Deloitte.

Luxembourg, the European Hub

Bridging gaps across Europe for China

Content

Foreword: Why Luxembourg for China?

As we say in the Grand Duchy of Luxembourg, small is beautiful. Although Luxembourg is one of the world's smallest sovereign states, it has been successful in attracting Mainland China-based investors, banks, multinational corporations, state-owned enterprises, sovereign wealth funds, and high net worth individuals seeking to establish or expand their business in Europe. In fact, the many advantages it offers have established Luxembourg as China's de facto gateway to the European Union (EU).

Thanks to its innovative and pioneering attitude, Luxembourg has earned its reputation as the ideal hub for Chinese outbound activities, irrespective of their regulatory profile, and bridged the gap across Europe.

Luxembourg is the world's second-largest fund center (after the United States), the global leader in cross-border fund distribution, and a long-established fund domicile for investment flows into and out of China.

Seven Tier 1 Chinese banks and key Chinese players have chosen to base their European headquarters in Luxembourg and thereby selected Luxembourg as a hub for their European operations. Leveraging the European passporting system, these leading players are able to serve the entire EU from Luxembourg, taking advantage of its position as a promoter of cross-border business. In addition, Luxembourg is already carving out a niche for itself in the sphere of digital financial services and as a hub for financial technology underpinned by the combined efforts of the financial industry, FinTech innovators, public research bodies, and government.

Additionally, in recent years, Luxembourg has progressively gained recognition as a key hub for cross-border Renminbi business in the Eurozone: it is the leading European center for Renminbi payments, deposits and loans, Renminbi investment funds, and the listing of Dim Sum bonds, as well as access to data and information on the Chinese domestic green securities listed and traded on the Shanghai Stock Exchange (SSE) or traded on the Chinese Interbank Bond Market (CIBM).

Going forward, we expect Luxembourg and China to further strengthen their relationship, to the mutual benefit of their respective economies.

Yves Knel
Partner
Luxembourg Chinese Services Group Leader

Francesca Messini
Director
Luxembourg Chinese Service Group
FSI Leader

Key trends and opportunities for China in Luxembourg

Europe is the key destination for chinese investment

Before the advent of the Belt and Road Initiative, Chinese investors sought strategic assets overseas, particularly in the advanced economies of Europe.

Financial ecosystem
Local solid and stable financial ecosystem with cross-border ambition and expertise

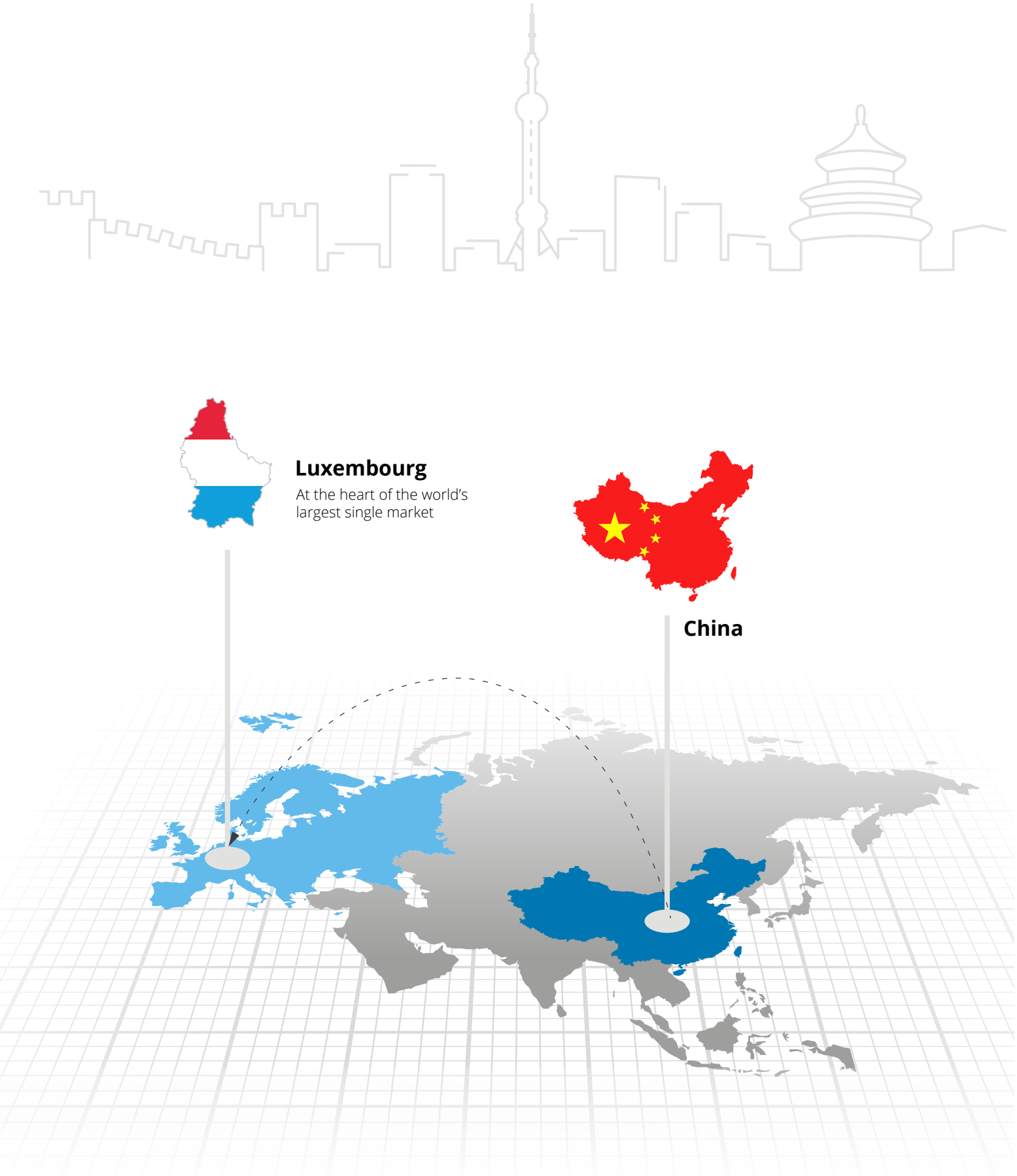
European hub for FinTech players
European hub for FinTech and a vibrant start up ecosystem

Unique toolbox of investment vehicles
Fund toolbox (incl. UCITS, SIF, UCI, RAIF, and AIF) enables use of the most relevant dependent on business strategy type

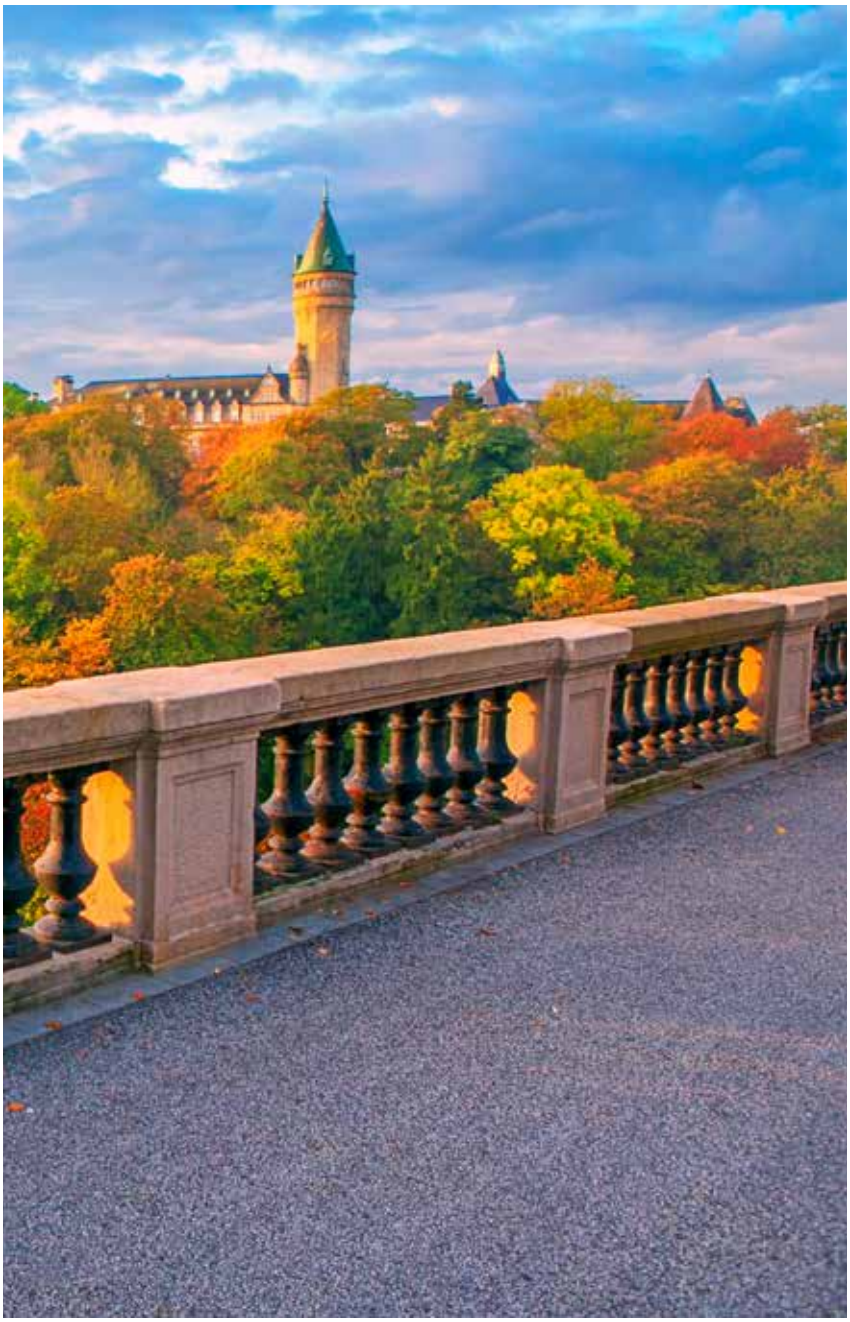
Innovative and business mindset
First mover with the UCITS Directive, listing of the first Dim Sum bond, and the launch of the first Green Exchange

EU regulatory
Application of EU regulatory requirements which can be transformed into opportunities

Sustainable finance
Green bond initiative heavily supported by the Luxembourg Green Exchange


Luxembourg
At the heart of the world's largest single market
China

Belt & Road initiative



Going (even more) global

China has launched an earnest effort to cultivate greater international participation in funding and developing projects. This, along with Beijing's focus on quality projects, should broaden access to Belt and Road Initiative (BRI) opportunities and enhance their status.

Luxembourg has been a respected partner to China since at least the 1970s, when it established diplomatic relations. More recently, it has enthusiastically supported the rollout of the BRI. On 27 March 2019, Luxembourg officially joined the Belt and Road Initiative and a memorandum of understanding was signed formalizing Luxembourg's participation in Chinese initiatives during a visit to China by the Luxembourg Prime Minister Xavier Bettel. However, as far back as 2017, Xavier Bettel had already approved the New Silk Roads principle and described the BRI as the best way to strengthen Sino-European cooperation.

Since then, Luxembourg has progressively gained recognition as a key hub for cross-border Renminbi business in the Eurozone and for its Chinese-friendly regulatory and government environment.

