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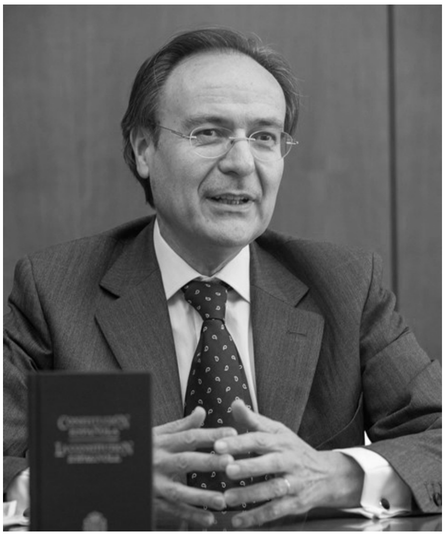
The first publication connecting professionals of the financial sector from Spain and Luxembourg

Editorial



Bernardo de Sicart Escoda
Ambassador of Spain to the
Grand Duchy of Luxembourg

I would like to take advantage of this editorial to celebrate the **excellent economic and commercial relations between Spain and Luxembourg**, which are the result of the daily work carried out by thousands of entrepreneurs and professionals on both sides, supported by the Embassy and a large network of institutions among which the Official Spanish Chamber of Commerce in Belgium and Luxembourg stands out.

Just when we thought that the crisis caused by Covid-19 was coming to its end, a period in which Europe has shown exceptional unity and determination by establishing unprecedented common response mechanisms, uncertainty has resurfaced due to the war in Ukraine. The duration and effects of this war are still difficult to foresee.

In this time of uncertainty, **Spain and Luxembourg have shown that they are two countries with common views on a very wide range of issues** on both the European and international agendas.

The bilateral relations between Spain and Luxembourg have been defined over time by the commitment and determination to establish a **framework of cooperation, stability, and transparency.** This commitment has ensured that trade relations between the two countries are now in excellent health. Thus, the **notable increase in exports of Spanish goods to the Grand Duchy** in the last decade stands out. If in 2010 the figure for exports was 165 million euros, ten years later, in 2020, these rose to 415 million euros and to 371 million euros in 2021. Today, Spain exports more, in a more diversified way and with greater added value to Luxembourg.

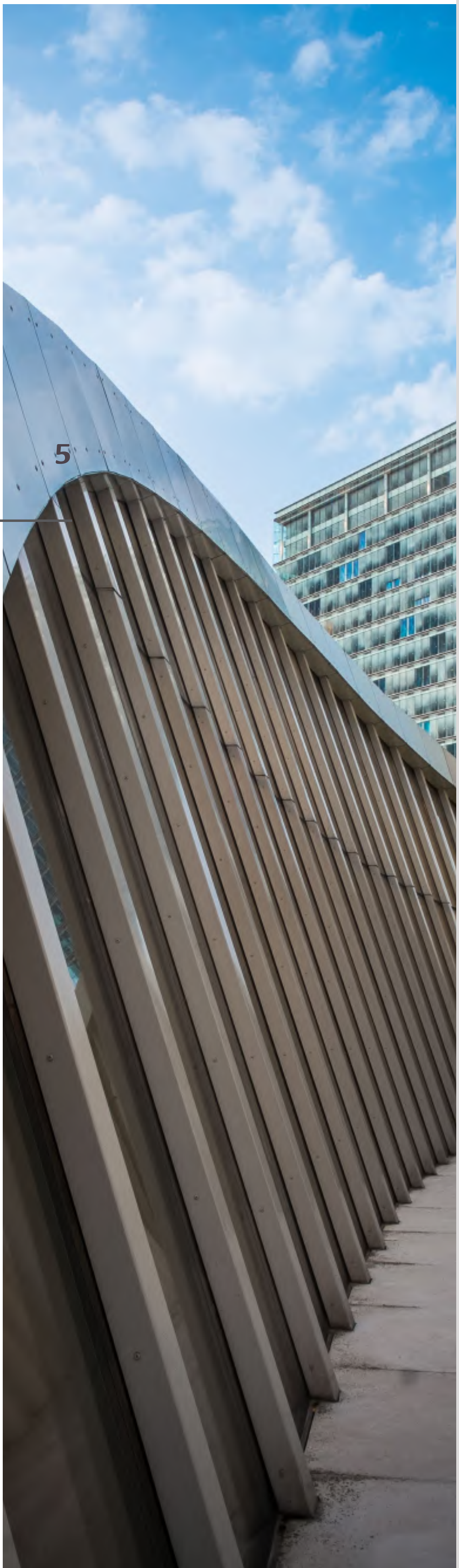
Also, in recent years there has been a **growing trend in Spanish exports of services to Luxembourg**, reaching 1,790 million euros in 2020. Spanish imports of services from Luxembourg have also increased, although less steadily, which has allowed the services balance to be in surplus for Spain. This is not only explained by exports in tourism, but also by the **growth in the export of financial services.**

There have also been significant investment flows in both directions in recent years. Currently, **Luxembourg is the seventeenth foreign country that invests the most in our country**. Similarly, Spanish investment in Luxembourg has increased extraordinarily in the last decade, from 373 million euros in 2010 to 5,702 million euros in 2020. In this regard, it is important to highlight the **increasing presence of Spanish financial companies in the Grand Duchy.**

Without wishing to be exhaustive in the presentation of the data, I believe it is necessary to keep them in mind, as they show that **the efforts of the public administration and the private sector to promote the internationalisation of the Spanish economy** have not been in vain. Today, Spanish companies are more open to internationalisation, more prepared and with a sufficiently capacity to generate greater added value. Not only large companies, but also small and medium-sized enterprises. It is precisely small and medium-sized enterprises that are the focus of the Spanish Government's strategy. **Internationalisation, entrepreneurship, innovation, digitalisation and sustainability** are some of the levers or strategic areas around which its main actions are articulated.

