how to design an unplugged AI and use computer programming to produce drawings. Working with images makes it easy to understand the power of computational methods and teenagers - of all ages and genders - have a lot of fun exploring the endless possibilities.

Homeworking: Are you ready for the end of the social and fiscal tolerances related to the health crisis?

Not very widespread in Luxembourg these last years, the practice of telework has intensified massively in 2020 in the Covid context. In this field, legislation could soon evolve to better adapt to the evolution of current work modes. On a talent acquisition and retention point of view, it is a question of capability for Luxembourgish employers to attract talents, and to guarantee worklife balance for employees . This is more than ever a topical issue, since the Covid-19 legal and fiscal exceptions will end by June, 30th.

In Luxembourg, **almost all employees have experienced telework at least once**. If for the majority of us, this practice consists in working at home (home working), there are other less known forms. "For example, there is telecenter working, which means working outside the company's normal premises, in a space rented by the company or by another organization", explains *Joël de Marneffe, Head of Tax & Legal and Legal Expert at SD Worx*. In addition, the employee can go to a client's premises for an appointment and continue to work there, rather than returning home or to the company (mobile teleworking).

A practice based on dialogue

Since March 2020, **telework has exploded.** For employers who want to make this practice permanent in their company, it is now a question of deciding whether telework at home is implemented on a regular or occasional basis.

Telework should remain a voluntary practice, i.e. by **mutual agreement between the employer and the employee.** "I think the best thing is to inform the employees well and to be well informed yourself before implementing such a policy", explains *Joël de Marneffe, Head of tax & legal and legal expert, SD Worx*.

In this context, managers have the opportunity to **set up a framework within the company** that guarantees trust towards employees and maintains links with them, while ensuring that functions that are not predisposed to telework are adapted as much as possible

Adopt more flexible and favorable regulations

In this context, the old and relatively strict legal framework should soon evolve to apply to the current situation and allow people to work more from home. Another constraint for managers concerns **cross-border employees**. Several obstacles to teleworking exist for them: social security affiliation but also tax tolerance days. "In order to make telework sustainable, you have to ask yourself what kind of regulation to implement, if it is not necessary to impose a ceiling on frontier workers (social ceiling of 25%) and make sure to inform them that **tax tolerances exist in terms of taxation** but that it is possible and sometimes interesting to go beyond them".

The Luxembourg and cross-border legal framework

Social security:

Luxembourg and its three neighbouring countries, namely Germany, France and Belgium, have agreed to maintain the **exceptional provision of not taking into account the days of teleworking linked to the COVID-19 crisis for the determination of the social security legislation applicable to frontier workers until 30 June 2022.**

In concrete terms, this means that a frontier worker who carries out his work from home will continue to be affiliated to the Luxembourg social security system until that date, even if the 25% threshold provided for in the European legislation for the workers concerned is exceeded.

But as from 1 July 2022, and at the time of writing, this tolerance should **no longer** exist and teleworking days on the State of residence will be included in determining the 25% threshold.

However, it seems that things are moving very fast on this issue and the Administrative Commission for the Coordination of Social Security Systems, composed of a government representative from each Member State, met on 17 June to propose a transitional period from 1 July to 31 December 2022 during which :

- there is no need to apply for A1 for cross-border telework and
- telework days are not taken into account in the calculation of the 25%.

Nevertheless, this information was not officially confirmed by the social security institutions of the employees' countries of residence at the day of writing.

Taxation:

The days worked at home only because of the measures taken to combat the Covid-19 pandemic are to be excluded from the calculation of the tolerance days provided for in the tax agreements until 30 June 2022.

COUNTRY OF RESIDENCE	NUMBER OF DAYS OF TOLERANCE*
Belgium	34
France	29
Germany	19

*Based on a full-time employee working the full year in Luxembourg.

Cámara
Oficial de Comercio de España en Bélgica y Luxemburgo

SFF spanish financial forum in Luxembourg

SFF MAGAZINE

New section !

HR movements in the financial industry

This new section will include information on changes and new appointments in the financial services industry, with the aim of introducing members of the SFF linked to the Iberian and/or Latin American markets

Are you interested in participating?

Contact us for more information:

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Articles

- Structuring funds in Luxembourg: when attractiveness meets efficiency

Structuring funds in Luxembourg: when attractiveness meets efficiency

Benefits for Spanish investors and sponsors

Luxembourg boasts a rich pool of investors, including **Spanish investors**, who are comfortable with its legislation, which is constantly evolving to meet the needs of the financial market participants. These investors are encouraged by Luxembourg's location at the heart of the European Union (EU) and its access to **EU passporting rights**. Also, its legislation offers a complete toolbox of different types of funds, depending on the size, geography, regulatory requirements, or operating sector, providing full flexibility, and attracting Spanish sponsors/managers aiming to set up a fund and raise capital from investors located or not in Spain.

Luxembourg's high concentration of investment fund experts specialized in all aspects of product development, legal, tax, accounting, administration, and distribution has positioned its fund ecosystem as one of the most attractive in the world and elevated it as a worldwide leader in cross-border fund distribution, with funds distributed in more than 80 countries around the world. Such wide range of expertise and experience guarantees a high-quality assistance through the whole process of setting up a fund.

