THE MAGAZINE OF THE SPANISH FINANCIAL FORUM IN LUXEMBOURG

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

Editorial

Juan Rodríguez-Villa Matons
Past President
Official Spanish Chamber of Commerce
in Belgium and Luxembourg

My first professional steps, back in the seventies of the last century, took me through the banking sector, which allows me to be amazed by the constant evolution and wide diversity of financial products and services in the current market. In 1977, I met a delegation from the Bank of Spain in Kuwait, headed by its Director General, Antonio Sánchez Pedreño, who was negotiating a $500 million loan from the Emirate to the Kingdom of Spain. We were in "pre-history" times.

The sophistication of financial products, together with advances in digitalization, allow for greater market breadth and shape the differentiating characteristics of the main financial centers.

In this sense, Fintech companies are players of the Digital Era in which we are moving towards, providing the technological tools needed for the dynamization of the sector.

Unexpected opportunities are opening up for collaboration between Spanish technology companies and the Luxembourg financial market stakeholders. It seems reasonable to consider this possibility.

A networking platform is needed to promote business development in the financial services industry between Spain and Luxembourg. To meet this challenge, the Spanish Financial Forum is undoubtedly the right framework.

Last June, I resigned from the presidency of the Chamber, after a total of 16 years at the helm.

I am particularly pleased to note the dynamism of our team and our members in Luxembourg. In all modesty, but also with honour, you will allow me to consider myself a driver in your success.

The opportunity to write this editorial allows me to thank our Honorary President, Ambassador Bernardo de Sicart, the Board of Directors in Luxembourg, the members in the Grand Duchy and the Chamber's team for all the support and expressions of affection I have received during my term of office.

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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 45 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 luxemburgo@e-camara.com. The Chamber also offers the possibility of advertising and sponsoring contents.

Vicky Marissen
Partner
EPPA

Taxonomy: how a financial market tool becomes the backbone of the EU Green Deal

Known in Brussels jargon as the “Taxonomy Regulation”, EU Regulation 2020/852, adopted on 18 June 2020, aims to establish a system for classifying economic activities considered “sustainable”. Piloted by DG FISMA, this legislation has its origins in the UN Convention on Sustainable Development (2015), the Paris Climate Accord (2016) and the Commission’s action plan for financing sustainable growth (2018). But most importantly, it is **a tool designed to orient the European economy towards carbon neutrality by 2050** under the banner of the European Green Deal.

Regulation 2020/852 is an overall framework which requires further adoption of legal acts to provide it with a practical and operational dimension. A series of **delegated acts** will emerge in the coming weeks and months. The first of them has been adopted by the EU Commission and concerns the adoption of technical screening criteria for climate change adaptation and mitigation. It is now under scrutiny by the European Parliament and the Council of Ministers who are assessing whether they wish to veto the measure. The other delegated acts will focus on the **circular economy, biodiversity, pollution reduction, assessment of damage and potential sanctions**. The most adequate way of describing delegated acts is that they are the flesh to the bone, without them taxonomy is nothing more than a general concept without any tangible effect.

Voluntary scheme or the de facto steering mechanism for a sustainable economy?

Presented by some as a voluntary, non-binding scheme, the EU Taxonomy and its delegated acts are in reality intended to become a **unique compass for investors, companies, consumers and public authorities** which need clear objectives and orientations on the pathway towards climate-neutrality. Its ultimate impacts will eventually have a larger outreach than the purely financial sphere. For example, the inclusion of the ‘Do No Significant Harm’ criteria within the Recovery and Resilience Facility and the upcoming revision of non-financial reporting legislation will reinforce taxonomy’s impact on other sectorial policies as well as state aid rules, monetary policy, public investments.

Among the more divisive issues in terms of content is **the question of electricity generation from natural gas and nuclear sources**, whether they contribute to climate change adaptation or mitigation and to what extent. Beyond the technical or financial dimension of these points, they are first and foremost a highly politically sensitive issue, that notably divide the EU Member states. DG FISMA has indicated it will address this in a separate delegated act to be developed after the 2021 summer break. The approach, content, and timing of this delegated act are at this point not entirely clear.

Involving stakeholders: an absolute must to generate buy-in

If Taxonomy is to be an accepted and workable mechanism, the true backbone of the EU Green Deal, the buy-in and support from industry sectors and financial market operators must be guaranteed. This buy-in was intended to be instrumentalized via the **Platform on Sustainable Finance**. Composed of financial experts, industry stakeholders and NGO representatives, the Platform is involved in the preparation of the delegated acts. There is however, an overall feeling that business stakeholders from various industrial sectors have not been sufficiently involved and/or listed to.

Given the importance of the system and its far-reaching consequences for the EU economy, getting the governance right is crucial and the involvement of the economic stakeholders is a fundamental part of it. **Taxonomy could well become the single most impactful topic for economic operators in concretising the EU Green Deal**. Now is the time therefore, to engage and to weigh in on the discussion to shape a taxonomy that is a support tool and not a hurdle for achieving the Green Deal ambitions in practice.

Interview

Luis Alberto Aguerre Enríquez
Counsel
VANDENBULKE

Luis became a lawyer in 2010. Since then, he has worked in four countries and four law firms complemented his legal studies with an LL.M. in Germany (both in German and English) and with the successful completion of Spain's official master's degree required to access the legal profession in Spain (*Master de Acceso a la Abogacía*). After almost 10 years of professional experience in Luxembourg, working in the Corporate M&A department of Arendt & Medernach first, and in Loyens & Loeff later, he joined VANDENBULKE in September 2020 together with his partner Hida Ozveren and two other colleagues. He was appointed Counsel of the firm on 1 July 2021.

VANDELBULKE is a law firm with an international approach. What are your areas of expertise?

VANDENBULKE is specialised in **banking, finance, corporate and tax law**. The firm is ranked and awarded every year in these areas both by national and international publications and by prestigious legal directories such as Chambers, Leaders League, IFLR 1000 and The Legal 500. **VANDENBULKE was named European Specialist Law Firm of the Year at The Lawyer European Awards held in December 2020**.

The reinforcement of the Corporate M&A team has contributed to the successful development and promotion of the department in recent months. With our incorporation, VANDENBULKE has gained proficiency in six languages (including Spanish) and more than 30 years of experience in handling complex financial transactions as well as **advising multinational companies on mergers and acquisitions, corporate restructurings and joint ventures**. This reinforcement was complemented by the recent incorporation of Yves-Marie Persin as Associate to VANDENBULKE's tax department.

VANDENBULKE also offers its clients accounting and tax compliance services, regulatory compliance, corporate secretarial, management and domiciliation as well as liquidation and audit services in the framework of the liquidation and dissolution of companies.

What competitive advantage and added value do you offer your clients compared to other firms?

VANDENBULKE is a firm that distinguishes itself by being organised in a modern and efficient manner, combining tradition and innovation. Our clients benefit from a team of professionals with vision, sophisticated technical knowledge and experience who provide personalised and fast advice adjusted to the particular needs of each client.

A direct consequence of being a boutique firm is that the quality of the service is guaranteed and backed by the **strength and experience of its team**, to which our clients can easily access. There is, of course, a sort of synergy between our professionals and our clients that facilitates the design of strategic and innovative solutions tailored to the needs and interests of our clients.

The firm is based in Luxembourg. What advantages does the country offer in the financial sector?

Investors have always looked at three main aspects when investing or implementing their investment structures: (i) **legal protection**, (ii) **political and economic stability** and (iii) **regulatory stability**. In all of these areas, Luxembourg has demonstrated a very good performance. Luxembourg is also known for being always up to date with regard to its adaptation to European Union law, new technologies and legal trends. Additionally, in recent times, the admirable handling of the pandemic, facilitating legal measures and solutions (still in force), is also a reflection of the country's ability to adapt and stay flexible.

Luxembourg also has an **attractive tax framework** characterised, among other things, by the broad repertoire of double taxation treaties. The efficiency and flexibility of both the state authorities and the various local service providers also stand out.

With your incorporation to the VANDENBULKE team in 2020, the firm seeks to position itself in Spain and in the LATAM market. How can international investors benefit from the structures available in Luxembourg?

Indeed, **VANDENBULKE was already actively taking part in operations in Latin America and Spain before 2020. With our recent incorporation, the firm shows its commitment to continue promoting and boosting these operations**.