And Luxembourg is recognized as a market that offers numerous advantages. Apart from a privileged geographical position that allows access to other central European destinations and the Benelux, **the Grand Duchy offers an excellent business climate, no country risk, institutional stability, and moderate economic policies,** as well as high purchasing power.

In conclusion, the Luxembourg market represents a great opportunity for SMEs and Spanish entrepreneurs. This is not only because of the potential economic benefits, but also because of the synergies that can be generated by coming into contact with Luxembourg companies. Relations between Spanish and Luxembourg companies must be based on trust and mutual learning: with these objectives well established in daily practice, we will make them increasingly profitable. For all these reasons, I am particularly grateful to the Official Spanish Chamber of Commerce in Belgium and Luxembourg for the opportunity to share this editorial together with our constant efforts to achieve a common goal: **the improvement of the competitiveness of Spanish companies by committing to a sustainable and inclusive business model.**



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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

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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.

Opinion
Crypto-assets: a short-term trend or a paradigm shift?

The financial sector is undergoing a transformation, not only as a result of digitalisation and new consumer behaviour, but also linked to a **disruptive element** that is presenting itself as an alternative to the conventional financial system: **crypto-assets.**

The crypto-assets market has undergone an **exponential evolution** in recent years, and is no longer limited to financial professionals, but now reaches the public at large. Thus, according to the "III *Informe sobre conocimiento y hábitos Fintech*" (III Report on Fintech Knowledge and Habits), published by Asufin in November 2021, it is estimated that around 4.4 million Spanish people, 11.2% of the total population, have invested or invest directly in crypto-assets, of which 70.6% invest more than 1,000 euros. This is a global trend.

As the use of crypto-assets becomes more widespread, the impact on the financial sector is increasing, opening up a range of **new opportunities and challenges.** In this context, regulators warn of the importance of agreeing a global regulatory framework for their control, which provides the needed legal security.

Is this a short-term trend or a paradigm shift?

In this section we have the views of several experts specialised in this field.

Arnaud Delestienne
Member of the Executive Committee
Luxembourg Stock Exchange

Despite still being in their early stages, crypto-assets – an umbrella term that encompasses utility tokens, crypto currencies, non-fungible tokens, stable coins, and digital securities – are garnering increasing interest in financial markets and beyond. So much so, that certain types of digital assets are now being considered an important step towards the digitalisation and modernisation of financial capital markets.

Gaining momentum across Luxembourg's financial industry

According to a PwC survey carried out across Luxembourg's financial sector earlier this year, almost half (43%) of participants said they expected **crypto assets to become a strategic priority** over the next two years, while 18% already considered them a strategic priority.

The evolution of the regulatory framework – an indication of crypto assets becoming mainstream

The growing popularity of crypto assets – and digital securities in particular – is also reflected in the **acceleration of market digitalisation** using blockchain technology, as well as the evolution of the regulatory framework. Some European Union (EU) member states have taken steps towards amending their local securities laws or issuing specific new laws covering digital securities.

Luxembourg has been playing a leading role in that respect through the adoption of its two Blockchain Laws in 2019 and 2021. The country's financial sector regulator, the CSSF, has also been pro-active through the issuance of FAQ documents on this subject and, more recently, the publication of a white paper on distributed ledger technology (DLT) and blockchain, sharing its advice on assessing the risks when designing or implementing a project using DLT.

At EU level, the proposal for a **regulation on a pilot regime for market infrastructures based on distributed ledger technology** (EU Pilot Regime) is expected to enter into force in 2023 and last between three and six years, permitting the processing of security tokens through market infrastructures in application of a sandbox regime allowing for certain adaptations required by the new technology to applicable EU regulations.

This EU Pilot Regime will mark a significant step in the EU's ambitions to modernise and prepare capital markets for a digital future, and, more importantly, provide a legal framework that supports and strengthens digital innovation while protecting the interest of investors.

Increasing transparency across public markets

While public markets already benefit from well-established and automated market infrastructures, the gradual adoption of blockchain technology is expected to help further **increase transparency, flexibility and deliver significant efficiency gains to market participants**, ultimately leading to lower operational risks and costs.

An opportunity to modernise and automate private markets

In contrast, private markets do not usually benefit from existing financial infrastructures, and are very fragmented and constrained by manual-intensive and error-prone operational processes. In that respect, blockchain technology can help provide a common infrastructure that offers the **flexibility, automation and digitalisation** processes required to efficiently administer these complex instruments.

Governments and corporations to help determine the longevity of crypto assets

In order to prove their longevity, crypto assets will need to be adopted and become standard across the industry, respecting the evolving regulatory framework in the process.