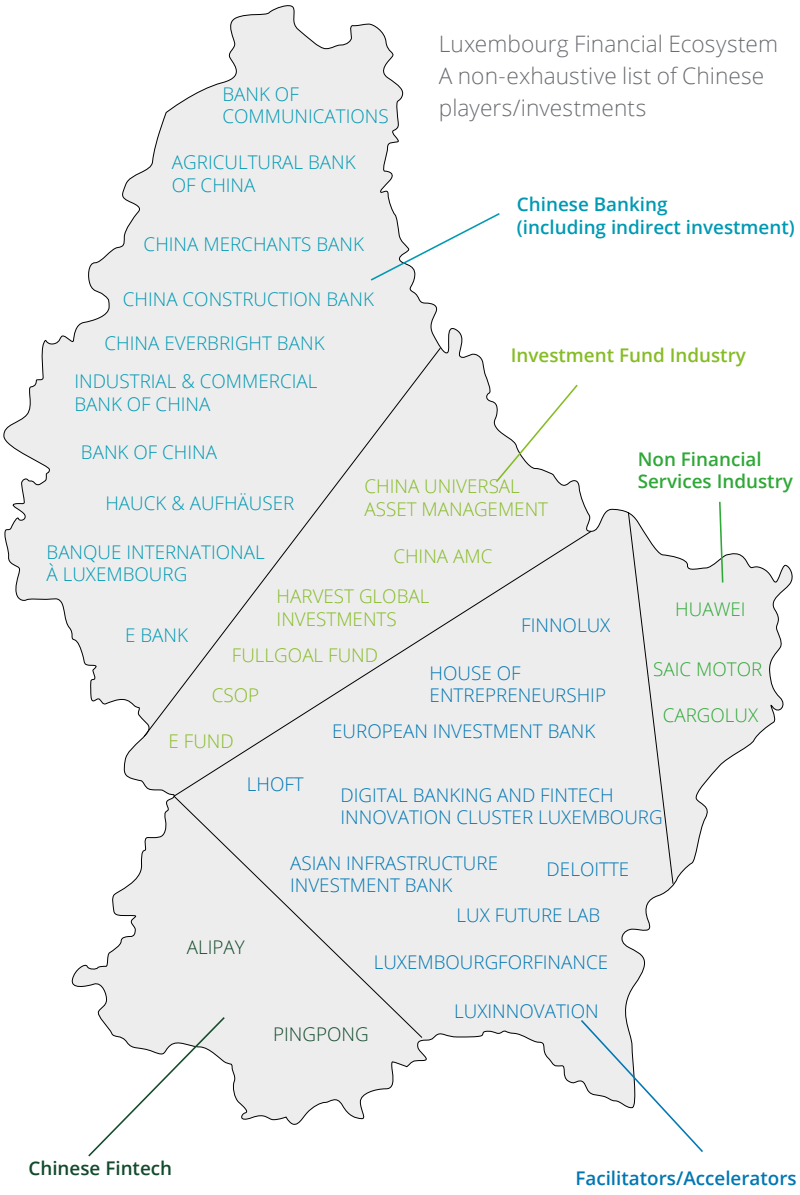
Luxembourg the EU hub for FinTechs

Banking ecosystem

The growth of Asian trade and investment in the EU has given rise to trade finance and corporate loan opportunities. More specifically, strong economic growth in China means that the country's banks are looking for alternative investment opportunities and to diversify their sources of income by entering EU markets.

Luxembourg has already proved its worth as a gateway to the EU for Chinese banks. Since the first opening of a branch by Bank of China in 1979, seven Tier 1 Chinese banks have set up their EU hubs in Luxembourg. Six of these seven banks have set up both a subsidiary and a branch

The primary activities of these banks are mainly corporate and trade finance and they represent the second country of origin after the EEA, accounting for over 10 percent of the Luxembourg banking population. In conjunction with the Luxembourg "toolbox", activities in the asset management, custody, and wealth management spheres are also developed out of Luxembourg.



FinTech ecosystem

Turning to Chinese FinTechs, three Chinese FinTech firms have already established a presence in Luxembourg in order to enjoy the benefits the country has to offer.

Despite the fact that Luxembourg is a small country, its existing infrastructure allows companies to test out new concepts and it is the perfect springboard from which to achieve global scale.

The private sector's concerted effort to anticipate industry trends and act strategically and decisively has the support of public bodies and the Luxembourg government. To attract FinTech innovators and the brightest minds, the Luxembourg State is working to ensure a sustainable position for the country as the financial center of Europe and the wider world.

Moreover, Luxembourg has recognized the absolute importance of creating labs and incubators focused on FinTech in order to develop an innovation ecosystem.

This is complemented by the expert support of service providers. At Deloitte, for example, we are uniquely well equipped to support new market entrants as they set up their businesses in Luxembourg and across Europe.

Renminbi

Renminbi center

At present, the Chinese financial market is integrating with the global market at an unprecedented speed. The significant rise in the use of Renminbi in commercial transactions and as an investment currency shows that it has become a major force in the global commercial environment.

According to SWIFT, Renminbi accounts for 1.88 percent of global payments in 2019, while in Luxembourg the Ministry of Finance has developed a strategy to host the first international financial center for Renminbi in the EU. From 2018 to 2019, Renminbi payments circulating in the Luxembourg financial market increased by 56 percent and volumes continue to rise.

In recent years, offshore institutional investors operating on China's domestic market have benefited from a proliferation of potential investment channels. These include the Renminbi Qualified Foreign Institution Investor (RQFII) program, the China Interbank Bond Market (CIBM), and the plans for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. While hosting the largest pools of RMB in Europe in terms of deposits, loans, listed bonds, and assets in mutual funds, Luxembourg also serves as the main hub for Chinese investors in the Eurozone and as China's primary foreign direct investment (FDI) destination in Europe. This advantage, coupled with the fact that Luxembourg possesses a large population of sophisticated, multilingual professionals, and a sustainable financial services ecosystem, will ensure Luxembourg remains a key market for Renminbi investors.

To date, seven of China's largest banks have chosen to locate their European headquarters in Luxembourg and 78 percent of European funds investing in Mainland China are Luxembourg funds. This gives Luxembourg, a country in the heart of Europe, a firm basis from which to develop further cross-border RMB business.

In September 2014, ICBC was designated as the Renminbi clearing bank. In December 2014, it launched its clearing services enabling Renminbi payments to be cleared directly via ICBC Luxembourg, improving cost efficiency and the speed of transactions. In May 2019, ICBC was admitted as a trading member of the Luxembourg Stock Exchange, aiming to provide liquidity for fixed-income securities denominated in Renminbi, and to facilitate trading volume for USD and EUR-denominated bonds issued by the Chinese government and Chinese corporations. According to Pierre Gramegna, Luxembourg's Minster of Finance, "Luxembourg is actively helping to transform the Renminbi from a trade into an investment currency."

Luxembourg, a leading european RMB centre

- China Merchants Bank
- Bank of China
- Bank of Communications
- ICBC
- China Everbright Bank
- Agricultural Bank of China
- China Construction Bank

Renminbi trade finance
Trade is one of the most important factors driving the internationalization of Renminbi. In Luxembourg, Renminbi-denominated trade finance has been an ongoing activity for many years, including import and export financing, letters of credit, and other loan guarantees.

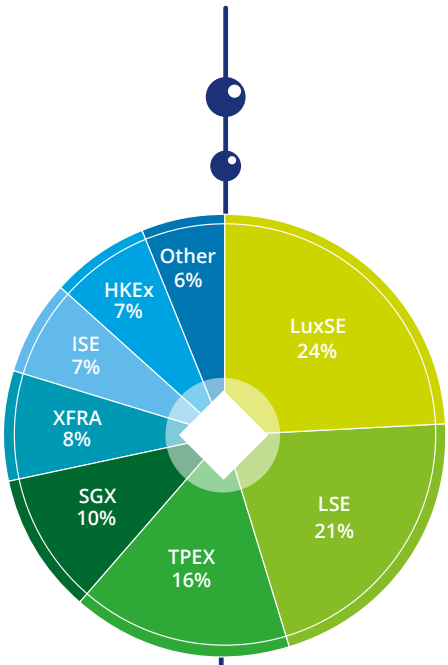
In 2011, the Luxembourg Stock Exchange listed the first Dim Sum bond (for Volkswagen AG) on the Luxembourg market. Since then the Luxembourg Stock Exchange has experienced rapid growth and it currently ranks first in the global market for Dim Sum bond listings.

Today, many established international companies are issuing Dim Sum bonds as part of their global fund strategy, thereby diversifying their investor base.

Largest Dim Sum Bond issuers on the LUXSE

- Air Liquide
- Bank of China
- British Columbia
- Volkswagen
- World Bank Group
- Deutsche Bank

Global market share in Dim Sum bonds (Primary listing venues, June 2018)



Source:
Bloomberg, LuxSE, LSE

Benefiting from long history of innovation, Luxembourg is committed to boost new ideas and companies, supporting the today's pioneer FinTechs as leaders of tomorrow's financial services

Renminbi investment funds
Many Chinese asset managers that have opted to launch a range of European investment funds via their Hong Kong subsidiaries have selected Luxembourg as the domicile for these funds.

Luxembourg was one of the first EU member states to adopt the UCITS (Undertakings for Collective Investment in Transferable Securities) regime. Implementation of the UCITS directive gave Luxembourg a passport for its regulated funds to be marketed in all EU member states. The UCITS regime affords China and its investors a guarantee of supervision and regulation, and the willingness of the Luxembourg authorities to adopt innovative financial schemes was the decisive factor behind the Eurozone's first Renminbi-denominated fund.

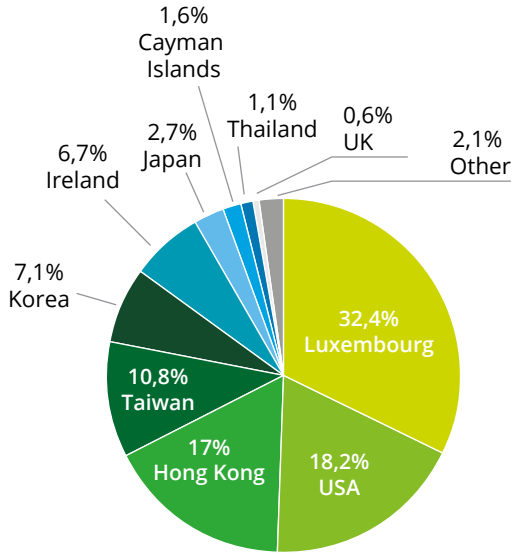
In September 2019, China's State Administration of Foreign Exchange announced the abolition of investment quota restrictions for Qualified Domestic Institutional Investors (QDIIs) and RQFII in the context of financial reforms and the opening up of the markets. This did not affect Luxembourg, however, because the proactive nature of the Luxembourg regulator (CSSF) means that QDIIs have always been allowed to invest directly in CSSF-regulated investment vehicles.

Indeed, Luxembourg is one of the few financial centers that has an agreement in place with the China Securities Regulation Commission, which gives added security to all parties involved in Renminbi transactions. In the case of QFIIs, the Luxembourg and Chinese stock exchanges have signed MoUs to ensure greater cooperation, exchange information and ideas, and accelerate the listing of financial instruments. The reciprocal market access that resulted has boosted cross-border Renminbi business between China and Luxembourg.