Luxembourg is the largest investment fund centre in Europe and the second largest in the world after the United States, with more than 4,668 trillion euros in net assets managed in more than 14,700 fund units. Among other things, this is thanks to its optimal and up-to-date legal and regulatory framework, facilitated by its experienced legislators and regulators known to be protective of investors' interests. A reflection of this last aspect is the range of investment vehicles, both regulated and unregulated, and instruments available to investors for structuring and managing their investments.

How do you feel COVID-19 has affected the financial services industry? What trends do you think will shape the future?

Thanks to the aforementioned stability that characterises Luxembourg and the excellent management of the pandemic, Luxembourg maintained its position as a financial centre, hand in hand with other factors such as Brexit. In fact, during 2020, five new banks were established in Luxembourg, along with another 77 new authorised entities. Likewise, alternative fund management companies increased and assets managed by mutual funds reached the record figure of 5,050,132 trillion euros on 31 January 2021.

Undoubtedly, Luxembourg like the rest of Europe, is moving towards a circular economy based on the "**European Green Deal**" (i.e. the European Union program in favour of sustainable growth and climate neutrality) and the pandemic only catalysed this trend and drove new initiatives. In 2020, sustainable finance reached its peak and the issuance of sustainable securities on the Luxembourg Green Exchange reached EUR 186 billion, representing an increase of 134% over the previous year. In this regard, **it is anticipated that socially responsible investments (Environmental, Social and Governance investments) will continue to grow and develop**.

With regard to **private equity investments**, those firms which saw their investment projects paused or cancelled in the first half of 2020 were already back on their feet in the second half, and continue to do so until now. They tend to place excess capital in different sectors, following the trend of education, health, technology and logistics, obviously as a consequence of the pandemic.

Finally, the use of Special Purpose Acquisition Companies (SPACs) to raise capital, make acquisitions and go public, is also becoming a trend in Europe. **There are already three Luxembourgish SPACs listed on the Frankfurt Stock Exchange**.

In any case, the clients of VANDENBULKE and the entire network of members of the Spanish Chamber of Commerce, of which we are proud to be part, have and will continue to have a dynamic and innovative team of professionals at their service. A team that is characterised by its ability to anticipate changes and adapt to new trends in international business environment, with constantly updated legal and technical knowledge.

Dossier
Fintech and digitalization of the financial sector

The financial services industry is in the midst of a transformation. **Changes in customer preferences, increased regulation, as well as a growing focus on sustainability, digitalisation and globalisation, are some of the drivers of this paradigm shift**.

The COVID-19 pandemic has been a clear accelerator of all these trends. **The role of Fintech and new technologies has been key in recent months**, and their development has accelerated exponentially. Processes that could have taken years to develop, due to the crisis, have ended up taking months. Fintechs have demonstrated their agility in adopting new technologies and testing new, more flexible and efficient business models. In addition, these technology companies, in contrast with traditional banking, focus on **specialisation as a differential value**. This allows them to understand the needs of users and better adapt supply to demand.

In addition to these accelerated changes other visible trends will eventually lead to further ones such as the **development of digital assets** and, in particular, of currencies issued by central banks, the exploitation of opportunities arising from the introduction of **new regulatory frameworks**, and European initiatives in this field.

In this dossier we feature the Fintech and digital ecosystem of the financial services industry in Spain and Luxembourg, highlighting the main stakeholders, programmes and activities developed in both countries, as well as the vision of industry experts on trends expected in the coming years.

The Fintech ecosystem in **Spain**

According to the report "*Impacto, innovación y tendencias Fintech*" ("Impact, innovation and Fintech trends"), prepared by the firm Finnovating last year, **Spain ranks sixth in the world in the ranking of countries that host Fintech start-ups**.

With **more than 400 Fintechs in Spain**, the country's ecosystem is considered to be increasingly consolidated. Not only has it carved out a niche for itself in the main Spanish cities, but its scope of action and projection is reaching ever higher levels. Although the **Community of Madrid and Barcelona are at the top of the scale**, other regions such as the Valencian Community, Andalusia and Galicia play an important role in this sector.

View the Fintech Map
in Spain HERE

Turnover in this sector exceeds 100 million euros and employs more than 5,000 workers. The verticals with the highest penetration, according to the report "*Observatorio de la Digitalización Financiera Funcas – KPMG*" (Financial Digitalisation Observatory Funcas – KPMG) – within the number of sub-segments included in fintech - are loans (28%), payments (19%) and investment (16%).

Today, **more than half of the customers of most Spanish banks are digital**. This is proof of the transformation and consolidation process that has recently taken place in the Spanish banking business. Thus, it is estimated that 75% of Fintechs in Spain actively collaborate with companies in the traditional financial and banking sector, and it is expected that in the long term this collaboration will be even greater, according to the previously mentioned Finnovating report.

From a regulatory point of view, on November 4th, 2020, the Spanish Senate passed the **draft law for the Digital Transformation of the Financial Sector** that introduces a suitable legal environment to ensure that innovation in the financial sector can be developed in an efficient and safe manner for users. In terms of regulation and supervision, it represents one of the greatest innovations made to date by the supervisory authorities, since the ultimate goal of the **Spanish Sandbox** will be to support the development of innovative projects under a legal and secure framework, which, due to the novelty of their business model, are unable to find a place in the current regulatory framework.

Also, recently, the Spanish Government has presented the draft "**Startup Law**", which aims to consolidate in the country a "hub" for the attraction of innovative companies, in addition to attracting talent and investment to Spain. This law contemplates measures such as the reduction of corporate tax from 25% to 15% for 4 years, deferral of tax debts, and exemptions for company stock options, among other advantages.

Spanish Regulatory Sandbox

For Fintechs, presenting a project into the Spanish Sandbox is the **opportunity to demonstrate and evaluate its feasibility from a business and regulatory point of view** under the supervision of the competent authority (CNMV, Bank of Spain or DGSFP). The objective is to launch products or services in the market that may not be offered today because there is a regulatory brake, and thus, an impediment to be able to operate in the market with **legal certainty**.

In the first call, the first 18 projects were selected, and **a second call is scheduled for September 2021**, with a deadline for submission of applications until October 23 of this year.

https://sandboxspain.com

INNSOMNIA
Innovators that dream

INNSOMNIA was born in 2016 as a new way of understanding the acceleration of startups and the digitalization of companies. Created by a team of professionals with more than 10 years of experience in different areas of innovation, the firm has become a **technological hub in Spain**, specialized in co-creation processes between corporations and startups. With **an ecosystem of more than 2.000 startups** and a clear leadership in the promotion of fintech and insurtech projects, it has become a key partner for the launch of important international projects in **Industry 4.0, Agritech or Smartports**. INNSOMNIA's model differs from the rest of accelerators and incubators, betting on replacing direct investment by making available to entrepreneurs the best conditions for growth, connecting their projects with large companies to incorporate the latest innovations to their business. It is a **unique collaborative model**, in which entities such as CaixaBank, Puertos del Estado Santalucía, Michelin, Generali, Telefónica or GlaxoSmithKline, among many other companies, have already placed their trust, and which is based on four pillars: **non-equity model, co-creation, open innovation & B2B**.

From its headquarters located in **Valencia**, the firm works with a global vocation and with the conviction that entrepreneurship and good ideas have no borders. For this reason, **around 40% of the startups that form part of its network are international and come from 56 different countries**. This search for talent is also reflected in the signing of bilateral agreements with other major accelerators as well as in the participation in various programs and in the creation of The Talent Route, the first European network of fintech and insurtech accelerators, which in turn brings together more than 3,000 startups from 12 different countries. Luxembourg-based LHoFT is part of this project.
https://innsomnia.es/

Finnovating is the first **Matching as a Service B2B platform** that connects FinTech, InsurTech, and PropTech sector with investors and corporations globally. Its main goal is to allow the members of the ecosystem interact with each other effectively. In short, Finnovating is the LinkedIn of the FinTech world. Each company has its own profile and has a number of tools at its disposal:

- Discover & Connect: *a search tool, where a huge database of banks, corporations and investors can be accessed and makes it possible to connect with them.*
- Match*: a unique AI algorithm that allows companies to connect with each other with great efficiency.*
- Challenges*: a tool for co-creation and collaboration of open innovation projects. Companies can publish projects or participate in those that are available on the platform.*
- Marketplace*: a space where FinTech services can be offered and purchased, divided by country and activity.*

The platform is already positioning itself as an international lever for digital acceleration, with almost 3,000 companies from more than 60 countries.
https://finnovating.com

Finnovating

The **Spanish Association of Fintech & Insurtech** is a national association that was born with the aim of **creating a favourable environment for the development of Fintech and Insurtech startups in Spain**, discussing, communicating and collaborating with the relevant organisms and agents of the Spanish Financial System to foster growth and improve the Fintech ecosystem. The association's methodology focuses on Fintech and Insurtech representation through vertical groups led by specialized coordinators. It also has a research area for the development of projects that facilitate the revitalization of the sector and allow the sharing of good industry practices.
https://www.asociacionfintech.es

AEFI

In addittion, Spain offers multiple **programs dedicated to the acceleration and development of new Fintechs**, mainly promoted by the private sector and more specifically by financial institutions. Among the main ones are Bankia Fintech, Fundación Bankinter, BBVA Open Space, Caixa Dayone, Innsomnia Fintech, Santander Innoventures y ABANCA.