While the rollout of the EU Pilot Regime will facilitate on paper the gradual adoption of DLT in capital markets, and in turn help other industries follow suit, l**eading institutions and market participants will need to set this transition in motion**, with the support of local authorities and regulators where needed.

Shaping new trends in capital markets

Earlier this year, **the Luxembourg Stock Exchange (LuxSE) announced the admission of the first financial instruments registered on a public DLT on its Securities Official List (LuxSE SOL).**
This constitutes a major step towards the digital transformation of LuxSE, and a very first building block in the exchange's contribution towards price dissemination, data and transparency of financial instruments issued using DLT – one that may stimulate others to capitalise on this disruptive technology, and help meet their evolving business needs in tomorrow's digital economy.

Gastón Aguirre Draghi
Senior Legal and Regulatory Consultant
Now Partners

Introduction

Rarely a day goes by where the upsides or downsides of various crypto assets are not discussed and debated by financiers, regulators, or technologists in the worlds leading newspapers and social media. And the debates can be intense. For some, crypto assets come close to a technological panacea. Cryptocurrencies such as bitcoin, or smart contracts on the Ethereum platform, promise to swiftly disintermediate traditional finance, and usher in technological revolutions comparable to the rise of the internet. Meanwhile, for others, crypto assets are at best fraudulent, and at worst sources of financial instability.

Differences in my opinion starts with the very name of just what to call these new financial products. If we think crypto assets as an investment product, utility, or payment instrument, what you call an instrument can necessarily lead to conclusions about whether (and how) one should regulate it. If its an asset, commentators immediate opine, should it be taxed like property? Or if you call it currency (such as "crypto currency" or "virtual currency"), then conceptually, you think about it just as that – and with all the attendant economic, tax, and regulatory consequences for finance ministries and others.

And if you call it something else – say a "derivative" to the extent to which any transaction requires time for the delivery of a crypto asset due to mining or data processing – another regime or framework will come to mind. In all, if you are not careful, the question one poses about crypto assets quickly becomes the answer, even when you are just grappling with defining what you are trying to study.

For a common ground point what crypto assets have in common is that they depend primarily on cryptography and "distributed ledger" technologies to memorialize and track transactions. Cryptography refers to algorithmic techniques used to protect information by encrypting it into formats accessible to individuals only if they possess a special key. Distributed ledgers, meanwhile, are databases that store records through a peer-to-peer network of computers that is not confirmed by any
one entity and is manager by multiple participants.

We should highlight some concepts first, in this regard crypotassets are used in many ways and are generally catalogued as comprising either a medium of exchange ("digital money" or "cryptocurrency"), devices for accessing an online service ("utility token"), or investments – or all three at once. As a medium of exchange cryptoassets can take the form of digital monety and as such may be accepted by persons and market participants in commerce. By contrast, as utilities cryptoassets are like tokens in a pinball machine in an arcade – you use them to access something you want to use, whether it be an online game or cloud storage facility. Cryptoassets can also constitute investments and are even used to raise capital through for example initial coin offering ("ICO"). Finally, cryptoassets have an operating system driving the way cryptoassets are transferred, and records stored, is a special kind of distributed ledger system called a blockchain, which links transactions together as time goes on and more transactions can take place[1].

1 Cryptoassets: Legal, Regulatory, and Monetary Perspectives, Chris Brummer, Oxford Scholarship Online 2019, page 1-2.

Regulation at EU Level

In September 2020 the European Commission (the "Commission") adopted a legislative proposal for Regulations for markets in cryptoassets[2] and on a pilot regime for market infrastructures based on distributed ledger technology[3] (the "Regulations"). The proposed Regulations are part of a broader digital finance package introduced by the Commission to enable and support the potential of digital finance to boost innovation and competition, while at the same time mitigating risks stemming from it. This proposal takes into consideration advice received from the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA). For both cryptoassets and distributed ledger technology (DLT) market infrastructures the Regulation has four overarching objectives:

- **To create legal certainty** - a robust legal framework that clearly defines the regulatory treatment of all cryptoassets not covered by current legislation is required.
- **To support innovation** - a safe and proportionate framework that supports innovation and fair competition is needed to promote the development of cryptoassets and use of DLT.
- **To ensure appropriate levels of consumer and investor protection and market integrity** - as most cryptoassets are unregulated, this is of particular importance.
- **To ensure financial stability** - some cryptoassets bear the potential to become widely accepted and embedded in the financial system. Consequently, safeguards are required to address risks to financial stability and policy that could arise from these cryptoassets.

The Regulation will cover all cryptoassets not currently caught under existing financial services regulations. The Regulation lists them as follows:

- **Cryptoassets.**
- **Utility Tokens** - a type of cryptoasset that is intended to provide digital access to a good or service, available on DLT, and is only accepted by the issuer of that token.
- **Asset-Referenced Tokens** - a type of cryptoasset that purports to maintain a stable value by referring to the value of several fiat currencies that are legal tender, one or several commodities or one or several cryptoassets, or a combination of such assets.
- **E-Money Tokens** - a type of cryptoasset the main purpose of which is to be used as a means of exchange and that purports to maintain a stable value by referring to the value of a fiat currency that is legal tender. They will be treated and regulated as e-money under the Electronic Money Directive 2009.