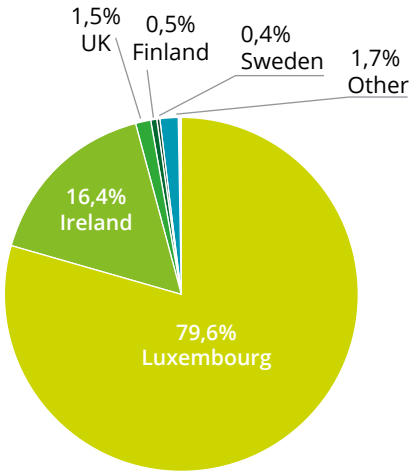
The RQFII scheme was launched in Hong Kong in 2011 and expanded to other jurisdictions in the following years, allowing the reinvestment of offshore RMB on the Mainland China securities market. In November 2013, the CSSF authorized the first RQFII UCITS; two years later, an RQFII quota of ¥50 billion was granted to Luxembourg. This quota has been used extensively ever since.

Luxembourg being the first adopter of UCITs and CSSF adopting a proactive approach to allowing QDIIs to invest in Lux regulated vehicles

Origin of global investment funds invested in Mainland China (% by AuM, end of June 2019)



Origin of European investment funds invested in Mainland China (% by AuM, end of June 2019)



Note: The charts include mutual funds and ETFs with a geographic fous on China (Excluding China domivilied funds).
Percentages may not add up to 100% due to rounding
Source: PWC Market Research Centre, Lipper

The sustainable finance platform—The bridge between China and Luxembourg

Sustainable finance has experienced rapid growth in recent years as climate change becomes a top global priority. In March 2018, the European Commission published its action plan for a greener and cleaner economy. This plan sets out a roadmap for further work combining legislative and non-legislative action in the financial sector to support the transition to the low-carbon economy. The proposed action plan from the European Commission includes a series of key initiatives relating to the financial system that will be implemented in the near future.

As Chinese investors become increasingly aware of the environmental damage caused by rapid economic development, investors are paying more and more attention to green bonds. Since the first Chinese green bonds were issued in 2015, the market has grown rapidly. In the first year alone, the market was worth US$3.62 billion and represented 39 percent of the global total.

Luxembourg has the world's first and largest platform dedicated exclusively to sustainable financial instruments: Luxembourg Green Exchange (LGX), which is part of the Luxembourg Stock Exchange (LuxSE) group. It aims to provide issuers, asset managers, and investors with an environment that ensures transparency for bonds and funds that are green, socially responsible, sustainable, or ESG[1]-focused. Entry is restricted to issuers and asset managers that provide full disclosure and fulfil their reporting obligations. Currently, there are already 25 Chinese green bonds that are displayed on LGX and that comply with a number of eligibility criteria. These include 16 Chinese domestic securities.

Owing to its expertise in relation to the green economy, Luxembourg has played an important role in listing and marketing green bonds in Renminbi. By July 2016, the Bank of China had issued a total of US$2.8 billion in green bonds through LGX (denominated in USD and EUR). In March 2017, the Luxembourg Stock Exchange established a partnership with the Shenzhen Stock Exchange to promote the first Chinese green bond index, providing simultaneous quotation of prices on the Chinese and European markets. Since then, the Shenzhen Stock Exchange and Luxembourg Stock Exchange officially launched the Green Fixed Income Information Channel at the Boao Forum for Asia 2019 Annual Conference. The launch of the Information Channel is an important milestone in strengthening cross-border cooperation in green finance and promoting the development of green finance around the world. Cooperation between LGX and Chinese stock exchanges will accelerate the internationalization of Renminbi, which will further help to promote Chinese domestic products and brand names to offshore investors so that QFIIs can trade on either Chinese stock exchanges or the Chinese Interbank Bond Market (CIBM).

In the context of the Belt and Road Initiative, ICBC, acting through its Luxembourg branch, listed the bank's inaugural Belt and Road Climate Bond on LuxSE in October 2017. The proceeds of the bonds are used to finance projects linked to renewable energy, low-carbon and low-emission transportation, energy efficiency, and sustainable water and wastewater management. In addition, Luxembourg joined the Asian Infrastructure and Investment Bank (AIIB) as the first non-Asian founding member in 2015. Luxembourg hosted the AIIB's fourth annual meeting in July 2019, which was the first to be held outside Asia. This should further strengthen Luxembourg's relationship with China in the field of sustainable finance.

1 Environmental, social and governance (ESG) refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business.

Art & Finance

The Luxembourg government actively supports any initiative aimed at helping to create an Art & Finance cluster in the country.

Le Freeport Luxembourg is a duty-free and tax-free storage facility where valuable assets such as fine wine, artwork, jewelry, and precious metals can be stored in a state-of-the-art environment for an unlimited period of time.

Luxembourg is fast becoming a strategic hub for the development and implementation of art-related activities such as secured lending, online businesses, advisory services, investment activities, logistic hubs for art and collectible goods, new ventures, legal and tax services, and much more.

Insurance and reinsurance

From a historical standpoint, Luxembourg was one of the first countries within the EU to set up a prudential regime, which it did in 1984. Today, Luxembourg is the only reinsurance location in the EU with more than 216 reinsurance undertakings (followed by Ireland with 85 and Malta with 9).

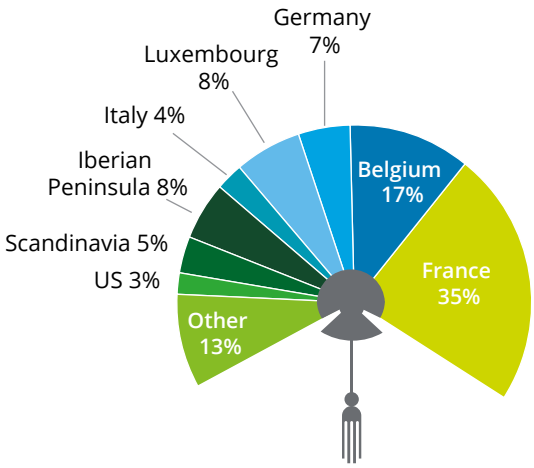
Given that a substantial proportion of reinsurance captives[2] have settled in Luxembourg, several professional reinsurers have decided to establish their European hub in Luxembourg, where the volume of gross premiums written amounted to approximately €9.59 billion in 2016. Regarding the Equalization Provision (EP), Luxembourg reinsurance captives have accumulated €9.61 billion in equalization provisions.

Over the last decade, Luxembourg has had an active M&A market characterized by group consolidations, a soft reinsurance market, and tax arbitrage. These factors explain why the number of players has fallen despite equalization provisions and gross premiums written remaining relatively stable.

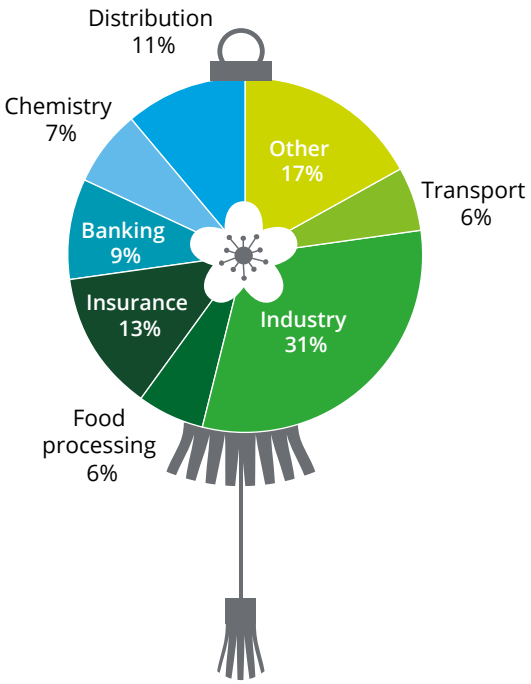
Nevertheless, in an ever-changing (re) insurance environment in the EU, Luxembourg has continued to proactively and pragmatically adapt its regulatory and legal framework to make the domicile even more attractive.

2 A captive is an insurance or reinsurance undertaking, owned either by a financial undertaking other than an insurance or reinsurance undertaking or a group of insurance or reinsurance undertakings within the meaning of Article 212(1)(c) of Directive 2009/138/EC (the Solvency II Directive) or by a non-financial undertaking, the purpose of which is to provide insurance or reinsurance cover exclusively for the risks of the undertaking or undertakings to which it belongs or of an undertaking or undertakings of the group of which it is a member.

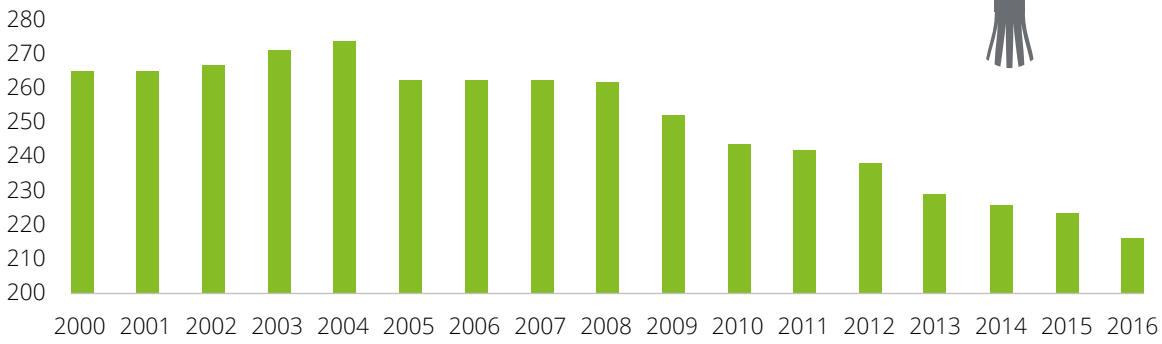
Country of origin (parent company)



Sector of activity



Number of reinsurance undertakings in Luxembourh by year



Why does a group need a captive?