From the public sector, initiatives such as Rising Up in Spain, promoted by ICEX España Exportación e Inversiones, through its annual calls, promote the establishment of international startups and Fintechs by providing them with **institutional and financial support** to position them in the sector and promote their international development from Spain.

In terms of activities aimed at the Fintech sector in Spain, the country offers a wide range of **events focused on business development, networking and identification of international investors**. The above-mentioned organizations are the best source of information to keep abreast of the calendar of events and activities.

Rising Up in Spain
ICEX España Exportación e Inversiones, through this program, supports the establishment in Spain of foreign startups, facilitating all phases of the process of establishment and development of entrepreneurial projects in the country.
The program is aimed at **foreign and Spanish non-resident entrepreneurs** who have an innovative project that has already received positive feedback in the market.

See **HERE** more information on upcoming calls.

Mobile World Congress
The Mobile World Congress is one of the most important technological events worldwide. Organized in the city of Barcelona, this forum brings together the main companies and professionals in the telecommunications sector, and focuses, through presentations and debates, on the future of the industry and the impact of new technologies in all areas of the economy.
Fintech also has its space at this event, and offers an exceptional framework to identify potential investors and business opportunities at a global level.
https://mwcbarcelona.com

5 Spanish Fintech & Insurtech companies to watch out for in 2021

Bigle Legal

Bigle Legal is an **end-to-end document management and automation software company**. The company was born in 2016 to develop an in-house technology and provide a solution to all the problems of manual paperwork management.
With Bigle Legal, users can complete the entire life cycle of a contract, in a 100% digital format, from automatic creation, real-time collaboration, contract negotiation, contract alerts, electronic signature and cloud storage. Through this system, the user gains in efficiency, while eliminating the risk of human error and obtaining traceability and absolute control of the process.

Since its origins, the company has invested more than 1 MILL euros in technology and has plans to invest another 2 MILL euros in the next 2 years, to continue growing internationally, where it already has a presence in 17 countries. In addition, it has been awarded numerous prizes for its innovation, such as last year 2020, which received the first prize of the Legal Tech Hub Vienna and the first prize of the Insurchallenge LegalTech of Santalucia Seguros
More information: **https://www.biglelegal.com/**

THE LOGIC VALUE

TheLogicValue is a Fintech that has been developing software for banks since 2015. It has expanded its activity by opening a subsidiary in Chile and has sales representatives in Mexico and Colombia. It has a multidisciplinary team of programmers, economists and lawyers, whose goal is to **transform the needs of entities into digital solutions that help them comply with legislation, improve their risk management and efficiency**. TheLogicValue is committed to sustainable finance, developing regulatory and analytical solutions that are linked to the objectives of the European directive on sustainable finance..
We highlight two of its solutions:

- **A4C-AM**: designed for portfolio and investment managers who must comply with the SFDR. Integrated with REFINITIV data, it enables efficient compliance with RTS requirements and ratios by importing portfolios into the platform.
- **A4C-Risk**: solution focused on investments and balance sheet risks, is designed to be applied to companies, whether or not they have to comply with the Non-Financial Reporting Requirements (NFRD) and can apply the taxonomic requirements according to the NACE code in an automated way for the control of investments and regulatory reporting according to EBA and EIOPA criteria.

For its ability to innovate in the financial sector, offering digital solutions for banking and insurance since its inception, TLV won the Cuatrecasas Acelera acceleration program in 2016. Among other awards, it is worth mentioning that in 2020 it was included in the Cool Vendors in Banking list.
More information: **https://thelogicvalue.com/**

Ironia is a fintech specialized in **wealth management through an online application with a subscription-based payment model**. To facilitate the selection of funds, given the great variety available, IronIA has created its own cataloging algorithm based on Artificial Intelligence with different metrics that provides a ranking system based on "stars", similar to online stores like Amazon, but developed to rank investment funds. That's why some media is defining IronIA as "the Amazon of the investment funds", thanks to the scoring system and the ease of use and simplicity of the platform.

That's they choosed "Freedom to invest" as slogan, as they offer their users exactly that:

- Wide variety of funds, with more than 18,000 references.
- Fixed fee, regardless of the volume invested.
- No commissions of any kind, allowing the acquisition of **clean classes**.
- A simple system for categorizing funds based on artificial intelligence that works behind the scenes offering the investor the best possible information real-time.
- 100% online.
- It is not necessary to change of bank: the customer can operate from his current bank account.

The platform, which is about to celebrate its first year, has already received important recognition from the financial community, several awards and has more than 50 million euros invested. We will soon be launching a new version that will include a completely revamped image, as well as new services, such as the possibility of trading cryptocurrencies or ETFS, discretionary management or 100% online advice services.

More information: **https://www.ironia.tech**

Fintonic is a **financial app** which, in a transparent and independent manner, sides with users so that they may obtain customised information; they can have an account without attached fees or conditions (*Cuenta Siempre Positiva* or Always Positive Account); they can receive **advice free of charge to save in their insurance policies and other receipts and control all their bank and card movements from a single place**. All this can be done without exiting the app, with the quickest procedures on the market and without any paperwork. Nearing its 10th anniversary on the market, Fintonic has become a Challenger Bank that has helped over a million people to decide how they want to manage their money.

Fintonic is the first Spanish fintech authorised by the Bank of Spain to simultaneously provide payment initiation plus account aggregation services regulated by PSD2.

Valued at 160 million euros, Fintonic is at the avant garde of a new way of understanding finance, not only in Spain but across the world. The firm is present in Spain, Chile and Mexico, and it has become consolidated as the leading financial platform in the Spanish-speaking market. The success of its proposal is shown by over 10 awards, including a Google Award to Mobile Innovation.

By merely accessing the app, Fintonic users are able to tap a complete array of financial services, allowing them to save over 3,000 euros during their first year. Thus, they are sent notices and warnings on excessive or incorrect charges, overdrafts, etc. In fact, the app has saved its users 21 million euros in returned fees; and it has sent them nearly 300,000 notices for duplicate charges and over 122,000 warnings regarding overdrafts.

More information: **https://www.fintonic.com/**

OARO is a leading global provider of **blockchain technology** located in Madrid, Spain and Halifax, Canada. Founded in Spain in 2017, the company's management team has significant experience delivering **solutions in cybersecurity, digital transformation and enterprise blockchain**. OARO has been recognized as a Top Vendor in the Blockchain Identity Management industry, a Top 25 Canadian tech start-up, and has implemented Digital Identity for leading enterprise clients and public sector organizations. OARO solutions are used in the aviation, pharmaceutical, sports, insurance, financial and banking sectors as well as government.

OARO's products & solutions:

- **OARO IDENTITY**: A frictionless biometric authentication with blockchain backed digital identity that connects people to their identities using advanced facial recognition. It is an end-to-end solution that enables user authentication and authorization across devices, business lines, and organizational boundaries reducing cost and complexity while improving overall user experience and security.
- **OARO ADMIT**: A paperless ticketing solution that allows you to control secondary markets and improve the fan experience and prevents scalping and bot purchases.
- **OARO ACCESS**: A secure entry solution that uses advanced facial recognition to eliminate key cards.
- **OARO COMPLY**: A Streamline and automate quality management processes. An application that provides efficiency, transparency, and control into the manufacturing supply chain.
- **OARO MEDIA**: A system that allows to verify the authenticity of photos and videos with immutable timestamps, GPS coordinates, and user identity information.
- **OARO eco-NFT**: An environmentally friendlier NFT (Non-Fungible Token) that enables brands to create unique, limited edition digital collectibles for their fans.

More information: **https://www.oaro.net**

The Fintech ecosystem in **Luxembourg**

Financial technology innovation in Luxembourg has accelerated rapidly since the turn of the millennium. This growth in the use of new technologies applied to finance has been led both by players in the sector who have been established in the Grand Duchy for decades, and by new international players who have established themselves in the country in recent years to offer innovative services and generate more efficient models for the industry.

