

Press release

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Positive forecast on the Horizon for Luxembourg

On 3 June, organised by Deloitte Luxembourg and co-sponsored by Luxoft and Thomson Reuters, the Horizon Conference was dedicated to the outlook for the financial services industry in Luxembourg. In the presence of Pierre Gramegna, Luxembourg's Minister of Finance, and with an audience of more than 300 participants, the fourth edition of this half-day event revolved around the future of Luxembourg as a financial marketplace.

How can Luxembourg innovate and win in a knowledge-based economy? What is the future of the private banking sector? Why is growing as a hub for RMB (the currency of People's Republic of China) an opportunity for the marketplace? Why is Luxembourg the gateway to expansion of European business for international companies? To answer these questions, multiple plenary sessions brought together international experts and local players who discussed practical issues and shared their visions of the future.

Asia and the Middle East as priority areas

In his opening speech, Pierre Gramegna, Luxembourg's Minister of Finance, declared that, according to an African proverb, we have the past in front of us and the future behind us: we can see the past, but not the future. In his opinion, the three main challenges for Luxembourg are maintaining the triple A rating, diversifying the economy by finding new niches and being innovative. The minister added that the priority areas are Asia - not only China but also Japan, South Korea and Singapore, the Middle East, South America and Canada for the financial industry.

One of the top class speakers was Navi Radjou, the innovation and leadership strategist, fellow at the University of Cambridge and World Economic Forum faculty member, who talked about how best to leverage Luxembourg's strength in a European context. In his opinion, Luxembourg, like other Western countries, has to turn constraints into opportunities by following a new, innovative model, the *Jugaad innovation*. This new concept is supported by three pillars: *frugality*, or creating maximum value with minimal resources, *agility*, or being able to adapt to circumstances, and *inclusivity*, or financial inclusion.

Engage emerging markets as *emergent sources* of innovation

In concrete terms, Navi Radjou gave key takeaway ideas for corporate leaders and policy makers in Luxembourg. According to him, corporate leaders have to understand that ‘emerging markets’ exist everywhere, create a ‘playground’ in which their employees should ‘tinker’, co-innovate with clients and/or partners and engage innovators from generations Y and Z. Regarding policy makers, they have to learn to co-create with ‘citizen innovators’, engage emerging markets as ‘emergent sources’ of innovation, make Luxembourg a major hub within global innovation networks and learn to finance and broker global innovations.

Réjean Besner, General Manager of Swiss Re Europe, presented a rather positive outlook for the reinsurance industry. The current economic climate with improving global growth figures and rising middle-class in emerging markets will boost demand for insurance. But the reinsurance market will also face serious challenges, depending on the business: fierce competition, alternative capital and brokering industry in a period of transformation for property and casualty reinsurance; commoditisation, buyers focusing on price and cession rates falling for life and health reinsurance. Global insurers and reinsurers also need to remain active in addressing regulatory developments. The deadline for application of Solvency II is 1st January 2016 and supervisors have already started to monitor the implementation of this European directive in their markets. While Solvency I stays legally binding, companies need to report on their Solvency II readiness in terms of implementation of processes and capital position during 2014 and 2015.

Nicolas Mackel, CEO of Luxembourg for Finance, Robert Scharfe, CEO at the Luxembourg Stock Exchange, and the moderator Freddy Brausch, Managing Partner at Linklaters LLP, participated in the first round table dedicated to Luxembourg as a hub for RMB. The two speakers highlighted Luxembourg’s strengths in the RMB business. Robert Scharfe asserted that the marketplace is not simply listing RMB funds but also exposing them to international investors. Nicolas Mackel replied that positioning Luxembourg in China is a day-to-day job. In addition, we also need to explain to actors around the world what expertise Luxembourg can offer. Fortunately, the marketplace has a strong commitment from the government, which has regular meetings and contact with the Chinese authorities.

An open door to 500 million clients

With the theme of Luxembourg as an open door to 500 million clients, the second round table brought together Suosheng Li, Chief Executive Officer of China Construction Bank Europe, Mohammad Wassim Khayata, Board Member and Managing Director of Islamic Finance House, Marco Lichtfous, Partner at Deloitte Luxembourg, and, as a moderator, Axel Threlfall, lead London anchor for Reuters Inside. According to M. Shosheng Li, his bank chose Luxembourg because the country is the most European of all the EU members. Marco Lichtfous shared this opinion, adding that Luxembourg is strict because it wants to preserve its own reputation. For his part, Mr. Khayatta explained that Luxembourg is very attractive for Islamic finance and should continue to build its expertise to become a hub.

Throughout the conference, participants had the opportunity to take part in a question-and-answer session, using an online voting system with their smartphones.

“I have never attended a conference with such positive opinions from all the speakers about the future of the marketplace”, concluded Vincent Gouverneur, EMEA

Investment Manager Leader and Partner at Deloitte Luxembourg. *“They have been the best ambassadors to promote the financial services industry in Luxembourg.”*

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