Key drivers
(Re)insurance basics

- Reduced insurance costs: working basis becomes "pure" premium instead of commercial premium
- Stabilized insurance budgets: by using captive entities to buffer market conditions
- Direct access to the market: lower prices, larger geographical scope and more flexibility than the traditional (re) insurance market
- Self-management of own risk profile: less dependency on external drivers
- Trending towards a pure financing of risks over time: self-financing instead of (re)insurance

Risk control

- Improved claims handling: faster and more flexible processes
- Improved data collection: centralized unit for data collection for all of the group's entities
- Increased coverage: by filling market gaps
- Loss control and prevention: strong support to improve loss prevention policies and tools

Strategy

- Profit center vs. cost center: in addition to the "savings" mentioned above, a structured international framework could provide the parent company with increased dividends
- Settling a strong negotiation tool: by using a central and global position to negotiate with the (re)insurance market

Financial

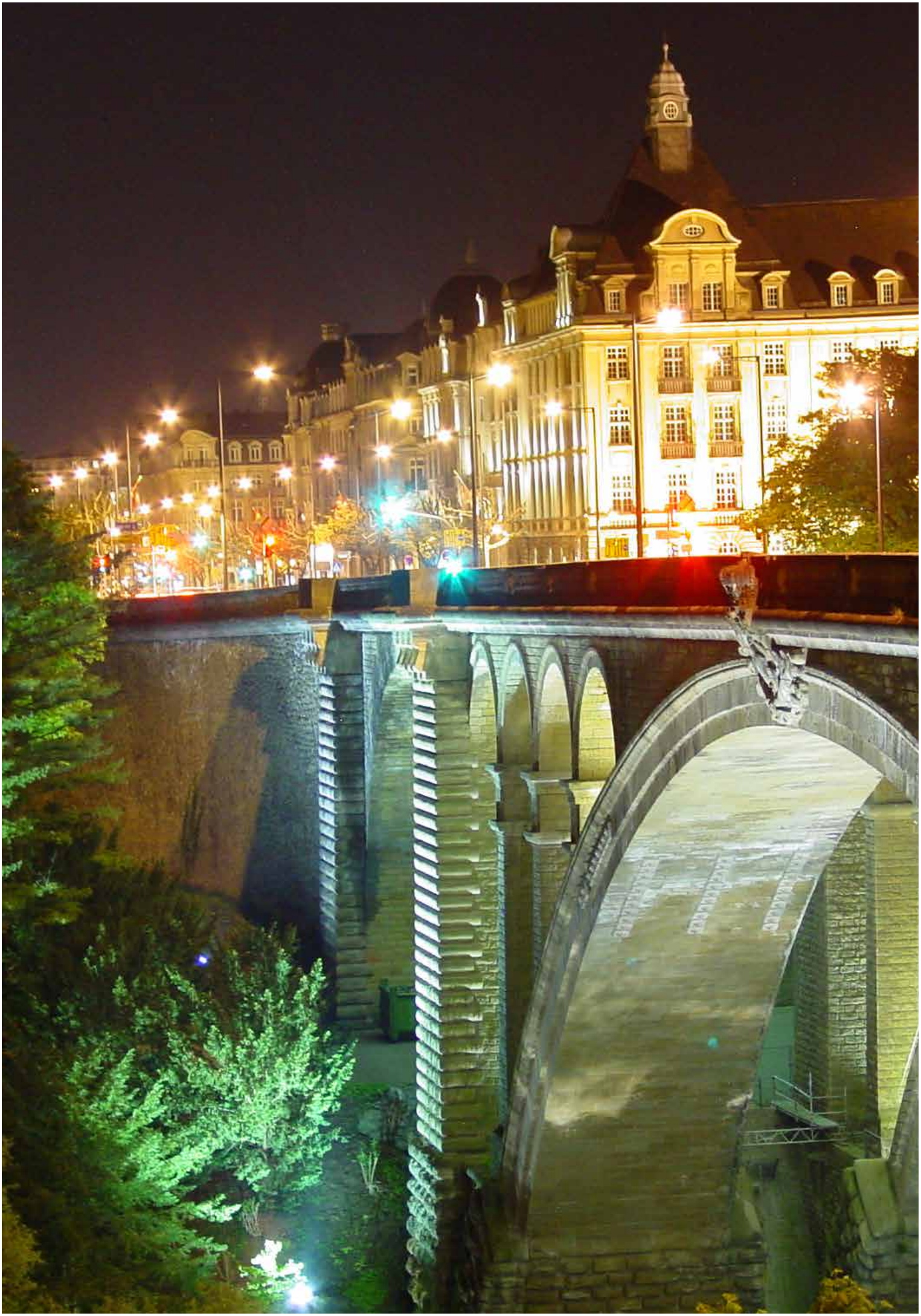
- Tax benefits: by using appropriate domiciles for each of the group's entities according to the relevant (re)insurance needs
- Financial optimization: by keeping the technical and financial income arising from paid premiums and provisions within the group
- Cash pooling mechanism: a real cash pooling structure within the group allowing for new shared risk and financing strategies

Regulatory framework
Supervision
(Re)insurance undertakings are subject to the supervision of the Commissariat Aux Assurances (CAA), which is the dedicated regulator for the insurance industry in Luxembourg.

Financial statements
Financial statements must be prepared in accordance with the Law of 8 December 1994 on the Accounts of Insurance and Reinsurance Undertakings. In particular, reinsurance captives are required to constitute an equalization provision over the traditional technical provisions: outstanding claims provisions, IBNR, unearned premiums provisions, etc. The purpose of the equalization provision is to protect the undertaking's solvency from any potential large and catastrophic claims or deviations from expected losses.

Solvency II
Reinsurance captives must comply with the EU's Solvency II regulation. Nevertheless, the CAA applies the principle of proportionality in terms of governance and reporting. The equalization provision is considered as own funds (Tier 1) under the Solvency II framework.

Management of reinsurance captives
The management of reinsurance captives is usually outsourced to local management companies (domiciliation, bookkeeping, etc.). Management companies of reinsurance captives are subject to the supervision of the Commissariat Aux Assurances.



The EU hub of choice for asset and investment management

Fund ecosystem

The home of the global fund industry

Over the last 30 years, Luxembourg has become a key player in the global asset management industry. The EU is Luxembourg's domestic market, but the country has succeeded in extending its influence beyond Europe to become one of the market leaders today. Luxembourg fund industry assets have risen 160 percent to a new high of €4.4 trillion[3] as of March 2019. The country is the top investment fund center in Europe, the second largest in the world after the USA and the leading center for cross-border fund distribution globally.

Types of regulated fund that can be set up in Luxembourg:

- UCITS (Undertakings for Collective Investment in Transferable Securities): a regulated fund for retail and institutional investors
- Alternative Investment Fund:
  - UCI (Undertakings for Collective Investment): Part II, a more regulated and flexible pooled vehicle
  - ELTIF (European Long-Term Investment Funds)
  - SIF (Specialized Investment Fund): a flexible and efficient multipurpose vehicle
  - SICAR (Investment Company in Risk Capital): specifically designed for private equity investment and venture capital
  - RAIF (Reserved Alternative Investment Funds): a fund with quick time-to-market, indirectly regulated via the alternative investment fund manager

All of these types of fund are authorized and supervised by the financial regulator in Luxembourg, the Commission de Surveillance du Secteur Financier (CSSF).

Preferred hub for mainland and Hong Kong based fund promoters

- China Asset Management
- China Universal
- E Fund Management (HK), Co.,Limited
- Fullgoal Asset Management
- GF International
- GWM
- Haitong
- Harvest Fund
- ICBCCSI
- Prax Capital
- Prosnav Capital
- Quam Asset Management

Alternative investment industry

Over several decades, Luxembourg has proven its ability to offer a stable and sound economic, political, social, and tax environment, attracting investors and promoters from all around the world (including large SWFs) to use the Luxembourg platform as springboard for international success. Luxembourg offers the alternative investment fund industry a wide range of both regulated and unregulated products that can accommodate strategies focusing on public equity, fixed income, private equity, real estate, infrastructure, hedge funds, precious metals, etc.

The European wealth management hub of choice

For private banks and wealth managers, investment suitability is a pressing regulatory issue that rightly dominates front-office digitization efforts. Assets under management (AUM) in the Luxembourg wealth management sector have grown constantly over the last decade. Indeed, AUM figures in Luxembourg have increased by 76 percent over the last 10 years, rising from €225 billion in 2008 to €395 billion in 2018. Luxembourg is regarded as a prime EU wealth management hub offering a high degree of stability and world-class expertise.

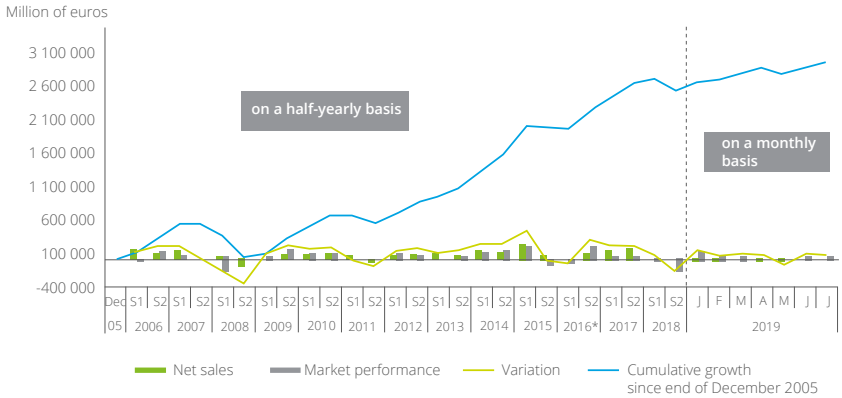
3 CSSF, March 2019

Luxembourg's AAA rating from all three major rating agencies and its low level of public debt (21.4 percent of GDP in 2018) make it a popular European wealth management hub.

External asset managers (EAMs) in Luxembourg are regulated entities supervised by the Commission de Surveillence du Secteur Financier (CSSF). The CSSF accredits EAMs to operate as investment firms with the status of "Financial Sector Professionals". There are currently 94 entities operating and offering their services under these licenses and employing over 2,000 members of staff in Luxembourg. While numbers of EAMs and investment firms more broadly have fluctuated somewhat, the trend over the past five years has remained fairly stable. Today, EAMs holding a private portfolio manager license represent 80 percent of total investment firms, and they collectively managed €29.2 billion of assets in 2017 for clients in Luxembourg, Belgium, France, Germany, and other international locations, of which €14.2 billion were deposited in Luxembourg-based banks.

EAMs in Luxembourg have a wide range of business models, in terms of business focus, geographic focus, and wealth management approach. As a result, the spectrum of value propositions offered by this sector in Luxembourg is extensive. The EAM category includes companies structured as independent (i.e., relationship-focused) wealth managers, players with investment management capabilities and fund houses, platform-based wealth managers (i.e., providing a wealth management platform for individual portfolio managers), and family offices (mostly multi-family offices).

components of Luxembourg growth



* from Dec 2016, data includes SICAR

Source: CSSF

Top 10 RMB Asset Managers in Luxembourg

- AllianceBernstein
- China Asset Management
- Fullerton Fund Management
- Investec
- PICTET
- Aberdeen Standard Investments
- DWS
- ICBC
- J.P. Morgan Asset Management
- Schroders

The European hub of choice for multinational companies

Opportunities for outbound chinese investments

Over the past few years, Luxembourg has successfully maintained a competitive level of taxation for companies that ranks among the most favorable in Europe.

Luxembourg is a first-choice location for Chinese investors looking for a prime business platform in Europe for investments and/or operational activities such as trading, logistics, owning and managing foreign subsidiaries (or foreign permanent establishment, foreign real estate, etc.), group financing and cash-pooling, risk management, research and development, intellectual property, shipping business, e-commerce, etc. The opportunities are endless, but we will endeavor to highlight a few of them here.

Favorable taxation regime

Over the past few years, Luxembourg has successfully maintained a competitive level of taxation for companies that ranks among the most favorable in Europe. In Luxembourg City, for example, the overall corporate tax rate is just 24.94 percent.

Luxembourg companies are commonly used by international investors (including increasing numbers of investors from China and Hong Kong) to hold their overseas investments and perform M&A transactions, etc. Chinese and Hong Kong investors also use Luxembourg as gateway to Europe, as the country facilitates cash repatriation on dividends, interest, and royalties deriving from investments. Similarly, investors can also use Luxembourg as a gateway to the rest of the world and benefit from the tax incentives generated by Luxembourg's broad double tax treaty network.