After such Regulation was enacted by the Commission, Luxembourg and most of the EU members states have opted to self-regulate with different administrative proposals by their home public authorities before any directive is enacted for mandatory transposition by the Commission. The self-regulation has been very cautious and conservative (most for crypto currencies and tokens) and for the Luxembourg case the virtual assets and the exposure of investment funds[4] for being the Europe's number one international fund distribution platform with international outreach.

Conclusions

Cryptoassets are if nothing else, controversial. They pose considerable risks regarding volatility and market integrity as common concerns by all the skeptics.

From my perspective, cryptoassets advocates cite several potential benefits associated with cryptoassets that if realized could prove transformative for the payments industry. Blockchains, for example, are often described as immutable – unable to be edited or deleted – thereby allowing in some (though not all) instances greater security than traditional banking systems. Furthermore, because cryptoassets leverage peer to peer infrastructure, they enable applications across borders at low costs, and are poised to transform international remittances.

[2] https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-593-F1-EN-MAIN-PART-1.PDF
[3] https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-594-F1-EN-MAIN-PART-1.PDF
[4] www.cssf.lu/wp-content/uploads/FAQ_Virtual_Assets_UCI.pdf

Crypotassets are also supported by highly decentralized blockchains and operating processes, enabling open and transparent points of access for stakeholders; all the while, nongovernmental and private cryptoassets operate independently of central banks, and as such are subject, according to proponents, to less political manipulation.

The puzzle becomes even more difficult given the virtual nature of there assets, and the fact that they are digital instruments, tradeable and transferable online. Cryptoassets are routinely released and traded throughout the world and can be accessed in terminals strewn across jurisdictions and to far fling parts of the world. Different countries may, furthermore, have very different conceptions as we have seen to just define what a cryptoassets is, and how it should be categorized and regulated. Galvanizing a global, coordinated strategy is difficult, if not impossible, with stakeholders and even countries initiating the regulatory process from very different vantage points.

Finally, I contend that cryptoassets have as one of the bast potentials to disintermediate an oligopoly of intermediates dominating the legacy of the financial system challenging the longstanding economic models and regulatory strategies in order to shift the paradigm in the near future.

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Dossier
Trends in Wealth Management

We are living through a time of rapid and global change. The COVID-19 crisis, the digital revolution and threats like climate change are transforming the way we live. Wealth Management is not immune to this context. **It has had to understand and adapt to the new circumstances as quickly as possible, adopting new trends that will mark its evolution in the coming decades.**

The global financial crisis of 2008 was a gamer changer and ushered in a new paradigm for the wealth management industry. **Sound regulation, good corporate governance and transparency were the main fruits of this global financial crisis.** Today, we are still dealing with the social and economic consequences of the COVID-19 pandemic. The extent of the adjustments that the crisis will force upon us is not yet clear, but it will certainly leave its mark.

Thus, there is an increased dependency on digital channels as a means of interacting with customers. **Digital transformation, hybrid advice and the development of the Fintech sector have accelerated its development,** improving client and advisor interfaces to ensure a better quality of experience. This development is closely linked to the priority that wealth management firms place on **cybersecurity**. As the collection of user data to support digitisation and hyper-personalised services increases, having a cybersecurity infrastructure is considered a must.

In addition, the wealth management industry is facing a **generational shift** across its client portfolio. This reality implies a continuous adaptation in the way it communicates with the youngest (Generation X, millennials, Generation Z...), whose interests and priorities differ substantially from those of previous generations.

TRENDS

- New generations
- Family Offices
- Digital assets
- Cybersecurity
- Digitalisation
- Hybrid advise
- Sustainability
- Fintechs

Investment in **digital assets and sustainable investments** based on ESG (environmental, social and governance) criteria are other trends that will undoubtedly shape the future of the sector.

In this dossier, we cover these and other trends affecting wealth management, in collaboration with professionals based in the Luxembourg financial centre who have a solid track record in managing international client portfolios.

“We are moving away from products and towards services where the financial planning function is taking a central role in the client/banker relationship.”

Carlos Tejerizo González
Head of Wealth Management Spain
CA Indosuez Wealth (Europe)

In recent years, the Wealth Management sector has had to face **major challenges**, not only financial but also regulatory, health, digital, etc... and the players who have adapted best during this time will be the winners.

In an economic environment where uncertainty is the main protagonist, **the search for profitability for clients** is a real challenge for any private banker. In the wake of the Covid19 pandemic, the recession, weakening economies, low consumer confidence, unemployment, rising global debt and low growth, has revealed **the importance of having highly diversified portfolios,** in line with client profiles and with containment investment plans. In addition, the low interest rate environment of recent years has led investors to seek returns in other asset classes, such as alternatives or crypto-assets, as well as **a trend towards investments in social issues and assets based on equality, inclusion, sustainability and the circular economy.**

Regulators are increasingly interventionist with the aim, in principle, of increasing competition, improving cybersecurity, protecting data, supporting and defending customers and improving trust in the sector. However, this implementation is a **cost challenge** for compliance departments in the correct application of the Financial Markets Directive (MiFID II) where institutions must also prepare themselves to apply the new requirements to incorporate sustainability factors in the management of their products.

