

# La philanthropie, une des clés du développement de notre place financière

**L**a philanthropie, cette pratique aussi ancienne que l'humanité consistant à améliorer de façon désintéressée et organisée le sort de ses semblables et l'environnement proche ou lointain dans lequel ils évoluent est en passe de devenir un moteur de développement économique et une solution durable à la crise actuelle.

Si la philanthropie a pu jouer de tout temps un rôle déterminant dans le progrès social et l'essor économique, artistique et intellectuel d'une société, c'est grâce à la vision long terme de souverains, mécènes, visionnaires et entrepreneurs. Au 19<sup>e</sup> siècle, l'état providence a été inspiré par les industriels de culture anglo-saxonne (Carnegie, Rockefeller, Tata) qui ont choisi d'également investir dans le social, la culture et l'écologie. En finançant la construction d'hôpitaux, d'écoles, de musées, de centres sportifs ou la recherche, ils ont contribué à la construction d'une société plus équitable et à la réalisation de multiples avancées scientifiques, technologiques, philosophiques. Ces avancées sont à la base de notre civilisation et de l'Etat de droit mais aussi de la philanthropie moderne: efficace et profitable autant pour celui qui reçoit que celui qui donne.

## Finance et philanthropie: le duo gagnant

Au carrefour de l'entrepreneuriat, de la finance et de l'intérêt public, la philanthropie occupe une place grandissante dans les activités économiques, sociales et financières. Ceci en raison des montants donnés qui sont supérieurs au budget de certains états et du nombre croissant de nouveaux grands philanthropes notamment en Inde, Chine, Moyen-Orient et en Amérique Latine ainsi que du rôle joué aux côtés ou en lieu et place des institutions publiques en matières d'éducation, de santé, de construction d'infrastructures, de subsides aux entreprises et de la coopération internatio-

nale (actions humanitaires, protection de l'environnement, par ex.).

Selon le World Giving Index 2012 publié par la fondation CAF (cafonline.org), le Luxembourg est classé 14<sup>e</sup> sur 146 pays en tant que donateur financier. Au-delà du fait que le Luxembourg dispose d'une légitimité pour devenir un centre reconnu de philanthropie, son cadre légal et fiscal, son savoir-faire en gestion d'actifs, ses labels ainsi que sa stabilité politique permettent à des entrepreneurs-philanthropes de planifier quasi à la carte leur stratégie financière, patrimoniale et philanthropique sur le long terme. Pour les familles fortunées, l'intégration de critères éthiques et de durabilité dans leur gouvernance et leur management devient un must.

Les banquiers, conseillers et contreparties industrielles qui ne présenteront pas une offre ou un produit reprenant ces critères et appuyés sur une réalité économique seront de plus en plus souvent exclus. Le potentiel de l'impact financing est énorme puisqu'il doit concrétiser les engagements en terme de responsabilité sociale d'entreprise, d'une part et répondre à une demande croissante d'investisseurs à la recherche d'efficacité économique réelle et de traçabilité humaine et matérielle, d'autre part. Comme tout consommateur, l'investisseur responsable analyse un produit au-delà de l'étiquette et fait sa propre due diligence.

Concrètement, la place financière luxembourgeoise a la possibilité et la chance unique d'attirer durablement des capitaux à Luxembourg en les logeant dans des fonds privés ou collectifs investissant dans des entreprises et projets profitables pour les êtres humains, l'environnement et donc pour le business. Les dotations d'entreprises, les capitaux de fonds souverains, de fondations ou trusts charitables ainsi que l'épargne des résidents et non-résidents représentent des dizaines de trillions. Le risque est faible pour des banques et des PSF présentant à leurs clients et prospects uniquement des investissements éthiques de voir ces derniers changer d'institutions. Quand la Banque Sarasin a annoncé son adoption d'un mode de gestion éthique,

95% de ses clients y ont maintenus leurs avoirs. Grâce à des informations transparentes et un processus d'éducation, ce choix devient une conviction pour l'investisseur.