The use of a Luxembourg entity should not create additional taxation in Luxembourg, since dividends and capital gains are exempt from taxation (subject to certain conditions), as are foreign permanent establishments and real estate (provided the terms of the double tax treaty are met).

With respect to interest and royalties, Luxembourg entities can also benefit from a favorable tax regime such as the Luxembourg IP box regime (see below), financing activities can be supported by advance pricing agreements (in line with international transfer pricing rules), etc.

These systems offer Chinese and Hong Kong investors an opportunity to boost returns and cash flow on their investments and they may also be able to defer the tax payable in China until the related sums are repatriated (subject to the application of China's CFC rules).

Luxembourg is the first-choice location for Chinese investors looking for a prime business platform in Europe for investments and/or operational activities

Examples of Chinese outbound activities

Dividend, interests

PRC (directly or through HK)

Holding and financing

IP Company

Trading goods

Interest, dividen, capital gain

Debt

Royalties

IP Rights

Sale

Purchase

Foreign subsidiary

Property company

Client, distributor, IP user

Client, distributor, retailer

IP Box

The implementation of EU directives and international agreements and treaties such as the Trade-Related Aspects of Intellectual Property Rights (TRIPS) have strengthened Luxembourg's position as a premium European IP jurisdiction.

Intellectual property (IP) regime

A few years ago, the Luxembourg government established a secure intellectual property (IP) environment with the aim of attracting companies that invest in R&D, software, and information technology. By positioning itself as a secure and beneficial location for IP activities, Luxembourg has displayed a flexible approach to today's knowledge economy, in which IP has become a major growth driver.

The implementation of EU directives and international agreements and treaties such as the Trade-Related Aspects of Intellectual Property Rights (TRIPS) have strengthened Luxembourg's position as a premium European IP jurisdiction. In addition, Luxembourg is a signatory to all major IP treaties and conventions, including the Bern Convention, the Patent Cooperation Treaty, the Paris Convention, the Patent Law Treaty, and the Madrid Agreement and Protocol. Moreover, Luxembourg was one of the initial signatories of the European Patent Convention in 1977. This proactive approach demonstrates the country's commitment to improving its IP standards and has given rise to an environment that fosters and rewards innovation.

The Luxembourg IP box regime allows the taxpayer to benefit from an 80 percent exemption from Corporate Income Tax and Municipal Business Tax on the net adjusted and compensated income generated by the qualifying IP asset. Furthermore, the eligible IP asset is fully exempt from NWT.

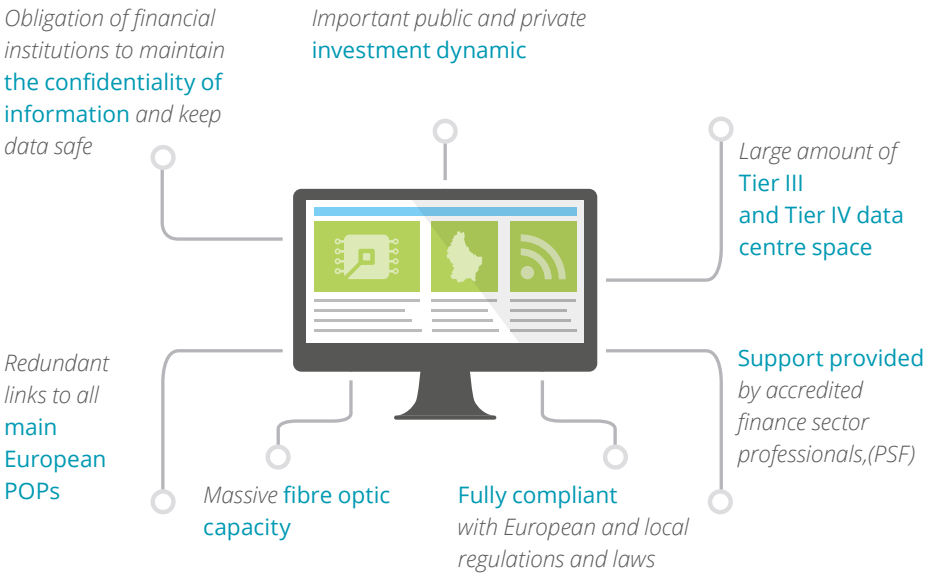
Qualifying assets for the Luxembourg IP box regime include all patents (in the broadest possible sense) and copyrighted software constituted, developed, or improved after 31 December 2007. Conversely, intangibles such as trade names, trademarks, domain names, designs, and models do not qualify.

The Luxembourg IP box regime is available to all individuals, whether resident or non-resident in Luxembourg, carrying out a commercial activity in Luxembourg, Luxembourg joint-stock tax resident companies, and Luxembourg permanent establishments of foreign companies.

Opportunities for China's ICT sector

Luxembourg has a market-leading ICT sector. It successfully embraced the IT revolution and is a pioneer in communication technologies, with applications in a wide range of activities (e-commerce, e-banking, phone and telecommunication networks, radio and television transmission, data protection, music and video downloads, etc.). Moreover, Luxembourg hosts two European giants: one in the media sector.

The key factors relating to Luxembourg's state-of-the-art infrastructure are set out below:



Logistics and mobility

Luxembourg's state-of-the-art connectivity infrastructure and numerous data centers are the result of significant public and private investments over the last few years.

Luxembourg works tirelessly to improve its positioning as an intercontinental logistics hub in Europe and currently ranks second in the World Bank's Logistics Performance Index. Its advantageous position in the middle of Europe, its excellent logistics infrastructure, a full range of experienced service providers, and a supportive administrative framework are the key drivers of this success story.

Additionally, the country is pursuing a multi-product specialization strategy by focusing on products that require special handling and storage. For example, the air cargo center has a dedicated temperature-controlled storage center for pharmaceutical products.

With an annual handling capacity of one million tons of airfreight, Luxembourg has the sixth-largest airfreight platform in Europe and Le Freeport Luxembourg provides a highly protected environment for valuable goods.

Onshore performance is equally impressive with 335 shipping companies and 800 road haulage companies registered in the Grand Duchy.

In the south of the country, Luxembourg has created a multimodal logistics center comprising an intermodal terminal and a rail motorway platform allowing freight containers to be transferred directly from trains to trucks, and vice versa.

With rail and road connections to the North and Baltic Seas as well as major southern European ports, the Bettembourg hub offers efficient multimodal connections, for containers as well as crane-compatible semi-trailers currently handling an annual volume of around 125,000 containers.

At present, there is a wide array of initiatives in the logistics sector that leverage the country's advanced ICT infrastructure. Service delivery, process efficiency, end-to-end traceability, and the entire logistics value chain will greatly profit from big data, advanced analytics, and new technological developments in general.

Luxembourg is well aware of this potential and is currently in the process of creating an information exchange platform designed to strengthen synergies and collaborations among the various industry players. The development of autonomous and connected driving technologies is also high on the agenda.

Luxembourg is one of the three official capitals of the EU and home to EU institutions such as the European Court of Justice, the Court of Audtors, the Secretariat of the European Parliament, the European Investment Bank, the European Investment Fund and the European Stability Mechanism.

The Luxembourg toolbox for China

A number of dimensions should be taken into account before deciding which vehicle is chosen.

The choice of the structure and the legal form of the top entity depends on different parameters:

TAX CONSIDERATIONS
- Repatriation of profits
- Exit strategy
- Tax efficient

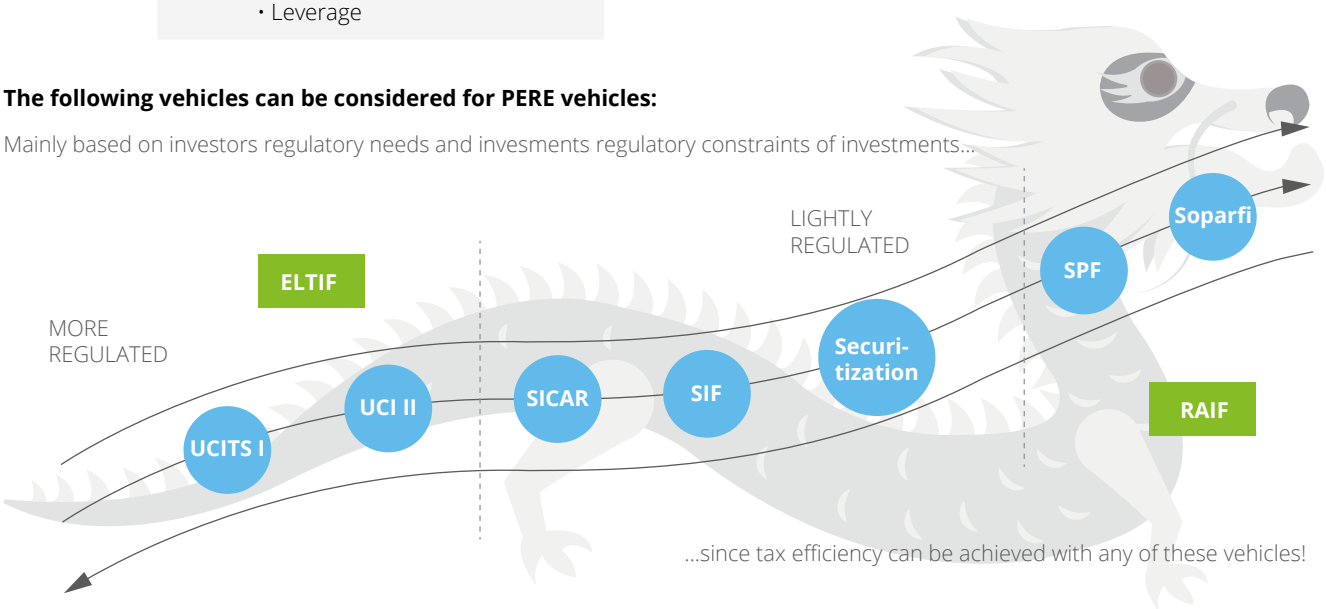
INVESTMENT STRATEGY CONSIDERATIONS
- Number of assets
- Countries targeted
- Portfolio diversification

LEGAL CONSIDERATIONS
- Type/number of investors
- Location of investors
- Regulatory constraints
- Lifetime of the structure
- Leverage

Tax implications should be considered:
- Upon financing of the structure
- During lifetime of the structure
- Upon exist of the structure

The following vehicles can be considered for PERE vehicles:

Mainly based on investors regulatory needs and invesments regulatory constraints of investments...



...since tax efficiency can be achieved with any of these vehicles!