Also as a result of the pandemic and the rise of teleworking, **digitalisation is becoming the norm for customers** with higher expectations of both operability and personalisation. Customer service is now key, where convenient, secure and continuously updated self-service capabilities are combined with mobile applications and always-on multichannel advice.

New segments are emerging, especially ambitious and entrepreneurial young people whose HNWI parents are ageing, and it is not surprising that institutions are starting to tailor their digital and financial offerings to this generation.

Our industry is still in the early stages of digital transformation, but all institutions are acutely aware of **the importance of acquiring all the digital capabilities** needed to ensure proper service.

These new banking regulations and ongoing digitalisation are forcing us **to transform the wealth management business model.** We are moving away from products and towards services where the financial planning function is taking a central role in the client/banker relationship. Relationship Managers are moving from being specialists to generalists (as they cannot be expected to be experts in all areas) and where they must be assisted by product specialists (Capital Markets, Private Equity, Forex, Markets, Tax Planning, etc...). Consequently, Wealth Management entities are implementing efficient processes that enable interaction between bankers, specialists and simplified platforms to ensure that HNWI clients are properly serviced.

Investments in digital assets

The integration of **digitalisation** in our lives has been exponentially increasing. This process is changing the way we deal with professional and personal matters, and it is revolutionising the way of investing.

Blockchain and digital assets have proven to be powerful technological tools with countless uses and benefits bringing new opportunities to all of us. Although technology evolves faster than regulation, this has not prevented **the market from anticipating the important role of digital assets and therefore integrating these as part of portfolio of investments.**

Already recognised as the main European hub for investment funds, Luxembourg is becoming a leader in the digital assets' development within the financial market. The law in Luxembourg now allows sponsors and initiators to raise funds from investors by the issuance of securities directly in the blockchain (so called native tokens). This is a revolutionary change in the financial sector as it gives tokens all the protections provided by law to transferable securities. This is a clear indicator that makes us believe that **the presence of digital assets in investment portfolios is likely to increase significantly in the coming years.**

In this context, the 'digital assets' concept is broad and encompasses different categories. Not every category is in the same level of progress when it comes to **regulation.** Whereas security tokens have been the core of recent legislative changes, other digital assets like utility tokens, crypto-currencies or NFTs (non-fungible tokens) are a still lagging behind. However, this should be remedied soon considering substantial progress made by the EU with, among others, the well-known proposal for the 'Markets in Crypto-Assets Regulation' or 'MICAR'.

From a **tax perspective**, the Luxembourg tax authorities had already clarified the tax treatment of virtual currencies, but other categories of digital assets were not specifically addressed. In an EU context, there is already **certain tax harmonisation,** as in a recently proposed EU tax directive targeting shell entities, which is the first one to refer specifically to 'crypto-assets' as defined in MICAR.

It is expected that further tax coordination at both the EU and OECD level is promoted once specific measures on exchange of information on certain digital assets enter into application.

All these developments and novelties are key for the evolution of the digital assets market. Hence, investment managers, promoters and investors should continue to monitor them.

José Juan Ocaña Castilla
Senior Associate
CMS Luxembourg

Alejandro Domínguez
Counsel
CMS Luxembourg

Unit-linked life insurance: a privileged gateway to activate an ESG strategy

How are financial services adapting their offerings and operations to recent developments in the ESG regulatory framework?

Hilario Caballero
Product Development Specialist
Wealth Structuring Solutions
Lombard International Assurance S.A.

With two-thirds of high net worth (HNW) individuals worldwide seeing **sustainable investing** as a very important aspect of their portfolios[1], **ESG** (Environment, Social, Governance) is the investment related topic that has grown most in importance over the past few years. Financial services providers are rethinking their offerings to support their clients in building more sustainable investment portfolios. Crucially, and as regulation continues to evolve, they need to proactively articulate what their sustainability journey looks like, with **a clear roadmap considering ESG criteria both within their operations and products.**

The European Commission is urging the implementation of ESG criteria in the financial services sector through **a comprehensive regulatory and legal framework.** The first quarter of 2022 already saw the implementation of the Sustainable Finance Disclosure Regulation (SFDR) and the related Taxonomy Regulation. The next key milestone comes in August 2022, when sustainability provisions under UCITS, AIFMD, MiFID and IDD regulations will come into force. Concretely, this means that **financial services providers will be required to collect their clients' ESG preferences.** Additionally, by the end of the year 2022, the European Commission will conduct an evaluation on the status of SFDR and, by January 2023, the SFDR Level 2 Regulatory Technical Standards (RTS) will finally come into force. (click here to access the detailed timeline LINK). In the meantime, the absence of a clear regulatory and legal framework is bringing confusion around the classification of financial products under Articles 6, 8 and 9.

Unit-linked life insurance is a well-established and internationally recognised investment solution, commonly used by HNW & UHNW individuals to structure their wealth and ensure it is efficiently passed on to future generations. These families often have complex requirements and sophisticated wealth planning needs that need to be addressed cross-generations.

Whilst non-financial goals are increasingly top of mind when it comes to building a sustainable wealth planning strategy, **unit-linked life insurance is well positioned to facilitate ESG investing, thanks to its long term nature and flexibility.** It is an ideal solution by design to seamlessly and efficiently integrate sustainable investments within a portfolio. It will play a key role for wealthy families to channel their investments and have an impact in terms of sustainability.