One good example in this regard is Luxembourg's emergence as a centre for **international cross-border payments**. Since Paypal obtained its banking license in 2007, many other leading payments firms have chosen Luxembourg to be their EU hub. So much so that the Emerging Payments Association established its European base in Luxembourg in March 2020 to support the local and international payments sector on its unstoppable growth path.

The Grand Duchy offers companies in this sector an excellent regulatory framework, a developing Fintech ecosystem as well as a last generation IT infrastructure.

A significant number of Fintech companies in Luxembourg focus on serving the regulatory and compliance needs of global finance: ranging from KYC and fraud detection, data management, to fund reporting and investor information tools, as well as digital investment services and online platform provision for financial services. This is complemented by an array of Fintechs, many in the B2B space covering other sectors, such as asset management, tokenisation and capital markets technology, InsurTech and more.

In Luxembourg, The Luxembourg House of Fintech (LHoFT) is the main local body focused on the promotion and development of Fintech startups.

Besides the LHoFT, Luxembourg is home to a number of incubators and accelerators, which help to ensure that the country stays at the vanguard of the latest technology developments in the field. They include:

- The **University of Luxembourg** operates its own incubator on its Belval campus in support of its entrepreneurship programme for students.
- The **House of Entrepreneurship** is Luxembourg's one-stop shop for company creation, providing assistance with business permits, tax& legal issues, as well as public funding.
- The **Luxembourg House of Start-ups** (HoST), a start-up hub located in the centre of Luxembourg City, offers comprehensive support for new entrepreneurs
- **Technoport** is an incubator that offers support programs for international entrepreneurs with technology-based and innovative projects.

In addition, the country offers other incubators and acceleration programs promoted by the private sector.

LUXEMBOURG'S FINTECH MAP

View the Fintech Map in Luxembourg HERE

Recently, the Luxembourg government launched the **Startupluxembourg.com**, platform to facilitate access to information for international entrepreneurs interested in setting up an innovative project from Luxembourg. This project aims to act as a coordination point for the different actors, projects and initiatives that Luxembourg is developing to support startups.

To promote innovation in the sector, Luxembourg offers a wide range of programs and activities focused on mentoring and access to financing for Fintechs. This section lists some of them, all open to the participation of international companies. These initiatives provide the ideal framework to get in depth into the Luxembourg Fintech ecosystem and identify international business and development opportunities.

On the other hand, the country offers a favorable context for attracting global talent due to its multiculturalism and quality of life. More than 170 nationalities coexist in Luxembourg, and its citizens speak an average of 3.6 languages. Its position as one of the most important financial centers in Europe gives companies in the sector access to a network of highly qualified professionals in the field of finance.

The **Luxembourg House of Fintech** (LHoFT) is a public-private partnership, which brings together financial institutions, Fintech innovators, research and academia, as well as public sector authorities to help **drive forward innovation and the development of solutions to meet specific industry needs**. It acts moreover as a soft-landing platform for Fintech companies from abroad wanting to access the local financial sector and market their solutions across the EU.
LHoFT aims to extend the ecosystem worldwide by linking up with other leading Fintech hubs around the world and by bringing together and collaborating with domestic and international stakeholders on industry-wide projects, working groups and initiatives.
https://lhoft.com

the LHoFT
Luxembourg House of Financial Technology

CATAPULT: Fintech Development is a series of Fintech development programs produced by the LHoFT Foundation in partnerchip with key strategic partners.

CATAPULT: Inclusion Africa

The program addresses companies **focused on promoting financial inclusion in Africa**. The initiative aims to build bridges between Africa and Europe, and is closely aligned with the sustainability objectives of the Luxembourg financial center. Inclusive Finance Network (InFiNe.lu) provides the framework and funding for an annual "European Microfinance Award", with a prize of EUR 100,000 for the best inclusive financial solutions with a technology element.
https://catapult.lu/Africa/

CATAPULT: INCLUSION AFRICA

CATAPULT: Kickstarter

This is a Fintech **accelerator program for Fintechs at an early stage of development**. Participants receive guidance on how to develop their business, identify and manage risk, and have practical elements for customer acquisition and prospecting. Participants have the opportunity to meet and learn from leading industry professionals, investors and key stakeholders in the fintech ecosystem. At the end of the program, entrepreneurs have the opportunity to present their project to a high-level jury and receive a €50,000 funding.
https://catapult.lu/Kickstarter/

CATAPULT: KICKSTARTER

Fit4Start

The program was launched in 2015 by the Luxembourg Ministry of Economy, and is managed by Luxinnovation with the support of Technoport and Luxembourg-City Incubator. **Fit4Start has become the leading program for launching and accelerating startups in Luxembourg.**

It offers a 16-week mentoring service on the methodology of launching a startup, free access to a workspace in an incubator, as well as EUR 50,000 in funding. For those companies that successfully pass the program, the Ministry of Economy grants an additional EUR 100,000 on the condition that a financing round of EUR 50,000 is secured.

Startups interested in applying to participate in the program must meet the following requirements:

- have an innovation-oriented project ;
- have a company which is younger than 5 years ;
- be a team of 2 people minimum (no nationality constraint), at least one of whom will need to be dedicated full time when participating to Fit 4 Start.

More information on upcoming calls: **https://www.startupluxembourg.com/fit-4-start**

ICT Spring is a technology congress with an international dimension that is organized annually in the city of Luxembourg. **This high-level event offers international professionals an excellent opportunity to discuss current issues affecting the Fintech industry** and gain insight into the impact of space technology on businesses, mainly through exhibitions and demonstrations of the latest trends in technology and innovation. ICT Spring Europe offers the right framework to establish professional contacts and identify business opportunities.

This year it will take place on September 14 and 15, and the Official Spanish Chamber of Commerce in Belgium and Luxembourg acts as a local partner for all those Spanish startups interested in participating. Contact the Chamber for more information: luxemburgo@e-camara.com

More information about the event and participation options: **https://www.ictspring.com**

LINGUA CUSTODIA

Working in the asset management industry and managing translations that were too urgent or too technical to be outsourced to translation agencies, the founders of **Lingua Custodia** felt there was a need to optimise this process and develop an effective, intelligent, user friendly and secure solution to reduce the time and resources devoted to the translation of financial documents.

The Fintech company **builds machine translation engines specifically designed for the financial industry and specialised by type of document/linguistic sub-domain**.

The aim is twofold: cater to the full spectrum of industry needs and achieve a superior translation quality thanks to highly domain-focused deep learning algorithms. The result: tapping into an estimated market potential of 1 billion euros in Europe alone.

More information: **https://www.linguacustodia.finance**

Birdee

Birdee Money Experts is **an online savings management solution dedicated to the general public**.
It has been developed by Gambit Financial Solutions, a company specialized in software editing and investment advice, created in 2007 within the HEC, the Management School of the University of Liege. In August 2015, Gambit raised one million euros to accelerate the development of its expertise and provide a new digital tool adapted to the new expectations of consumers.
Birdee, **its technological "robo-advisor" solution** was launched in 2016 as a white label, only available for banks. In December 2016, it was selected to participate in the finals of the BNP Paribas International Hackathon held in Paris, where it won first prize in its category : "Artificial intelligence and robo-advisors".
In September 2016, Gambit Financial Solutions turned a new page in its young history, when BNP Paribas Asset Management acquired a majority stake in the company's capital. Gambit maintains its independence and management autonomy but becomes as such the preferred partner for robo-advisory for the retail and private banking networks of the BNP Paribas Group.
Birdee Money Experts allows anyone to invest money, without requiring a big fortune or specific financial knowledge. A combination of algorithms enables the investor to select a portfolio that meets his personal goals and risk profile. The investor is able to monitor the performances of his portfolio anytime, anywhere.

More information: **https://birdee.co/**

Finologee
Digital Finance

Finologee is a fast-growing digital platform operator of robust, ready-made, and compliant systems and APIs for open finance, digital onboar-ding, KYC lifecycle management, professional payments as well as telecom routing and micropayments.

The company was launched in 2017 to deliver compliant cutting-edge techno-logy with a reliable user experience. Finologee already serves more than 100 banks and institutions and handles more than 25 million transactions, mes-sages and end-customer interactions per year on their behalf.