	Professional				Retail			
	Unregulated product (no CSSF approval)				Regulated product (CSSF approval)			
	SOPARFI AIF Non-AIF	Limited partnership AIF Non-AIF	RAIF AIF	SICAR AIF Non-AIF	SIF ELTIF AIF Non-AIF		UCI AIF Non-AIF	UCITS Non-AIF
Applicable legislation	Law of 10 August 1915	Law of 10 August 1915	Law of 23 July 2016	Law of 15 June 2004	Law of 13 February 2007	Law of 20 April 2015	Law of 17 December 2010 Part II	Law of 17 December 2010 Part I
Available legal form	S.A., S.à r.l., S.C.A., (only fixed capital) or SCS/SCSp	SCS/SCSP	SICAF/ SICAV (fixed or variable capital): S.A, S.C.A, SCS/ SCSp, S.à.r.l, ScoSA, FCP	SICAF/SICAV (fixed or variable capital): S.A., S.C.A., SCS/ SCSp, S.à.r.l	SICAF/SICAV (fixed or variable capital): S.A, S.C.A, SCS/ SCSp, S.à.r.l, FCP	SICAV/SICAF variable capital or fixed): S.A., S.C.A., FCP	SICAF/SICAV (fixed or variable capital): S.A, S.C.A, SCS/ SCSp, S.à.r.l, FCP	SICAV (variable capital): S.A. S.A., S.C.A., FCP
Eligible investors/Min. investment	All investors	All investors	Well- informed investors	Well- informed investors	Well- informed investors	All investors	All investors	All investors
Sub-funds	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Eligible assets/Risk diversification requirements	No eligibility No risk diversification	No eligibility No risk diversification	No eligibility General principle of risk diversification except venture capital RAIF	Restricted to investments in risk capital No risk diversification	No eligibility Light risk diversification	Limited to long-term investments Strict diversification requirements applicable	Eligibility requirements Light diversification rules	Strictly restricted to: • transferable securities • money market instruments • units of UCITS and/ or UCIs • bank deposits • certain financial derivative instruments • indices
Suitable for	Luxembourg holding and financing platform	Luxembourg holding and financing platform	Alternative investments indirectly regulated through the ManCo	Venture capital type of investments	Regulated investment fund for well-informed investors	Long-term investments in real economy and infrastructure	Regulated investment fund for all type of investors	Regulated investment fund for all type of investors

SOPARFI

The SOPARFI (***SO**ciété de **PAR**ticipations **FI**nancières*) is the most common vehicle dedicated to holding and financing activities in Luxembourg. SOPARFIs may also carry out other activities, provided they are set out in the bylaws of the company and a business license is obtained if required. Any undertaking or private person can be eligible as an investor.

A SOPARFI is a fully taxable unregulated company, not subject to any supervisory authority. It does not require authorization unless listed and/or commercial activities are carried out.

The SOPARFI has an unrestricted investment policy.

Limited partnership

Luxembourg limited partnerships offer a broader spectrum of structuring opportunities for alternative investment fund vehicles.

The Luxembourg limited partnership is a flexible and efficient vehicle that meets needs of the alternative investment fund industry. Such vehicles are primarily used by unregulated funds (with very low time-to-market), although they also offer benefits for lightly regulated funds in that they are tax-neutral.

From a Luxembourg standpoint, full Luxembourg tax transparency is achieved for SCS and SCSp (assuming that the GP holds less than 5 percent of the partnership interest and the SCS/SCSp does not perform actual commercial activity such as active trading).

The option to set up a limited partnership, either with legal personality (SCS) or without it (SCSp), offers greater flexibility regarding the tax characterization of the vehicle as either opaque or transparent in the jurisdiction of the investors (impacting the tax treatment in their hands).

Reserved Alternative Investment Fund (RAIF)

A flexible and dynamic legal framework

The Reserved Alternative Investment Fund (RAIF) can be set up within a very short timeframe and is largely modelled on the popular SIF regime. It is not subject to the approval and/or supervision of the Luxembourg regulatory authority and benefits from the structuring flexibility that typifies other categories of Luxembourg investment fund and SICAR.

The RAIF is managed by an authorized AIFM and as such is indirectly subject to the AIFMD regime. The AIFM regulation will be fully compatible with the related investor protection and this new fund type will benefit from the marketing passport granted to the AIFM. This will serve to strengthen the position of Luxembourg as a primary platform for fund distribution.

RAIF are typically able to adopt any fund strategy, invest in any asset class and, under certain conditions, are not required to diversify their asset portfolios.

The main objective of this new regime is to offer a tax-neutral vehicle to investors allowing fund managers to accommodate various investments and/or investors' tax needs and constraints. The applicable tax regime will solely depend on how the fund is set up.

SICAR

The SICAR is a lightly regulated, flexible, and tax-efficient vehicle specifically tailored for private equity and venture capital investments.
The SICAR is suitable for institutional and professional investors. Private individuals may invest in SICARs provided that they have agreed in writing to receive "well-informed investor" status and i) are investing at least €125,000, or ii) have certification from a credit institution, an investment firm or a management company stating that they have an adequate understanding of such investment structures.

The SICAR is subject to the pre-approval and the supervision of the Luxembourg regulatory authority (CSSF).

Specialized Investment Funds (SIF)

SIFs are regulated and tax-efficient multipurpose investment fund vehicles dedicated to all types of investment including plain vanilla, alternative, real estate and private equity investment strategies as well as innovative strategies in infrastructure, renewable energy, collectible assets, etc.

The SIF is subject to the authorization and supervision of the Luxembourg regulatory authority (CSSF).

Eligible investors in SIFs are (i) well-informed investors, (ii) institutional or professional investors and (iii) private individuals who have agreed in writing to receive "well-informed investor" status and who are investing at least €125,000, or hold a certificate issued by a bank or MiFID firm or UCITS management company stating that they have the necessary experience.

SIF investment policies are based on a broad range of eligible assets and encompass the risk-spreading principle (30 percent threshold).

There is an annual subscription tax of 0.01 percent of net assets. Certain investments may be exempt from this (e.g., Luxembourg funds of funds, microfinance funds, money market funds, etc.).

The SIF is not subject to the following forms of taxation: (i) on capital gains, (ii) capital duty applicable on incorporation of the corporate form (except a registration duty of €75), (iii) withholding tax upon distribution to investors unless the EU Savings Directive applies, (iv) net worth tax.

SIFs with a corporate structure may benefit from double tax treaties concluded between Luxembourg and other states.

European Long-Term Investment Funds (ELTIF)

The ELTIF is designed for investors looking to invest in companies and projects over the long term. ELTIFs aim to increase the pool of capital available for long-term investment in projects such as infrastructure and in small and medium-sized businesses in the EU.

UCIs

UCIs are regulated tax-neutral investment vehicles that do not qualify for the European distribution passport (e.g., closed-ended funds, hedge funds, venture capital, real estate, institutional UCIs not sold to the public, etc.) and are subject to each country's local distribution rules.

UCIs are subject to the supervision of the Luxembourg regulatory authority (CSSF).

CSSF authorization is required before securities are marketed to investors.

UCITS

UCITS are regulated tax-neutral investment vehicles used to make diversified investments in specific transferable securities and benefiting from a high level of investor protection.

UCITS are open-ended funds that may be freely marketed throughout the European Union with a minimum of formalities (qualifying for the European distribution passport).

UCITS are subject to the supervision of the Luxembourg regulatory authority (CSSF).

CSSF authorization is required before securities are marketed to investors.

Family wealth company (SPF)

The SPF is a family wealth company with a preferential tax regime, which is used solely to manage the financial assets of an individual or a group of individuals. The vehicle benefits from a favorable tax regime (exemption from corporate, municipal, and net wealth taxes), as well as a straightforward administrative framework.

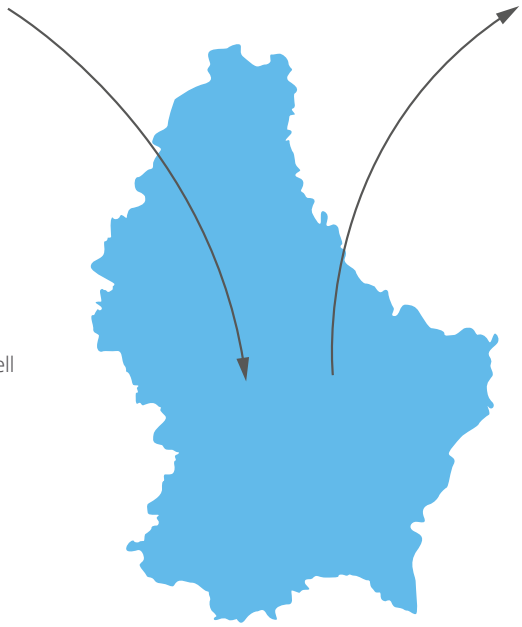
Securitization Vehicles (SV)
Luxembourg's securitization vehicle provides a broad range of opportunities and full flexibility. Its regulated/unregulated option, tax efficiency and neutrality, and numerous flexible features (segregation, light reporting, multiple ways of financing, etc.) make it an ideal vehicle for investors seeking to acquire and securitize risky assets.

Luxembourg became a favourite domicile of funds products thanks to its attitude to be first mover and offer an extensive fund tool box.

	Tax status	Tax transparency	Treaty access	WHT on distribution
SOPARFI	Taxable with numerous exemptions	No	Full + EU Directive	15 percent with exemption available
RAIF	By default, SIF regime or SICAR regime for risk capital assets	Available	Limited (55)	
Full (80)	No			
Investment company				
(SICAR)	Taxable with exemption on income and gain of qualifying securities	Available	Full (80)	No
SIF	Exempt—small subscription with tax exemptions	Available	Limited (55)	No
ELTIF	Depends on the regulatory regime applicable to the AIF—no special tax treatment available	Available	Depends on the regulatory regime	Depends on the regulatory regime
UCI Part II	Exempt—small subscription with tax exemptions	Available	Limited (55)	No
UCITS	Not subject to tax—small subscription with tax exemptions	Available	Limited (55)	No

Inbound investment

- Leverage Deloitte's global network to support Chinese firms' outbound strategy, providing financial advisory, tax and consulting services
- Ensure Chinese clients are well served by professionals who understand their business strategy and culture
- Deliver seamless services wherever Chinese clients wish to operate



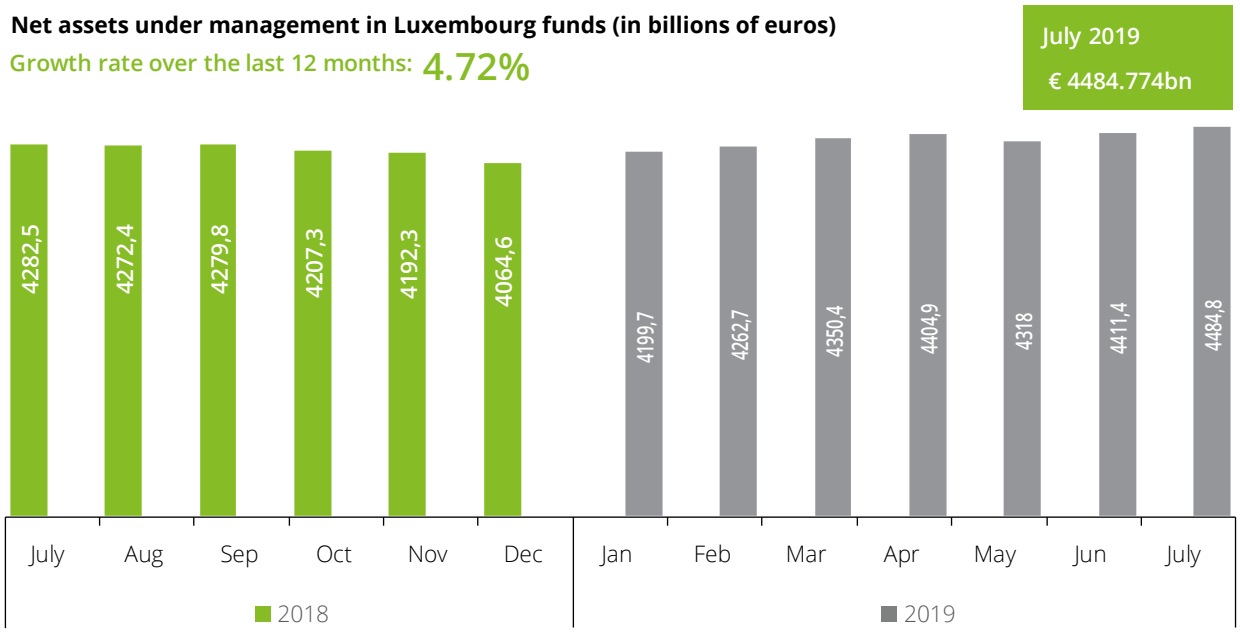
Outbound investment

- Facilitate access to industry experts and key decision makers throughout China
- Serve as a channel to communicate time-sensitive regulations and updates on China to clients
- Provide cross-functional services in China