[1] https://finance.yahoo.com/news/ubs-wealthy-warm-to-sustainability-aim-to-protect-assets-from-biden-tax-changes-112802711.html?mc_cid=96f914a36c&mc_eid=ebf70d311b&guccounter=1

“Screening of our clients and tax transparency is key to maintain a solid reputation and that it is why compliance and regulatory teams shall be trained and to fully understand the business.”

Nowadays, the paradigm we use to rely on to invest our time and wealth are changing rapidly and traumatically for all actors in the financial market.

Many changes are happening at the same time. We see **a rising climate-change environmental concern, a sophisticated digitalization process and an online transformation of all service providers.** The use of Artificial Intelligence is a resource we cannot underestimate and that everybody shall be implementing in the decision-making processes for analyzing all vectors and all risks related to the business and wealth management.

We see that the old-school models and way of managing the investment are starting to be obsolete for granting a healthy continuity of the family businesses and succession of this wealth to the next generations that are born in a **virtual environment** with access to many options and expert information in real time anywhere. These generations are demanding sophisticated assets like cryptocurrencies, Private Equity, NFTs, etc. They are not afraid of taking risks and they are not so patient in waiting for financial returns while investing in assets that are meeting ESG standards. They want to **make a real positive impact while having a return and they expect an ongoing assessment and advice in all what concerns their investments.**

New generations are expecting a holistic advice that takes into account their ethics and freedom. They are already well informed before coming to seek our advice and they follow their investment strategy closer than the previous generations and will not certainly doubt to switch to another investment or financial service provider if they consider that they are not getting what they expect.

Today, we see much more **transparency** concerning all aspects. Commissions must be duly justified with a real added value.

All the IT systems must be duly secured in order to **guarantee the privacy of the clients.** The investment effort that we are doing in that kind of sophisticated software is being enormous but necessary if we want to duly service and protect the wealth and investments of our clients. The reputational risk and the protection of the brand is key, as any negative news will spread quickly with a potential huge impact in the business and the portfolio no matter the fundamentals. Screening of our clients and tax transparency is key to maintain a solid reputation and that it is why compliance and regulatory teams shall be trained and to fully understand the business.

We, Octogone Europe SA, as independent wealth managers, are adapting to the wishes of our clients, their relatives, and their advisors. We work with them very closely to offer them tailor made solutions. **We are always open to new challenges and disruptive ideas** while conserving our principles to long-term preserve the wealth of our clients, driving our attention to durable and safe products respecting the client risk profile.

Manuel Arteaga
CEO, Luxembourg
Octogone Europe S.A.

Jorge Madridejos
Portfolio Manager,
Luxembourg
Octogone Europe S.A.

Juan Carlos Durán
Senior Private Banker
Banque de Luxembourg

The private banker's role in wealth transfer planning

In an environment of recurrent crises that shake the economy and purchasing power, is it possible to inherit with peace of mind? What role can banks play in facilitating the process? Beyond its social and symbolic value, inheritance can become a heavy task if it is delayed too long. For many families, inheritance is a forbidden subject, and banking institutions can help to overcome this by taking on the role of facilitators and mediators.

The concept of **transmission** is linked to that of civilisation and, in its Latin origin, transmission ("transmissio") designates the journey. Transmission is therefore what allows heritage or culture to pass through time and generations. The entire scientific community agrees that the distinction between humans and other intelligent species on the planet does not lie essentially in cognitive capacities, but in memory. The octopus, for example, is endowed with extraordinary intelligence and, throughout its life, learns and records new information that it does not pass on at the time of its death, forcing new generations to start from scratch. Nietzsche said that *the man of the future will be the one with the best memory.*

Transmission denotes the human capacity to project oneself beyond one's own death. According to the philosopher Peter Sloterdijk, transmission is « what enables children to pass from the world of their ancestors to the world of their descendants ».. Transmission guarantees the continuation of a family line, a professional activity or a brand. Thus, in addition to biological filiation, there is a subjective filiation that favours identification and mutual recognition within the family. Rather than a passive act of reception, inheritance is perceived as the responsibility to achieve the plans outlined by previous generations.

> Transmission is not something that can be solved quickly: we must know what we want to transmit and how to transmit it.

Transmission is often a sensitive and unpopular subject. It has been widely analysed from a philosophical angle, but it also undoubtedly permeates economic life and facilitates the takeover or reactivation of a company. At the intersection between financial and symbolic considerations, transmission gives capital an altruistic function but can also become a heavy burden. In an environment of recurring crises that shake the economy and purchasing power, **is it still possible to inherit with peace of mind?** What role can banks play in facilitating this intimate process?

Trasmission gaps

New social and demographic dynamics influence transmission. The increasing longevity of the population, changing family patterns and fiscal complexity are putting pressure on households. Above all, the timing of inheritance is being delayed, as are the necessary preliminary conversations: in 2020, inheritance was received on average at the age of 54, whereas in 1984 it was in-herited at the age of 42. Consequently, inheritances are more substantial, but **they further dee-pen social inequalities and wealth gaps between older and younger people,** who are inheriting later and later. Wealth assets are accumulating: the next generations could become the richest heirs of all time.