Finologee draws on this deep experience in building digital platforms and ecosystems from scratch. Today, our 36 staff support KYC lifecycle manage-ment, e-signatures, account aggregation/payment initiation, corporate payments and secure open finance APIs for clients in 19 countries. Finologee is a regulated company with an IT Provider and financial data communications license by the Luxembourg Minister of Finance and is also ISO/IEC 27001 certified.

More information: **https://finologee.com/**

SNAPSWAP

Founded in 2015, **SnapSwap** offers a **business payments and expense management platform for small busi-nesses and a digital onboarding and KYC service for financial institutions and fintechs**. Its mission is to support SMEs and startups with the necessary financial tools, Everestcard and Snaprove, to grow their businesses

Everest is a business payments and expense management platform which allows business owners to monitor and manage credit cards by their teams. Everest offers a current account to easily collect customer payments with invoice functionality. It helps businesses enhance their efficiency by saving time and achieving a higher degree of flexibility and control over payment flows. SnapSwap is a principal partner of Mastercard, which allows the issuing of credit and debit cards and processing of the transactions.

In 2017, SnapSwap launched Snaprove™, a digital onboarding and KYC service that allows to speed up the verifi-cation process, KYC data collection and allows to perform due diligence of customers. SnapSwap is a fully licensed and regulated Electronic Money Institution in Luxembourg with a proven track record in building digital platforms for onboarding and KYC technologies.

More information: **https://www.snapswap.eu/**

VNX was founded in 2018 with the aim to **democratize the traditional private capital market with the help of blockchain and asset tokenization**. In 2019 VNX launched an innovative blockchain platform enabling its customers to tokenize various assets, digitalize the fundraising and effectively syndicate deals. Today VNX has a track record of successful operations and impressive credentials with a global scope of operations.

VNX, an asset-backed token issuance and investment platform, is on a mission to transform Venture Capital investing into a new digital asset class accessible to a broad range of investors. **VNX Platform provides a simple and user-friendly process to participate in the digital asset offerings backed by startup portfolios, selected startups or pre-IPO companies alongside the lead investor.**

The company developed an end-to-end regulatory compliant platform and a turnkey solution to organize digital assets offerings that include development of design and structure of the offering, marketing and investor relations, issuance and after issuance support. VNX also plans to develop the secondary market for digital assets trading.

More information: **https://vnx.io**

Expert views

The opinion of the SFF members

The role of technology companies in the financial services industry

“The insurance sector is undergoing a deep transformation process. A sector that has historically been characterised by its traditional processes is experiencing a **digital explosion thanks to Insurtechs** and the growing funding they are receiving.

From the first Insurtechs that appeared in 2016 to the present day, the added value of these companies has increased 5-fold. There are several projects that are already operating with optimal results, such as the **application of blockchain technology to reinsurance contracts, as well as the use of artificial intelligence to detect fraud.**

Today we cannot say that disruption in the insurance sector has arrived, but the availability of technologies such as artificial intelligence, big data, blockchain, machine learning and the new generation of 5G connectivity will allow our sector to experience a real explosion of innovation over the next few years that will benefit customers. Are we ready for what is to come?”

Alfonso López Canellas, Technical Expert, **NOVA CASIOPEA RE**

What is next?

“The fact the **technology sector plays a fundamental role in the growth of our economy and, more especially, of the digital world is nothing new**.

2020 was an unprecedented year. We were permanently connected, with digital conventions, virtual online events, drones helping the police to maintain social distancing ... Of course, companies and people successfully passed the digital stress test but, most importantly, we showed we were flexible enough to adapt quickly.

So, what’s next?

In 1923, Henry Ford said “*real progress happens only when advantages of a new technology become available to everybody*” and this remains true today. Think, for example, of platforms like Netflix, online shopping with a retailer like Amazon, Zoom, Uber, social networks like TikTok, or the way we communicate with our clients. Everything is totally mobile.

Without any doubt, **the growth of digital technology is revolutionizing all sectors, including, of course, the banking sector**. However, the difference with the past is not technological growth, but the speed and exponential form of this growth, and it is for this that we have to prepare.

In the case of banking, **data will be one of the greatest assets**, allowing it to offer its clients personalized services and gain competitiveness. Thanks to this, we will see more and more banks involved in offering intermediary services for their clients’ online purchases, while an application offers clients new discounts on other products that suit their tastes, habits or location. Banks will provide more services to companies through Cloud technology, with flexible credit lines, business plans, accounting platforms, and even the possibility of launching the next marketing campaign with just one click, as well as investment recommendations based on artificial intelligence.

It is true, that we cannot fully anticipate the companies of the future, nor would I say that this growth of the digital world is completely unpredictable. However, what we can say is that this is only the beginning of what we will see in artificial intelligence, upcoming alliances between banks and technology companies, and block chain technology, so we will continue to learn and innovate. As I said at the beginning, we can quickly adapt the resources and capacities of companies towards a more dynamic market with new consumer behaviours, and an increasingly digital world, that will undoubtedly help us to live better.

Finally, for this transformation to be a success, with social and technological responsibility, I would like to mention the **fundamental role of regulators in this integration of banking with industry and end consumers**, which is undoubtedly a challenge we face in all countries.

Now, that we are entering the holiday period, perhaps it’s time to be offline for a while, and enjoy nature, so that our lives are more sustainable in an increasingly digital world.

Happy summer everyone! ”

Mónica Hortelano, Director, **Quintet Private Bank (Europe) S.A**

The role of Fintech companies in wealth management and financial advice

"Fintech companies are technology companies that offer financial products and services usually focused on a single product or service, with a customer/user orientation, providing transparency and cost effectiveness.

At BONACAPITAL we offer **wealth management, administration and planning services** and use the so-called roboadvisors fintech alternative, which best suits our offered services. We have analysed various **roboadvisors**' functioning, and we have checked their usefulness basically in terms of a notable cost optimization, as well as online portfolio management optimization, even though it is more focused to small investors. It is indeed a very good alternative to the standard portfolio management services offered by the traditional banking sector.

Roboadvisors cannot achieve the level of personalized advice and financial planning required by wealthy families, which requires individualized attention by our independent and experienced advisors.

In the recent pandemic it has been observed that investors appreciated the advice of their "personal" advisers more than the standard letter published on the WEB of a roboadvisors.

In any case, we understand that Fintech products represent a revolution in the way of approaching the financial world. **Alternative financing**, **Digital Payment systems**, **Neobanks** and **Challenger Banks** and even **Cryptocurrencies**, can provide cost rationalization and transparency, although there is still a huge margin for their implementation to be sufficiently consistent."

José Bonafonte, Director, **BONACAPITAL**

The innovative approach of Fintech companies in AML and Risk

"Over the last few years, we have seen a large number of Fintech companies flourish, mainly focused on the payments sector and on increasing their speed and versatility of options. A significant number of these companies have been integrated by large banking institutions and major financial players in the banking sector.

The emergence of these innovative solutions is leading in parallel to the development of efficient and fast AML services (KYC, Transaction monitoring, ODD) and, above all, data capture from the source of on-boarding to the follow-up of its activity, which allows us to implement very precise and high quality risk measurement tools.

In the same way, this digitalization and data recording process from the beginning of the customer relationship is generating an invaluable base of customer knowledge, which allows us to generate reports and obtain information on the trends of our customer portfolio, being able to anticipate their needs or products of their interest based on certain behavioral patterns and characteristics of previously selected services.

Ultimately, **the development of Fintech has brought with it the development of the AML sector, and has produced a huge reduction in the associated risks** and an added value related to the better knowledge of our clients' preferences in order to offer a more personalized service."

Javier Basarte, Independent consultant & Director, **ELIUS CONSULTING**

RBC I&TS' Finance team leading in digital innovation

Fernando Valenzuela
Chief Financial Officer
RBC Investor Services Bank S.A.

RBC Investor & Treasury Services

Over the last five years, clients, competition, disruptors, central banks and regulators have been urging banks to **transform their cost structure, by leveraging technology to overcome operating efficiency and resilience issues inherent to the industry since the last financial crisis**. When combined with the pressure of the COVID-19 pandemic, it couldn't be clearer that not only the front-end has to be digital, but also all back office and support functions. As the recent CFO survey by PWC[1] showed, 78% of CFOs, in Luxembourg, are either currently or planning to transform their function over the next three years.

At RBC Investor & Treasury Services ("RBC I&TS"), we are ahead of the game. In 2020, the RBC I&TS Luxembourg Finance team completed the last and critical phase of its transformation strategy to create the finance function of the future. The three-year program included the fundamental transformation of our financial systems, processes and organizational alignment to unleash the power of the finance function.