Luxembourg by numbers

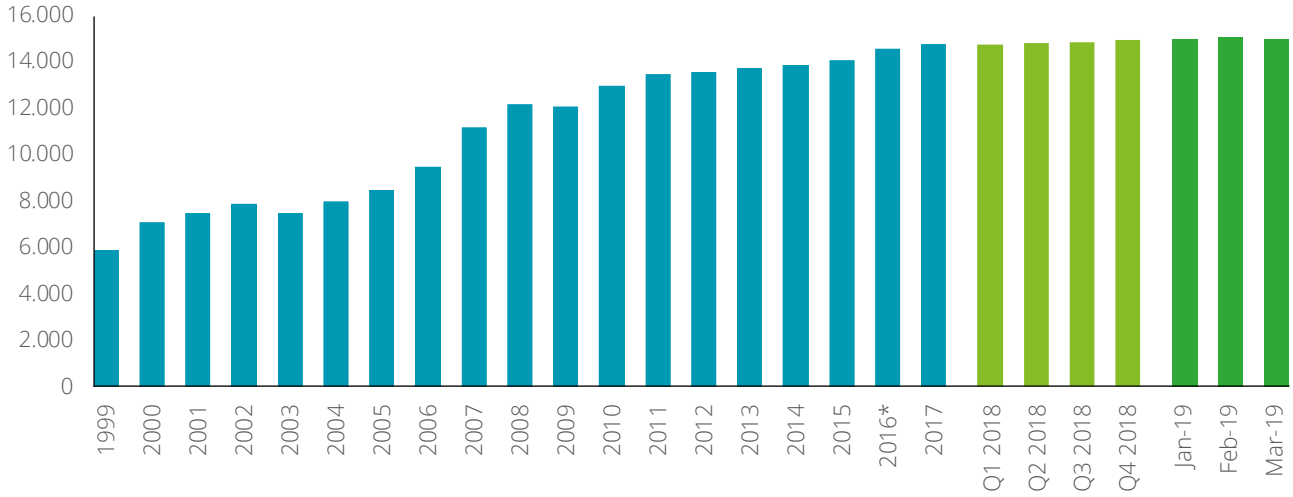
Net assets under management in Luxembourg funds (in billions of euros)

Growth rate over the last 12 months: **4.72%**



NOTE: data including SICARs Sources: CSSF/ ALFI

Number of Luxembourg fund units



The UCITS market
Geographical breakdown of nationally domicilied funds (March 2019)

Country	Assets	%
Luxembourg	3613.2	36.1%
Ireland	1971.9	19.7%
United Kingdom	1173.6	11.7%
France	14.832.3	8.3%
Switzerland (1)	494.0	4.9%
Germany	374.9	3.7%
Sweden	347.1	3.5%
Italy	244.0	2.4%
Spain	231.9	2.3%
Denmark	133.7	1.3%
Belgium	131.7	1.3%
Norway	125.7	1.3%
Finland	101.7	1.0%
Austria	79.2	0.8%
Netherlands	37.7	0.4%

Country	Assets	%
Liechtenstein	28.4	0.28%
Poland	26.4	0.26%
Czech Republic	11.6	0.12%
Portugal	10.7	0.11%
Turkey	10.0	0.10%
Slovakia	5.1	0.05%
Greece	4.9	0.05%
Romania	4.1	0.04%
Malta	2.9	0.03%
Slovenia	2.7	0.03%
Croatia	2.6	0.03%
Hungary	1.3	0.01%
Bulgaria	0.7	0.01%
Cyprus	0.6	0.00%
EUROPE	10004.3	100.0%

EUR billions

Source: EFAMA

The Global Investment Fund Market:Geographical breakdown adding UCITS and AIFs assets March 2019

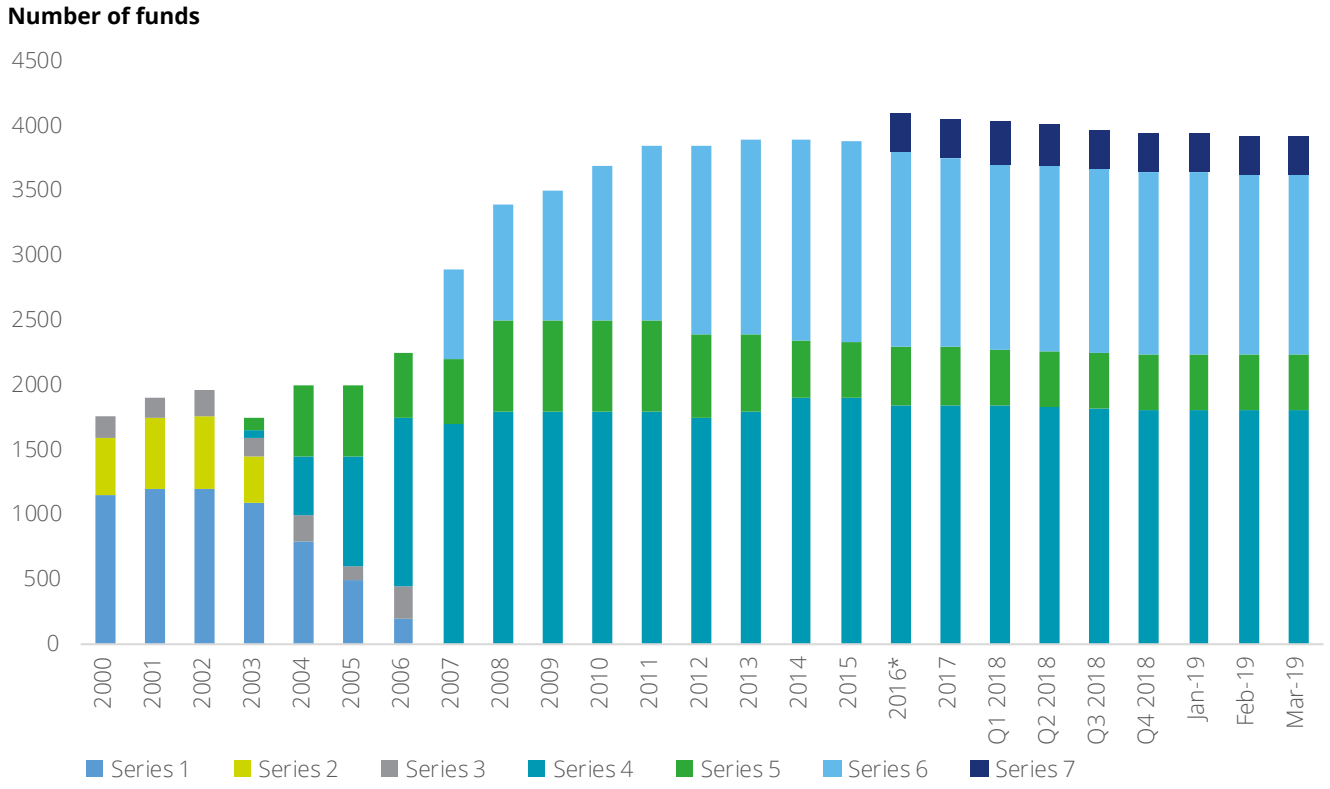
Country	Assets	%
Luxembourg	4350.4	26.8%
Ireland	2643.9	16.3%
Germany	2163.4	13.3%
France	1887.6	11.6%
United Kingdom	1621.0	10.0%
Netherlands	877.7	5.4%
Switzerland (1)	624.8	3.8%
Sweden	368.3	2.3%
Italy	309.2	1.9%
Spain	296.5	1.8%
Denmark	295.4	1.8%
Austria	181.0	1.1%
Belgium	156.8	1.0%
Norway	125.7	0.8%
Finland	115.3	0.7%

Country	Assets	%
Poland	59.9	0.37%
Liechtenstein	49.5	0.30%
Turkey	23.0	0.14%
Portugal	22.6	0.14%
Hungary	19.7	0.12%
Czech Republic	12.9	0.08%
Malta	11.9	0.07%
Greece	8.3	0.05%
Romania	8.2	0.05%
Slovakia	6.9	0.04%
Cyprus	4.4	0.03%
Croatia	3.1	0.02%
Slovenia	2.8	0.02%
Bulgaria	0.8	0.00%
EUROPE	16251.1	100.0%

EUR billions

Source: EFAMA

Legal status of Luxembourg-domiciled investment fund



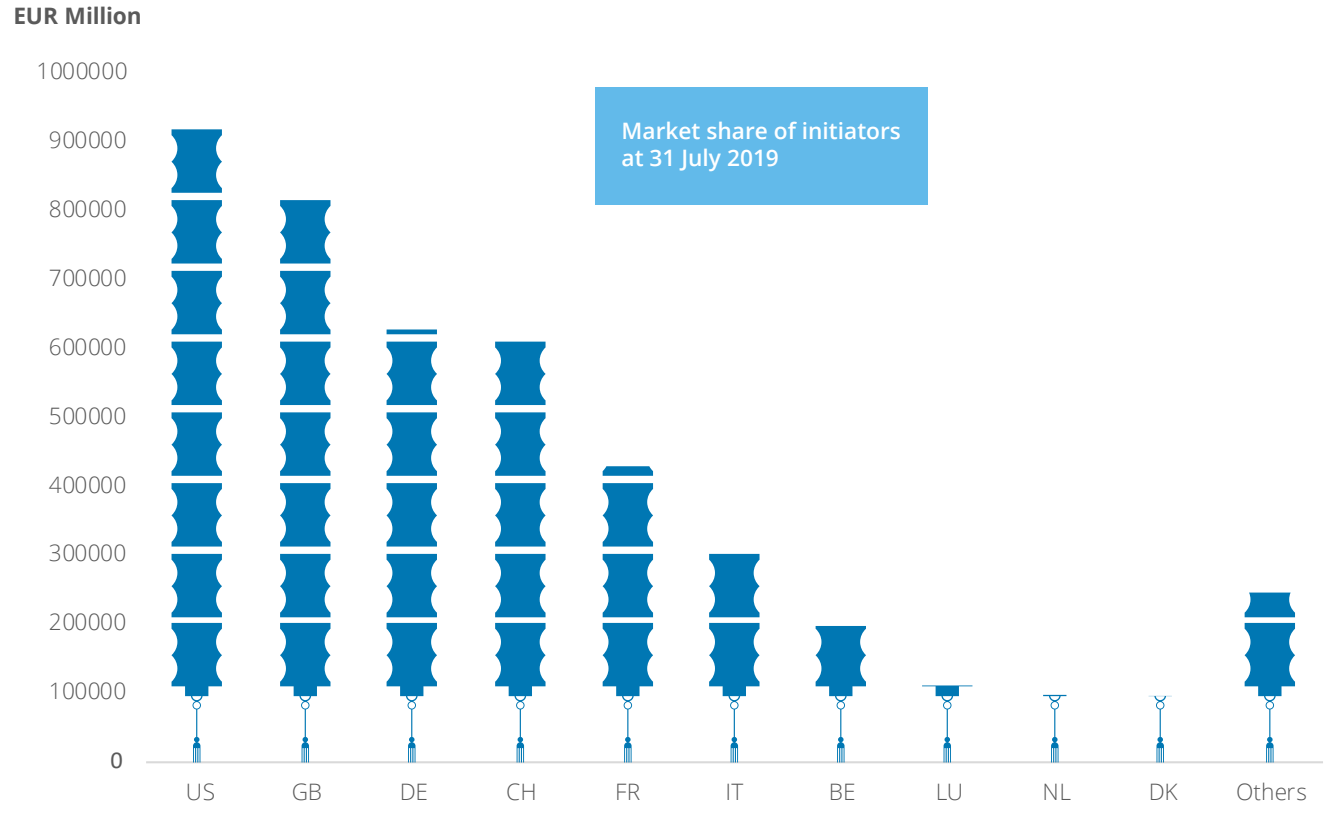
Market shares of funds initiators by country of origin
(in terms of assets under management)