As life expectancy increases, older people put the issue of inheritance on the back burner and invest in their own happiness. Thus, it can be seen that inheritance is something that people prefer to leave for later and that they want to solve quickly. However, inheritance is not something that can be solved quickly: **we need to know what we want to pass on and how to pass it on.**

Other social configurations, such as family structure, also have an influence on the correct development of transmission. Large families and/or families bound by a marriage contract should show more foresight than single persons. **Individualism** and the "rise of singleness" (expected in-crease in the number of singles in the coming years) could lead to even more delayed inheri-tance and, without testamentary preparation, its compulsory application.

Families often fail to address the issue sufficiently in advance, mainly because it is often a source of strong stress. The typical image of a family lunch ending in battle and the risk of conflict between heirs contribute to making the issue of transmission a family taboo because it often involves evoking a person's death or lack of capacity.

The combined effects of economic crises and new demographics (longer life expectancy, increasing singleness, etc.) therefore delay the time to deal with inheritance issues and make it difficult to anticipate. An inheritance can raise concerns for children or grandchildren. Our approach is **to encourage them to talk to the generation in charge in order to ensure the continuity of the estate and also family harmony.**

The bank advisor as mediator

While transmission remains a "forbidden" subject in many families, uncovering sensitive and intimate matters, banking institutions can take on **the role of facilitators of freedom of expression** through recreational activities or discussion circles.

When banks approach the issue with families, they cross the limits of household privacy and meet with issues where the law of silence or psychological obstacles prevail. In this context, banks offer **mediation services** for the successful completion of the intra-family transfer process.

According to this principle, banks could go even further and **intervene in family conflicts or help descendants to express their views to their parents.** For example, round tables or free speech sessions could be organised on a regular basis in order to give a voice to all family members and overcome individual fears.

In a world that is accelerating and dehumanising, banks could represent a haven of humanity with family discussion circles. Regular meetings where all family members could take turns to express themselves freely, without risk of being interrupted or judged. On each occasion, the banker would listen and respond by offering the most appropriate information, thus **adding a psychological function to his or her advisory skills.** With the information available, families would be better educated, more informed and prepared for succession. Rather than passively receiving a transmission whose conditions have been blocked by the previous generation, children and beneficiaries could take the initiative in discussions, which could precipitate "inter vivos" donations or help to accept the rejection hypothesis more easily.

Through better preparation and freer and easier conversations driven by bankers, transmission would cease to be a sacred object and become a simple computer manoeuvre. Once all this was done, parents could concentrate on what really matters: **the values and the cultural and emotional heritage they will leave to the future.**

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Articles

- Investment Financial Advisors (IFAs) in Spain

José Tailhan
Director
ASEAFI

Investment Financial Advisors (IFAs) in Spain

The first Spanish Investment Financial Advisors (IFAs) were authorised by the CNMV in 2009. At that time, they were still suffering the consequences of the terrible global crisis caused by Lheman Brothers. Perhaps the bankruptcy of the world's largest investment bank, viewed in perspective, was an incentive for some Spanish investment professionals to take the decision **to start their own financial businesses and assume the risks of an unexplored terrain,** convinced that another model of advice and client relations was and is possible.

An important point to understand the history of IFAs is that in Spain it was decided that financial advisory firms should be considered investment services firms, and therefore be subject to a **specific legal regime defined in the Securities Market Law ("*Ley del Mercado de Valores*").** You can find all the information, and it is highly recommended that you read the CNMV's investor guide on investment services firms. Ultimately, this means that IFAs have to comply with **a significant number of obligations and a strong regulatory requirement,** which, with the experience of twelve years of history, and together with other notable factors such as the strong banking penetration of customers and low financial education, have put a lot of pressure on Spanish IFAs, limiting their development.

The number of IFAs has been changing throughout its years of history, reaching its peak in 2016 and 2017, with a number of approximately 200 entities, a figure that after the transposition of the European directive MiFID II, began to decrease to **approximately 140 operating licenses,** which we have today. These figures contrast sharply with those of our European neighbours: in the case of France, it is estimated that there are around 3,200 advisors operating, in Switzerland around 2,200, and in the United Kingdom, which is the leading example, there are around 5,500 firms. There are several reasons for these strong differences. The first is the different level of financial education of citizens. Spain is a country with a strong banking structure, a poor savings culture and an absolute predominance of real estate investments, current accounts and deposits. However, the current situation, with risk-free investment yields close to zero, the unviability of the current pension system, inflation and a notable increase in life expectancy, demonstrates **the need for Spanish citizens to educate themselves financially,** get professional advice and carry out **professional financial planning** as soon as possible. And for this change to take place as soon as possible and with the greatest guarantees, the evolution and growth of the financial advice industry is key.

Continuing with the Spanish IFAs' history, the first entities that began to operate quickly considered the need to create an association that could represent them jointly and defend their interests, and so in mid-2010 they created the "**Asociación Española de Empresas de Asesoramiento Financiero - ASEAFI**" (*Spanish Association of Financial Advisory Firms*), which I have the honour of directing. ASEAFI began by integrating as members exclusively IFAs, and in the summer of 2018 we took the decision to open the association's statutes to include all types of investment services companies in addition to IFAs, provided that their programme of activities includes financial advice to end clients, whether institutional or retail. Today, **we have 47 members, including some of the main Spanish IFAs, brokerage firms, securities firms and asset management companies.**

As the national association for financial advice, we play a key role in promoting development, raising investor awareness of the benefits of financial advice and fostering the growth of the industry.