Leveraging technology and digitization, we have transitioned to more value-added controlling, analytical and leadership activities, and are becoming a true "Business Partner". We have done our part in improving the efficiency of our own activities, and now are able to spend more time in supporting business leaders in decision-making, so as to fundamentally improve how RBC I&TS's 1.1 trillion EUR Assets-Under-Administration operation in Luxembourg works.

In 2018 and 2019, the team led the implementation of leading-edge SAP S/4 Hana technology for our financial accounting (integrated General Ledger), COUPA (Purchase to Pay) and SAP CONCUR (Travel & Expense) across 13 out of 16 branches/subsidiaries, in the 10 geographies we operate in Europe and Asia (the "Group").

In 2020, we implemented the three systems for the three remaining entities of the Group, standardized and centralized Finance operations across all five European locations into a Luxembourg Shared Service center, and implemented SAP S/4 Hana - Group Reporting to enable a fully integrated system for closing, consolidation and statutory & regulatory reporting for all 16 branches/subsidiaries.

With top of the line project management methodologies, such as AGILE, and unbounded thinking and prioritization, we aligned the right expert with the right activities within the program, and partnered with our functional peers across our geographies and head office, IT teams, and others regardless of functional boundaries.

[1] PWC, CFO Priorities Survey, Towards a successful transformation, February 2021

In terms of challenges, delivering such large scale change is never easy. We did have our ups and downs on the technology, budget and timelines front; however, the first and most important variable we focused on was our “people”.

We ensured that throughout the journey all team members were engaged, bought in and aligned to the “meaning” for this change. We proved that shifting finance towards a business strategist and catalyst role, would lead to broader, richer mandates, new skills and long-term career growth opportunities. In addition, we established a “Develop the Team” program to support our employees’ adaptation and future growth with personal, technical, and language trainings, amongst others, that would arm them with the skills needed to succeed in this new world.

The project delivered on several important benefits, such as:

1. Reduction by ~55% manual journals and end-user-computing tools (ex: Excel);
2. Improvement of ~20% the month-close, consolidation and reporting timelines;
3. Decommission of 8 legacy GL, consolidation & reporting systems;
4. Achievement of ~30% synergies in processing and accounting activities across Europe, and
5. Boost by ~20-25% controlling, analyzing and business partnering activities.

We are now benefitting from enhanced connectivity, transparency, risk-based approach to controls, and business intelligence thanks to this integrated daily digital financial information flow across our Group and with RBC. As an example, when faced with the COVID-19 crisis in 1Q/2Q20, having all of our entities on the same integrated ledger (SAP S/4 Hana), we were already able to navigate the record transaction volumes and changes in global monetary policies, with higher transparency and visibility to the financial results across the Group.

In line with our vision, embracing this digital transformation has enabled us to unleash substantial capacity to focus on our business partner role, on driving performance, and on activities ultimately value-added to our stakeholders and clients.

Isabel Rodríguez
Partner
King & Wood Mallesons

María de Orueta
Senior Associate
King & Wood Mallesons

Alternative investment in Spain: Regulatory framework and financial sector

Spain was one of the first countries to establish a **regulatory framework for private equity firms and their management companies** through Law 1/1999. This Law was repealed following the entry into force of Directive 2011/61/EU in 2011 on European Alternative Investment Fund Managers, with the approval of Law 22/2014 (hereinafter, Private Equity Law). This law transposes the Directive in Spain and therefore includes other regulated closed-ended alternative investment entities, in accordance with the following provisions.

Types of alternative investment entities in Spain

The Venture Capital Law regulates the following closed-ended collective investment vehicles, which must be registered in the corresponding administrative register of the National Securities Market Commission (Spanish acronym "CNMV") in order to be marketed: :

- Venture Capital Entities;
- European Venture Capital Funds, regulated by Regulation (EU) No 345/2013;
- European Social Entrepreneurship Funds, as regulated by Regulation (EU) No 346/2013; and
- Other Closed-ended type Collective Investment Entities.

Legal form, management and marketing of regulated entities

The above entities may take the form of (i) business enterprise, which are therefore subject to certain limitations of the Capital Companies Law, mainly in relation to corporate governance issues, and may choose to self-managed or delegate management to a regulated Management Company; or (ii) **funds**, whose assets belong to the unitholders and lack legal entity, and which must necessarily be represented and managed by a regulated Management Company.

Regulated Management Companies may be incorporated as either a Management Company of Closed-Ended Type Collective Investment Entities or as a Management Company of Collective Investment Schemes, both of which are subject to authorisation and supervision by the CNMV. Management Companies of Closed-Ended Type Collective Investment Entities, which are mainly used in Spain for the management of venture capital projects, may choose to be authorised in accordance with the requirements of Chapter II of Title II of the Private Equity Law (this requirement will be mandatory if they have assets under management over EUR 500 million, without leverage), which entails certain additional obligations in terms of resources and supervision by the CNMV.

All Closed-Ended Type Collective Investment Entities registered with the CNMV may be marketed in Spain to investors who qualify as professional investors in accordance with the provisions of the Securities Market Law. Likewise, those Private Equity Entities managed by a Management Company of Closed-Ended Type Collective Investment Entities subject to Chapter II of Title II may be marketed in Spain to retail investors (as long as they invest a minimum of 100,000 euros and declare in writing that they are aware of the risks associated with the commitment) and, through the processing of a marketing passport with the CNMV, to professional investors in other European Union countries. European Venture Capital Funds and European Social Entrepreneurship Funds may also be marketed outside Spain within the European Union to retail investors who meet the above conditions.

Investment regime

The Private Equity Law requires Private Equity Entities to invest **at least 60% of their eligible assets in assets of their main purpose**, being the taking of temporary stakes in the capital of companies: (1) which are not listed on the first stock exchange market or other equivalent regulated market (except for delisting within twelve months of the investment); (2) which are not financial institutions; and (3) which are of a non-real estate nature (although to invest in companies securities whose assets are formed for at least a 50% of real estate will be admitted, provided that the real estate representing 85% of the total book value of the real estate is assigned to the development of an economic activity). They may also extend their main purpose to invest in other venture capital companies.

For the above purposes, financial institutions will be considered to be those included in any of the following categories (whether domestic or foreign and regardless of their legal name): credit institutions and financial credit institutions; investment services companies; insurance companies; investment, pension and security funds; management companies of collective investment, pension or security funds; institutions whose main activity is the holding of shares issued by financial institutions; mutual guarantee companies; electronic money institutions; and payment institutions.

The European Regulations governing European Venture Capital Funds and European Social Entrepreneurship Funds also establish specific limitations, including those related to the investment in financial institutions. However, the rest of the Closed-Ended Type Collective Investment Entities are not subject to investment limitations specific to the core venture capital activity that was described above.

Alternative investment: Fintech and Insurtech ecosystem

In accordance with the above, it should be highlighted that Private Equity Entities are not usually structured in Spain as vehicles for channelling investments in the financial sector (thus including all new investment activity in the Fintech and Insurtech sector). All of this without detriment to their making investments in this type of asset within their free disposal ratio and considering that the asset in which they intend to invest must be analysed on a case-by-case basis, given that some of these companies whose main activity is related to the financial sector could be excluded from the strict categorisation of financial institution.

Market operators therefore use other Closed-Ended Type Collective Investment Entities for this type of operation, which can devote all their eligible assets to investment in financial institutions, as well as unregulated structures or financial collective investment entities. Nevertheless, none of these alternatives can benefit from the special tax regime that the Spanish Corporate Income Tax Law establishes for Venture Capital Entities, which is usually one of the main reasons for setting up these structures for collective investment in company assets.

Other European jurisdictions establish fewer limitations in relation to investment in this type of assets by closed-ended type collective investment vehicles. This is the reason why some countries, are positioning themselves as leaders in this market. In this sense, we undoubtedly highlight the innumerable advantages Luxembourg offers.

Unit-linked life insurance as a wealth planning solution

The COVID-19 pandemic and its effect on the global economy has changed the wealth and tax planning landscape for taxpayers.

In this context, Unit Linked products are an interesting alternative in wealth planning, by means of **a life insurance contract linked to an investment portfolio, in which the policyholder assumes the investment risk of the premiums paid**.

Costumers who take out a Unit Linked life insurance policy domiciled in Luxembourg can benefit from unique protection in Europe, through a mechanism known as the "**Triangle of Security**".

In this section, several experts from insurance companies in Luxembourg share their opinion on how this type of product can contribute to the design of an adequate wealth, estate and succession planning.