## Du don à l'investissement responsable

Le ethical way of living, consuming and investing n'est donc plus une option ou une mode. C'est une condition sine qua non pour continuer à vivre dans 20 ans dans le même confort économique et énergétique qu'aujourd'hui. La représentation et l'information que nous avons d'un problème influencent nos comportements. Ainsi, si le sujet du changement climatique reste une question d'experts discutée souvent sans succès dans des sommets, comment considérer en tant qu'investisseur, industriel ou entrepreneur qu'il s'agit d'une question centrale à intégrer dans une stratégie commerciale et dans les coûts. Le changement climatique ne devient plus un paramètre uniquement pour créer des produits dérivés ou augmenter les primes d'assurance mais pour produire plus avec

moins d'énergie et pour avoir une empreinte carbone la plus neutre possible. Le bénéfice d'un mode de production propre et respectueux de la nature est inestimable face aux dépenses astronomiques engendrées par des risques réputationnels et des catastrophes naturelles que les scientifiques prédisent de plus en plus nombreuses dans les prochaines années.

Le producteur d'acier, de vêtements ou de tomates responsable tient compte dans son mode de production de l'utilisation d'énergie propre, de l'origine et du mode de fabrication de ses produits et services ainsi que du coût de chaque matière première y compris la première d'entre elles: l'eau. Une tasse de café nécessite environ 120 litres d'eau dont le prix doit être répercuté au consommateur final pour ne plus être seulement laissé supporté par l'agriculteur équatorien ou burundais. La nouvelle révolution industrielle utilisant les énergies renouvelables est en marche avec pour corollaires une croissance verte et une slow economy plus rentables à terme. Pour l'ensemble des acteurs financiers, politiques et

scientifiques et ceux issus de la société civile, entrer dans cette nouvelle ère ne nécessite en fine pas de grandes actions mais apporte des changements vitaux. La green economy en développement à Luxembourg peut se décliner dans tous les secteurs: l'éducation, l'entreprise, la finance, les services publics et le non lucratif.

Avec une tradition philanthropique et des outils financiers et juridiques adaptés à l'organisation, la pérennisation et la transmission de fortunes et de visions non seulement aux héritiers mais aussi à des causes d'intérêt public, le Luxembourg dispose d'atouts exceptionnels pour prendre le lead dans le domaine de la philanthropie. Une philanthropie proactive capable, en raison de son rôle socio-économique croissant, d'apporter des solutions durables à la crise en favorisant des nouveaux modes d'investissement, de vie et de production, créateurs d'emplois, protecteurs de la nature et générateur de bien-être.

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## Luxembourg Stock Exchange and Altus to cooperate on a Fund Market Infrastructure

**The Luxembourg Stock Exchange has now announced its cooperation with Altus on the development of the market infrastructure for European investment funds. The Luxembourg Stock Exchange is creating a market infrastructure, which will provide services to substantially support, facilitate and standardize the cross-border distribution of funds.**

The initial scope of services will focus on transaction management and, information

and reporting services, leveraging on Finesti experience and leadership. The first step will be to cover Luxembourg and then other cross-border UCITS funds domiciled in various countries. This infrastructure will serve the market as a user-owned and user-governed market utility. The objective is to "Go live", for phase 1, in quarter 3 2013 with the first users connected to the platform. This first step will be followed by other developments such as trade settlement.

Dominique Valschaerts, member of the executive committee of the Luxembourg Stock Exchange, said: "We are very pleased that Altus will be cooperating with us on this important project. Altus will be able to bring all their experience of the deve-

lopment of software solutions towards the Fund Industry. Industry players are supporting the initiative as they recognised the need for such an infrastructure in the current economic and regulatory context that is putting a real cost pressure. The FMI will propose for the first time in Europe an innovative utility model with costs shared by participants bringing value added services facilitating cross border distribution and low transaction costs".

The fund market infrastructure initiative is backed by a consultation group of major international participants operating in Luxembourg, Europe's largest investment fund centre, and include leading transfer agents and distributors involved in cross-border fund distribution.

## Private equity outsourcing

By James BERMINGHAM, General Counsel of the Aztec Group, a specialist private equity service provider that administers over 75 funds with an approximate value of USD70 billion. «Our Luxembourg office now has a team of 17, and is committed to maintaining the local delivery of services».