The main added value of ASEAFI is aimed at our associates, and is to serve as a contact point for them, and at the same time with the rest of the participating entities in the industry, **favouring the dissemination of knowledge.** And from this point, we develop all our activities, to list just a few: institutional representation of the sector before the different public bodies and all types of entities, relations with suppliers of goods and services with whom we collaborate in the development of their service offer, promotion of professional events in which to present and debate current professional issues, we organise events in which we share and disseminate current affairs and financial content, we guide foreign entities interested in setting up in the Spanish market. All of these activities contribute directly to the development of the industry.

The way in which the IFA provides its services to its clients is of great added value, and very differentiating. Firstly, it is a more traditional service, as opposed to the industrialised model of the large entities, **the IFAs have to work with each new client and retain them by providing a close and quality service.** This is why they do not receive complaints for malpractice before the CNMV regulator, whereas complaints against private banks are very common (among other reasons due to the industrialisation of a service that by definition must be tailor-made). Another difference is that IFAs, as they do not market their own products, reduce conflicts of interest compared to other financial groups or banking institutions that do have their own products and sell these products, which often bring them a higher return to the detriment of other, higher quality products. For the clients of the IFAs, they have access to **a quality of service from a much lower volume of advised assets** and at a lower cost than in comparison with banks. Finally, each IFA has its own specialisation and business model, "its own way of doing things", which brings diversity to the industry.

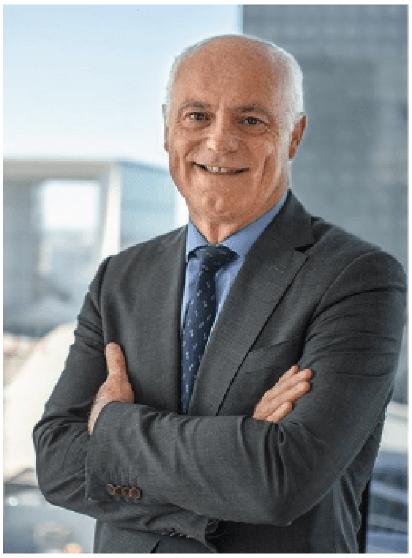
I would like to conclude by saying that ASEAFI believes that the current levels of operational IFAs are severely limited and that this is mainly due to **over-regulation.** We have been able to confirm that all parties agree on the benefits that this figure brings to the provision of quality financial advice and financial health. And that **we should therefore all work to strengthen its development.** To put it in figures, if the industry were to double by 2055 and reach the figure of 500 entities by 2030, it would be a powerful indicator of improvement in the financial health of our country, and of savers.

Flash News

Lastest news and events

15 JUNE 2022
Luncheon-debate

Luncheon-debate with José Manuel Campa,
Chairperson of the European Banking Authority (EBA)



EBA European Banking Authority

On Wednesday 15th June 2022, the Official Spanish Chamber of Commerce in Belgium and Luxembourg is organizing a luncheon-debate with José Manuel Campa, Chairperson of the European Banking Authority (EBA).

The event will take place at the Cercle Münster (5-7 Rue Münster, L-2160 Luxembourg) between 12:30 and 14:30 and will be conducted in English. Places are limited and pre-registration is required (see below).

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.

José Manuel Campa holds a Ph.D. and a master degree in economics from Harvard University and a Licenciatura in law and in economics from the Universidad de Oviedo.

The European Banking Authority (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.

More information and registration :
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New Investor Services Division

ADEPA is proud to announce the launch of the Investor Services division. In connection to this the group recently received the approval to act as Registrar and Transfer Agent, granted by the Luxembourgish regulator Commission de Surveillance du Secteur Financier (CSSF).

Going beyond the traditional offering of transfer agent services, ADEPA developed a system that combines **end-to-end digital** solutions to provide Investment Funds with all necessary tools to support investors on every step of their investment journey: a fully digital and **remote on-boarding process**, a dedicated investor platform and a **highly innovative application**.

Alireza Sahraei, Head of the new unit, states: "With the addition of this service line, ADEPA is now proudly a global and disruptive digital fund services provider for macro and micro investments using B2B, B2C and B2B2C ecosystems."

"The new business division is a milestone for our group as a Global Fund Services Provider and a game changer in the scope of our services", adds **Carlos Alberto Morales, CEO of ADEPA Group**. "This further strengthens our position as a global one-stop-shop financial services provider and enables us to support our clients fully end-to-end in Luxembourg, Spain, Italy, Chile and beyond."

Feel free to contact us to learn more about our new services. More information will come shortly.

ABOUT ADEPA

ADEPA is an independent and Global leading provider of specialized asset servicing. **Since 1980**, ADEPA **develops tailor-made solutions to asset managers operating around the world. Headquartered in Luxembourg, the Group is as well present and serves clients in Italy, Spain and Chile**. For more than 40 years, ADEPA has earned distinction for entrepreneurial approach, service innovation and unique client focus.

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