Bâloise Vie Luxembourg

Managing and structuring one's wealth while also considering the specific characteristics of their personal family situation becomes a major challenge for anyone concerned about the preservation and transfer of their wealth. In this purpose, various tools are available to a person, among which the Luxembourg unit-linked life-insurance contract (the "UL contract") appear as one of the most efficient. It also provides a high level of safety for both the policyholder and the beneficiary (the "Triangle of Security").

Being very adaptable, the UL contract offers many ways to efficiently manage one's wealth. Indeed, by being linked to various types of funds (external, collective, dedicated, special), the UL contract offers a wide range of investments, the management of which will be tailored to the individual policyholder's profile. As such, the UL contracts provide the subscriber with a large scale of possible underlying assets, the performance of which does not depend on the financial markets fluctuations.

It also provides the policyholder with numerous possibilities to transfer his estate, by organising tailor-made beneficiary clauses (generation's jump, clause with options, ranks of beneficiaries, etc), that fit exactly his situation and needs. The solution is particularly efficient in cross-border situations : mobility of the subscriber, subscriber and beneficiary residing in various countries, etc.

As Luxembourg life-insurance companies distribute their solutions under the EU freedom to provide services, any resident of a EU member state is therefore basically eligible to subscribe a UL contract. The solution may even be extended beyond EU borders, subject to a case-by-case analysis.

All this contributes to making the UL contract a high-performance flexible tool, which is particularly well suited for addressing the various challenges of wealth management and estate planning.

Thibaud Vallancien
Head of the Spanish market
SOGELIFE

"The Luxembourgish Unit Linked life insurance policy offers many asset protection and succession planning advantages which make it an interesting alternative to SICAVs. To understand its philosophy, we can say that it is a savings product based on a life insurance policy, with one or several portfolios of securities, which can include a large selection of underlying assets, not simply just UCITs.

The Luxembourg Unit Linked offer is adapted to Spanish law but benefits from the security of Luxembourg asset protection thanks to the Triangle of Security. This mechanism requires that the underlying assets linked to each insurance policy be deposited in a segregated account of a depositary bank authorised by the insurance company and the Commissariat Aux Assurances (CAA).

The policy, which responds to Spanish regulations, allows for a deferral of personal income tax so that tax would not be applicable on the policy's earnings in the absence of a redemption. In addition to this deferral, the contract is not subject to the "exit tax" either.

The fact that the Luxembourg Unit Linked policy is a life insurance policy, allows the policyholder to freely designate the beneficiaries of the insurance contract at any time, It should also be taken into account that the value of the insurance contract is not part of the receivable estate and therefore the beneficiaries can be other individuals than the legal heirs.

One other important aspect to consider is the confidentiality offered by the policy due to the fact that, unlike a will, the details of the insurance contract do not become public upon death. The fact that the policy is unit linked also allows quick access to liquidity, which allows the beneficiaries, for example, to face the payments of the Inheritance and Gift Tax (ISD) on the remainder of the inherited estate.

Finally, in addition to the advantages mentioned above, the Luxembourg Unit Linked insurance policy allows for numerous possibilities of deferral of the ISD as well as the prospect of having a certain level of control over the transfer of assets, so that the policyholder, may benefit from a greater freedom when disposing of the wealth which transmits through the policy."

Pablo Pecina
Associate Director,
Wealth Planning
Lombard International Assurance

“The Spanish General Budget approved for 2021 featured a rise in tax for individual taxpayers with higher incomes and significant wealth. For example, with regard to the savings tax base in the Personal Income Tax (which had a maximum rate of 23%), a new band was introduced from €200,000 which is taxed at 26%. And the government already announced a tax reform which will involve even higher tax pressure on high-net-worth individuals.

In this context, tax-deferred vehicles, which allow taxation on earnings to be postponed until a point of time in the future, are becoming even more attractive. Unit-linked products are the ideal vehicle for investing in accordance with a strategy selected by the client, also providing the investor with the benefit of deferral of Personal Income Tax and allowing different types of income and capital gains to be offset under the insurance policy. Only in the event that the policy is redeemed or cancelled in favour of the policyholder will the earnings generated become liable to Personal Income Tax as investment income.

As this is a life insurance product, it also enables estate planning tailored to each client, offering a broad range of options for organising wealth transfer under the insurance – on the death of the policyholder or even while the policyholder is alive if so desired – to the designated beneficiaries. The designation may also incorporate specifications on age restrictions for the beneficiaries or time limits for insurance claims.

Another benefit that makes Luxembourg-based unit-linked life insurance stand out as an interesting investment vehicle is that it offers considerable flexibility, enabling high-net-worth clients to invest in funds of any kind (including ETFs) and in hedge funds, private equity and other alternative investments.

Lastly, it is worth noting that investing in a Luxembourg-based life insurance policy enables the investor to benefit from the investor protection regime under Luxembourg legislation – one of the safest protection regimes in Europe – and to avoid, as far as possible, country risk or the risk of insolvency of the bank where the underlying assets linked to the insurance are held in custody.

In light of these factors, Luxembourg-based unit-linked life insurance remains a simple but effective solution for financial, tax and estate planning, offering multiple benefits to Spanish private banking clients, both from a succession and a tax deferral perspectives and in terms of investment security.”

Gonzalo García Pérez
Director Wealth Planning
OneLife

GROUPE APICIL

"What makes an investment tool perfect for wealth planning purposes? An easy to use instrument which gives peace of mind for both the preservation and transmission of wealth. In the current international environment, it must also be easily portable and adaptable to the changing circumstances in case of relocation. And, it should most importantly be an investment tool offering a choice of underlying assets that can be perfectly tailored to the needs of the client. With this in mind, Luxembourg life assurance ticks all the boxes!

- Investments: A client has the choice between a dedicated fund (with discretionary management), a specialised insurance fund (with more involvement in the strategy, available in some jurisdictions e.g. Portugal), an internal collective fund or a wide range of external funds, managed by independent fund managers with excellent track records. The level of customisation and the investment universe depend on the client's profile.
- Inheritance planning/succession planning: Luxembourg life assurance is a natural choice with its fully personalised beneficiary clause and highly flexible structure.
- Tax planning: Life assurance is designed as a long-term investment offering a favourable tax framework compared to a traditional portfolio.
- Protection: Luxembourg offers a unique framework with:
    - the Triangle of Security ensuring full segregation of the policyholder's assets from the custodian bank's own funds,
    - the Super Privilege, which means that the policyholder is the first creditor in case of insolvency of the life assurance company.
- Portability: At OneLife, we accompany our advisors and their clients in realising their relocation projects in the best way possible.

A Luxembourg unit linked life assurance policy is therefore without doubt an excellent – maybe even the best - wealth planning instrument to hold and transfer family wealth efficiently".

Germain Birgen
Head of Strategic Initiatives
Professional Banking Services

Lucienne Andring
Head of Business Development
Professional Banking Services

Private Equity: awaiting development and steps towards democratisation

BANQUE DE LUXEMBOURG

While in recent years, **private equity has experienced a real boom and succeeded in attracting institutional and professional investors alike**, the marked slowdown in growth since the beginning of 2020 is likely to continue and will probably be exacerbated by the global health crisis. Parallel to this trend, retail investors are increasingly turning to this asset class in a bid to diversify their investment portfolios.

Is private equity losing its appeal?

Investments in private equity (both direct and via investment funds) have proven popular with both institutional and professional investors for several years now. This very 'private' asset class has got people talking, despite being rather inaccessible to the general public.

Established companies have been acquired by major private equity firms mainly with a view to being restructured, reoriented and made more profitable, only to be sold afterwards, generating significant capital gains in the process.

Other funds have focused on start-ups, primarily tech firms, some of which have proven to be veritable unicorns.

However, this trend seemed to slow significantly, at least in 2020. According to the Centre for Management Buy-Out Research (CMBOR)[1] , H1 2020 recorded a 39% drop in private equity transactions in Europe compared with the same period in 2019. The decline in the value of these transactions is less marked, at around EUR 41 billion (-7%).

Has this been the case for all sectors?

Nearly one third of all transactions involved tech, telecoms and media companies. This finding is hardly surprising insofar as the health crisis has had a positive impact on these sectors. The same is true for the healthcare, logistics and consumer goods sectors. On the other hand, the aviation, tourism, hospitality and leisure sectors have been severely affected overall by this crisis, and the final impact is still hard to judge.