**The integrity of international supply chains has been brought into question by a scandal of comic proportions. Nowhere are the lessons of this more relevant than the financial services industry, where increasing outsourcing of outsourcing creates a shadowy market ripe for exploitation.**

Susan Forest called me this week; she has been working in Berlin if you had been wondering. It seems that Monsieur Creosote, my favourite custody-banker, has been touring the DACH\* region drumming-up business for 'Luxembourg'. I could just picture the crowded conference halls and long lavish lunches. He has never quite forgiven me for that little piece back in 2010, suggesting that it was time was ripe to try something new in private equity? It's a shame. The wrong product being supplied in the wrong way by the wrong people wasn't exactly working, and I knew that private equity would be boring for a man of his taste. There's no stock lending, commission income or high margins to spice matters. It's a wafer-thin living after all, which even has to be worked for!

Susan giggled, 'You cannot reach Monsieur Creosote during half-term, silly.' This is a special time when he must go skiing in Berghof (with other industry leaders!), and abandon his business for a week or two in the hands of contract staff fighting it out for a place in the supervisory team. There must only be a handful of employees left now?

I had no idea what she meant. Marc was telling me only yesterday, that Creosote's business was booming. The statistics said so. Surely he should be sucking the market for [accountants] dry? Intrigued, I seized on the opportunity of his return to arrange lunch at Razvan's. This is a fantastic restaurant down by the Gare, if you have never tried it? The steak is truly superb and such great value; it's almost too good to be true.

## Aztec Group: Taste buds at the ready!

I am pleased to report that Monsieur Creosote is still larger than life. Without the slightest moral hazard, he has managed to brush aside investors and investigations alike and focus on entirely new plans. It seems that he has struck a deal with Lemuria to outsource fund services. This follows on the back of a similar deal with Mu last month. These economies promise opportunities of mythical proportions: unbelievably qualified, experienced and cheap staff; perfect industrial relations; no red tape; and access to new continents. 'Yes, it was a strategic play too,' he nodded. Monsieur Creosote had finally embraced globalisation.

Alexandru, the maître d', was clearly sizing-up the purchasing power of Monsieur Creosote. A client like that could easily afford the best French beef. French beef, unlike its mad English equivalent, is often redder with a sweet taste reminiscent of venison. Lost in thought, I settled for the 'special'.

In truth, I had been dumbfounded by Monsieur Creosote's nerve. This was a bold deviation from his comfortable world, but 'surely the regulator would object?' Lemuria and Mu were no doubt great places, and represented convenient time zones for sure, but few laws and a totally untested operating environment didn't exactly lend confidence. 'It's not up to the local regulator,' he shrugged. 'All sub-sourcing will be fed through my little office in Reimerswaal (that well known European hub) and once Frankfurt takes over, it will become even easier.'

Luxembourg, he explained, was best understood as a 'source centre' in the post AIFMD\*\* world. He explained that 'outsourcing exists on 4 levels: (i) the sponsor selects my 'super-mega-manco' which is structured as a 'free love hotel'; (ii) the super-mega-manco outsources everything to me; (iii) I outsource everything save sales and tier 1 supervision to Reimerswaal; and (iv) my team in Reimerswaal will outsource 'fund presentation and payments' to Lemuria and 'bookkeeping and other operational matters' to Mu, or was that the other way round? 'We like to slip-in a little tier 1 supervision in Rungholt too,' he said furtively.

'Operationally it will be a disaster of course' he admitted, 'but, provided we spin-off the directorships, we can ride it out until automation of private equity takes hold. My new systems' team in Constitution Avenue, opposite the IRS, are doing great things. The key is to break-up administration into different functions and make sure that no-one knows what anyone else is doing; this way we avoid 'key man risk'.

Our source centre in Luxembourg will be reduced to me, my highly incentivised sales' team, and a handful of contract supervisors. 5 for 150 funds should do, what do you think? Too small maybe, but what can you do from Luxembourg? The team would need to know their way around my international network, and the chum amongst those ingrates is just too high for that.'