Structuring investment funds in Luxembourg

Legal regimes

Luxembourg investment funds can be split in three broad categories, namely (i) regulated funds, supervised by the Luxembourg regulator (the **CSSF**), such as collective investment in transferable securities (**UCITS**), specialized investment funds (**SIFs**) or investment companies in risk capital (**SICARs**), (ii) semi-unregulated funds such as reserved alternative investment funds (**RAIFs**) which are indirectly supervised through the prudential supervision of their authorized alternative investment fund manager (**AIFM**) by the CSSF, and (iii) pure unregulated funds such as alternative investment funds (**AIFs**) which are managed by registered (or de minimis) AIFMs.

Authorized AIFMs may market both regulated and unregulated funds to professional investors within the EU through the marketing passport provided that the fund qualifies as an AIF under the European Directive 2011/61/EU on AIFMs (**AIFMD**).

Legal forms

A fund may take several corporate forms such as a partnership limited by shares (société en commandite par actions – **SCA**) or a public limited company (société anonyme – **SA**). It may also take one of the two limited partnership forms inspired by the Anglo-Saxon limited partnership model: a common limited partnership (société en commandite simple – **SCS**) having legal personality, or a special limited partnership (société en commandite spéciale – **SCSp**) having no legal personality.

Structuring options

Luxembourg funds can be structured as an open-ended or closed-ended fund – allowing or not the investors to request the redemption of their interests/units/shares – depending on whether the fund invests in rather liquid or illiquid assets.

Luxembourg also offers **a wide variety of structuring options** depending on the strategy adopted, such as infrastructure, private equity, venture capital, real estate or debt.

In terms of control over the investment process, Luxembourg funds can be managed by either a Spanish AIFM or a third-party AIFM. In the latter case, the Spanish fund sponsor can remain involved in the investment process by acting as **portfolio manager** making investment decisions under the oversight of the AIFM, provided that it is duly authorised to carry out such activity in Spain, or as an investment advisor of the AIFM, which may not need to be authorized in Spain if it does not provide any investment advice activity in Spain and only advises the third-party AIFM.

Tax features

Luxembourg funds are usually either not subject to tax (except for an annual subscription tax), or benefit from a broad exemption depending on their legal form and regulatory regime. In certain cases, they are also entitled to the benefits of the **double tax treaties (DTTs)** signed by Luxembourg. This is the case concerning the DTT with Spain where, subject to conditions, certain funds may have direct access to such DTT.

When funds do not benefit from such treaties it is common to set up special purpose vehicles (SPVs) to hold the assets for different reasons, including better asset management, segregation of risks and diversification when required. Such SPVs generally take the **legal form** of an opaque entity which is fully taxable and as such benefit from the wide treaty network and EU tax directives applicable in Luxembourg (subject to adequate substance and business reasons).

From a Spanish tax point of view, income obtained by Spanish investors (i.e., dividends and interests) could be taxed in Spain by Personal Income Tax (from 19% to 26%) and Corporate Income Tax (25%).

Said income could be also taxed in Luxembourg but if the fund and the Spanish investors can apply the DTT provisions, reduced tax rates (15% in case of dividends and 10% in case of interests) could be applied.

In the event of an eventual disinvestments, eventual gain would be taxed in Spain by Personal Income Tax or Corporate Income Tax at the rates mentioned above. Additionally, said gain would not be taxed in Luxembourg if: (i) the DTT provisions apply and (ii) the underlying asset of the fund is not mainly composed by real estate assets located in Luxembourg.

In case of individuals, Spanish Personal Income Tax Law foresees a **special tax regime** for certain gains derived from the sale of Undertakings for UCITS units when, amongst other requirements, said gains are totally reinvested in other UCITS.

Conclusion

With circa EUR 6 trillion in assets under management and close to 14,500 domiciled funds as of 31 December 2021, Luxembourg stands today as the largest investment fund center in Europe and the second largest in the world after the US. Its AAA-rated economy, favorable regulatory and robust tax regimes, sound public finances, as well as political and social stability, make it an ideal location for Spanish investors and Spanish sponsors.

Luxembourg offers **a wide range of regulatory regimes, legal forms and structuring options**, allowing maximum flexibility to establish an investment fund. This, considering its investment strategy, targeted investors, applicable tax and regulatory requirements. Therefore, it is the jurisdiction of predilection for establishing an investment fund with the purpose to raising capital and channeling investment within the European Economic Area and beyond.

The article has been prepared by the
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JULY 2022

Luncheon-debate

Luncheon-debate with Mairead McGuinness,

European Commissioner for Financial Services, Financial Stability and Capital Markets Union

“Financial Services and Capital Markets Union: The Commission’s priorities going into the second half of its mandate”

On Tuesday 19th July, between 12:30 and 14:30, the Official Spanish Chamber of Commerce in Belgium and Luxembourg is organising a lunch-debate in Brussels with Mairead McGuinness, Commissioner for Financial Services, Financial Stability and Capital Markets Union.

The event will take place at Radisson Collection Hotel Grand Place Rue du Fossé aux Loups 47, 1000 Brussels.

The topic covered will be “Financial Services and Capital Markets Union: The Commission’s priorities going into the second half of its mandate”. The presentation will be in English.

More information and registration :
info@e-camara.com
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Event sponsored by:

With the collaboration of our sponsor and benefactor members that are part of the SFF :

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