[1] Imperial College Business School, London

The medium-term effect on the real estate sector is also proving difficult to gauge. The almost immediate and large-scale switchover to working from home demonstrated not only a swift response to a new environment, but also the technological and human capacity to adapt to this new situation. Many companies in the services sector were therefore able to keep their business running, in the realisation that it's not always necessary for all their staff to be on site at all times. As a result, office space will naturally free up as leases expire. **With more people working from home in the coming years, there will be other consequences, especially for local businesses and mobility.**

What does the future hold for this asset class in general?

On a positive note, companies in sectors currently experiencing the highest demand are of course benefitting greatly. Some private equity companies are reporting exceptional earnings, and valuations are skyrocketing. However, it is still extremely difficult to assess a company's real medium and long-term value based solely on the fact it has been able to respond very quickly to immediate demand and needs. One such example can be found in industry, where businesses have diversified use of their core production facilities in record time. While such a swift reaction is proof of great agility, showing their ability to make and implement decisions quickly, this response alone is not sufficient evidence of a sustainable medium or long-term vision.

As regards sectors most affected by the crisis, a major investment would currently be of greater support for this sector than a calculated bet on the recovery and return to a similar (or even greater) level of activity at the end of the crisis.

Will Private Equity soon be available to all?

Access to this sector **is principally reserved for major institutional investors** and generally calls for a sizeable medium, and indeed long-term financial commitment.

However, initial steps have been taken to open access to this asset class up to a wider public. Feeder funds have thus been created, which in turn invest in major private equity funds for which the minimum subscription often runs into tens of millions of euros. The purpose of these feeder funds is to garner investment from private investors, often with minimum amounts of tens of thousands of euros and depending, of course, on the limitations imposed by the regulations in force in the fund's country of domicile.

European Long-Term Investment Funds (ELTIF), which have for a long time been ignored by investment fund initiators, could finally have their day in the sun. This type of fund could democratise access to this 'private' asset class, while offering entry and exit mechanisms akin to those of traditional funds.

In conclusion, private equity is seemingly experiencing a hiatus, although this has not dampened the sector's entrepreneurial spirit in the least. It is undoubtedly better to be in a cash-rich position when looking out for good investments than the other way around. And private equity funds could well prove to be valuable financial partners in the implementation of major government stimulus initiatives, many of which have made sustainable green transition a central theme.

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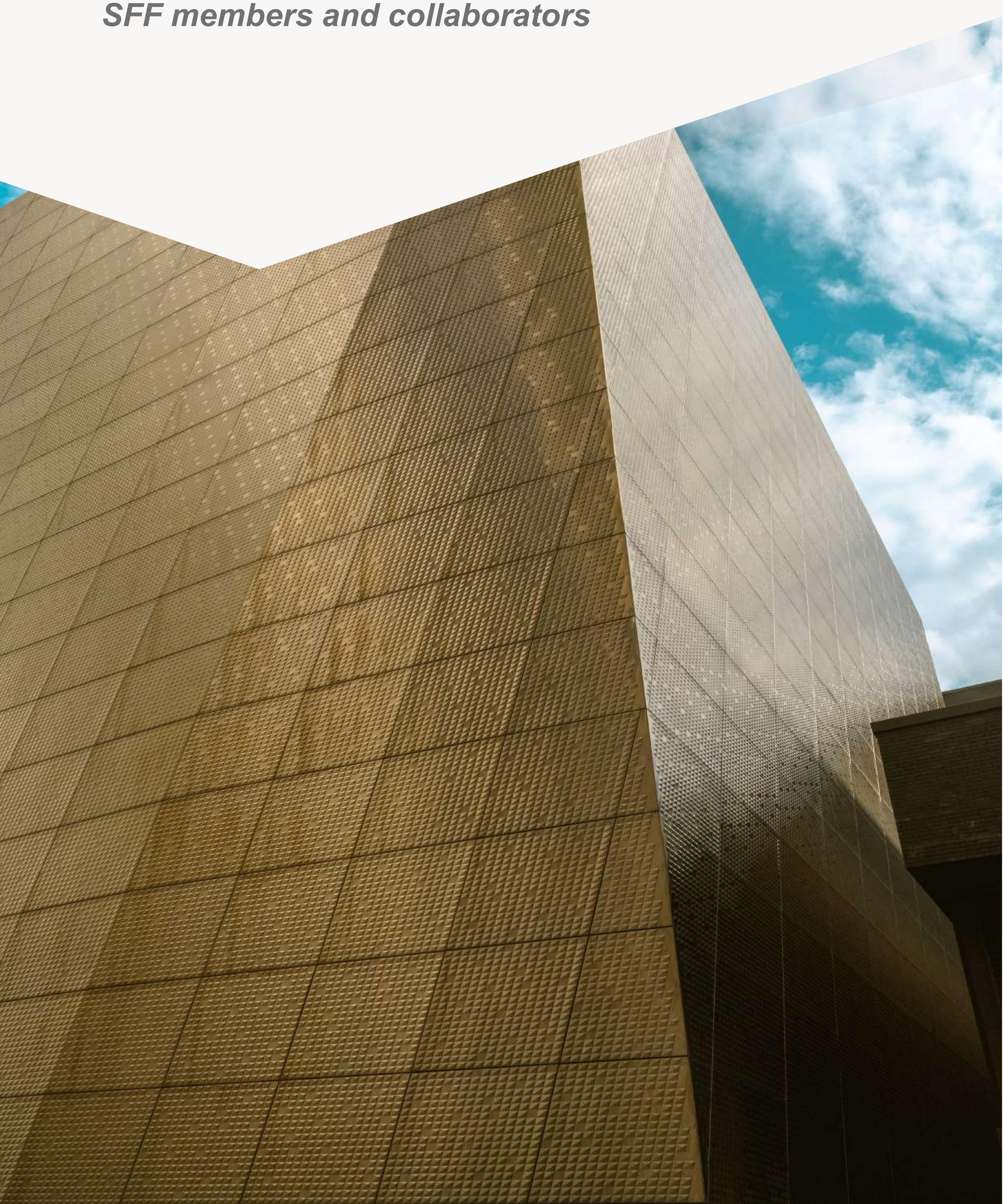

22

JUNE 2021

webinar

On June 22, **Luxembourg for Finance**, the Agency for the Development of Financial Centre, organised a digital event focusing on Iberia and the financial solutions offered by Luxembourg to facilitate collaboration and investment between the Iberian Peninsula and the Grand Duchy.

Luxembourg Minister of Finance, **Pierre Gramengna**, opened the event highlighting aspects of the recovery of the European economy post-Covid and emphasizing the solidarity of Member States in agreeing on programmes to channel the necessary funds, such as NextGenerationEU or the EU SURE program. The Minister also referred to what he called the "Triple Transition", mentioning **the green transition, the digital transition, and the transition towards a more sustainable finance** as unavoidable challenges for the future.

Following the Minister's speech, the first panel discussion brought together representatives from Bankinter, Julius Baer, Cardif Lux Vie and DLA Piper and offered diverse views on international wealth management in the current financial environment. The discussion included how Luxembourg's innovative financial products and investment vehicles can cater for Spanish and Portuguese clients, highlighting the core features that make the Grand Duchy a center of excellence for wealth management and private banking. Regulatory aspects and the advantages that made Luxembourg life insurance one of the most recognised wealth planning solutions for international (U)HNWI's were also addressed. Finally, echoing the words of Minister Gramengna, the panel discussed **the growing importance of ESG products in wealth management.**

The second panel discussion grouped representatives from Santander Asset Management, Citi Bank Europe and Arendt & Medernach. The panel discussed the **solutions offered by Luxembourg for asset management** and how financial players from Iberia can leverage on them to, among others, gain exposure to new asset classes, internationalise their businesses or connect with international investors. The panel also addressed the growing importance of alternative assets in the asset management arena. Similarly, the issue of sustainable finance was discussed, reviewing the latest regulatory developments at the European level and the initiatives taken by Luxembourg to reinforce their adoption. After discussing the convenience of establishing a ManCo in Luxembourg, the panelists answered questions from the audience.

The event concluded with an inspiring interview with the CEOs of Innsomnia, the Valencia-based innovation accelerator, and RegTech company Tetrao. They discussed how the solutions offered by RegTech companies facilitate compliance in the context of a growing regulatory framework. The attractiveness of Luxembourg for FinTech companies was also analysed, highlighting the strong collaboration between start-ups and traditional financial services firms - which is largely sponsored by the **Luxembourg House of Financial Technology** (LHoFT). They also emphasised the importance of people in enabling digital transformations and in the development of new technologies, as well as how critical attracting and retaining talent is in the sector.

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