The irony of Monsieur Creosote's revelation was overwhelming. 'Substance' arguments had vanished and the AIFMD\*\*, that kite-mark of onshore excellence, was just another third country product. It was obvious now why relevant expertise is so hard to find in Luxembourg. It was a sales' centre. Would others be following this approach?

His steak arrived. Razvan only serves lean and tender cuts and I knew Monsieur Creosote would love it. Not minding me, he stuck straight-in and explained, between mouthfuls, that 'all international business is the same. Take the lasagne sold in 'your' British supermarkets for example; it may well be supplied by a French company that produces the meals here from meat purchased from a commodities broker in Dublin and delivered from an abattoir anywhere in Europe. It's about branded products in a single market...' This all sounded strangely familiar.

Feeling frustrated, I caught Alexandru's eye and asked how much longer I had to wait for the 'special'. The point of ordering specials is usually that they are quick.

In fairness to Monsieur Creosote, outsourcing had proved very effective with highly symmetric, UCITS or other mutual fund products (which could be operated anywhere). Unfortunately, as 'Anglo Saxonia' had already learnt, the outsourcing of asymmetric, relationship-driven products tended to back-fire. The integrity of fiduciary products depended on old fashioned virtues, such as: honesty, skill, experience, communication, cross-functionalization and close supervision. Stability and control of service delivery was absolutely critical if transparency and accountability were to be maintained. 'Wasn't it his lack of understanding that caused such a mess last time?' I wondered. History was already repeating itself.

He sensed my uncertainty. 'Still fixating on product,' he smirked. 'Good branding on a fine plaque is all you need for a letterbox bank.' 'A fund is just a fund' Monsieur Creosote reiterated, and 'all notions of German craft are mistaken.' The specific ingredients were unimportant if everything ended-up in the same dish, and his dish was, quite literally, the biggest in Europe. 'I've been taking some discrete training courses on private eq-ui-ty,' he gloated '... and am now on an extremely high committee.' Now it was my time to giggle. Industry had been well represented again!

Alexandru ventured over to our table with the 'special'. It was the Romanian 'feast of knights' if I understood his French correctly but, between you and me, it tasted awfully like French beef. Razvan doesn't take chances with loyal customers. Returning to our brand new offices at the airport, my ever-present colleague, Dalia, was laughing along with the rest of her team. It seems that my good friend Razvan had been charged with passing-off Romanian wild horse as French beef. 'It's all over the press, and the Minister's terribly embarrassed,'

they shrieked! An overly complex supply chain spanning various countries had resulted in a total breakdown of controls enabling criminal elements to dispose of waste horsemeat to trade buyers. Luckily for Razvan, no-one is expected to challenge the integrity of EU branding. He was the innocent victim of an unforeseeable systemic failure 'from which everyone could learn.' Susan was going to love all this.

The lesson arising out of the horsemeat scandal should be clear, and it is painfully relevant to the private equity funds' industry (where systems play a more limited role). Outsourcing is fraught with risks (and nowhere more so than in the provision of regulated services), and should not be seen as a magic solution to an increasing cost base. The long term future of the industry lies in crafting the best products and boosting productivity through sensible reforms, embracing competition and encouraging adaptable business models that can nurture the necessary expertise 'locally'. The Luxembourg brand must stand for something more than sales' statistics.

If you had not seen it yet, Aztec Group is once again encouraging private equity, venture capital and real estate sponsors to "Try a New Flavour" in fund services with a "Beyond Gourmet" marketing campaign. No horsemeat is included in our products.



Please contact James Duffield if you would like to know more: [www.aztecgrouplux.com](http://www.aztecgrouplux.com)

Thank you to those who have helped me with this little fable. The names used are entirely fictional and random and any similarity to or association with anyone in Luxembourg or elsewhere is entirely accidental and no connections should be drawn. The thoughts expressed in this article are opinions only.

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\* DACH=Deutschland, Austria & Switzerland  
\*\* AIFMD= Alternative Investment Fund Managers Directive  
\*\*\* AIF= Alternative Investment Fund