Country	Net assets Jul-19		Net assets Jun-19		Net assets May-19		Net assets Apr-19	
	Eur million	%	Eur million	%	Eur million	%	Eur million	%
US	920150	20,5	895692	20,3	855725	19,8	875608	19,9
GB	823641	18,4	812687	18,4	797737	18,5	815002	18,5
DE	633959	14,1	624722	14,2	611498	14,2	625660	14,2
CH	615056	13,7	606036	13,7	586258	13,6	600084	13,6
FR	434248	9,7	431199	9,8	399726	9,3	408111	9,3
IT	313193	7	310247	7	349620	8,1	353304	8
BE	195607	4,4	191804	4,3	187082	4,3	189562	4,3
LU	111259	2,5	108667	2,5	106875	2,5	108238	2,5
NL	101053	2,3	98903	2,2	96903	2,2	95560	2,2
DK	90746	2	88788	2	86700	2	87575	2
Others	245862	5,5	242643	5,5	239846	5,6	246232	5,6
Total	**4484774**	**100**	**4411388**	**100**	**4317970**	**100**	**4404936**	**100**

data includes SICAR

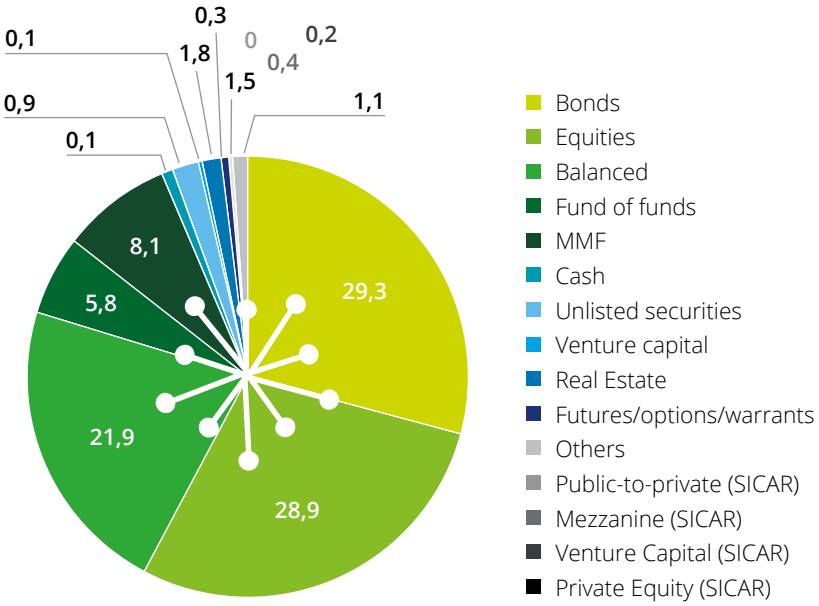
Source: CSSF

Market shares of initiators by origin as of 31 July 2019

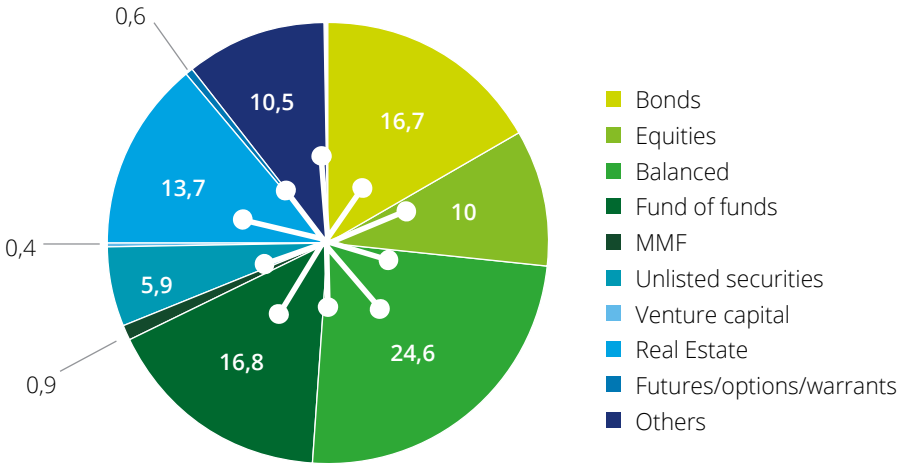


Investment policy of Luxembourg investment funds as of December 2018

UCIs



Sif



Deloitte Luxembourg: the complete services company

With over 100 partners and more than 2,300 employees, Deloitte Luxembourg is one of the leading professional services firms in the market. Within Deloitte, we specialize in a range of industries in both the financial and non-financial sectors. To respond effectively and efficiently to the Grand Duchy's priority sectors, Deloitte is divided into 12 industry segments, with highly qualified experts within our three service lines: Audit, Advisory & Consulting, and Tax. From this platform, we are well positioned to cover the needs of both new and established clusters.

To meet our clients' requirements, we have created specific and tailor-made service teams with professionals experienced in their sector of expertise. Many of our staff have previously occupied senior positions in the financial services industry, including within banking, funds, and insurance, and/or in the commercial, industrial, and public sectors.

Over the years, while adhering to the strictest independence rules in relation to our audit clients, we have developed an integrated business model bringing together a vast pool of competencies. A cross-service-line exchange of advice and support ensures all our clients receive the assistance they need and expect.

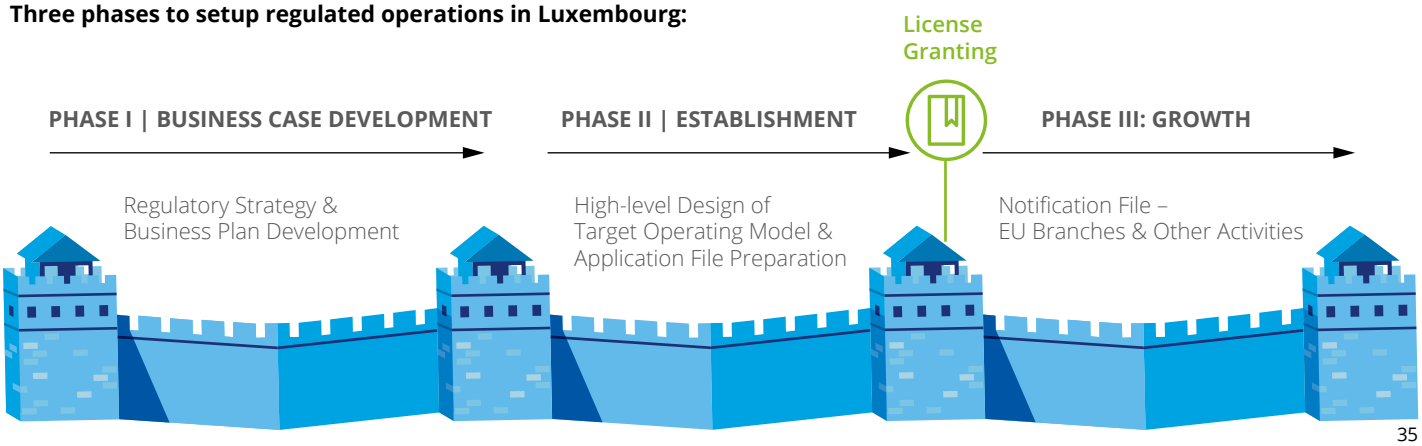
With a multicultural workforce comprising more than 70 nationalities, we are committed to facilitating dialogue and understanding the needs of our clients around the world. In terms of extending Luxembourg's influence beyond its borders, two representative desks (in New York and Hong Kong) are also helping to bring our clients and our network closer together. Today, many of our clients are based abroad, and in several cases, even on other continents. In this way, we are also contributing to Luxembourg's growing international influence.

Setting up banking/FinTechs operations in Luxembourg and across Europe

As more and more financial institutions seek to establish a footprint in Luxembourg, setting up banking, payment institution (PI) or electronic money institution (EMI) operations can be a complex endeavor, which, if not carefully managed, can lead to significant cost and time overruns. Deloitte has developed a unique service offering that combines all of Deloitte Luxembourg's capabilities and has helped its worldwide clients (including a dedicated and experienced team for Chinese clients) to establish new operations efficiently, while avoiding the possible pitfalls.

Deloitte's solutions are based on three pillars: a multi-disciplinary team, a proven structured governance model and a tailor-made approach comprising three phases (see chart below), from identifying the most appropriate financial structure to full implementation and expansion of branches in other EU countries or into new business sectors.

Three phases to setup regulated operations in Luxembourg:



Sustainable finance services offering

Luxembourg plays an instrumental role in the primary securities market and is known for its expertise in securities listing. Deloitte Luxembourg can help alleviate information asymmetry, enhance local knowledge, and ease market entry for green bond investors and issuers, as well as assisting in all stages of the security/bond listing process such as:

- Assistance in achieving compliance with securities legislation
- Accounting review and guidance
- Preparation of listing application and drafting of listing documentation
- Performance of due diligence
- Direct and indirect tax structuring advice
- Listing of Schengen bonds in Renminbi
- Listing coordination and communication between stakeholders

In the context of the action plan for sustainable finance obligations issued by the European Commission, and in a rapidly evolving regulatory landscape, Deloitte Luxembourg can help you to stay ahead of the game with its Kaleidoscope Regulatory Watch services, which monitors and analyses forthcoming changes. Our advisory experts will also help you to design and implement your renewed business strategy and support your reorganization in light of this new environment. Deloitte can assist you at all stages of your operational lifecycle through our wide range of services:

- ESG methodology identification for the investment decision process, through market research and analysis and due diligence
- ESG profile standardization, including the suitability assessment and defining KPIs
- Marketing and commercial strategy
- Gap analysis and risk management
- CSSF license application and substance requirement
- IT strategy
- External reporting and disclosure (non-financial information (NFI) reporting and ESG reporting)

Investment fund services

Deloitte Luxembourg is widely recognized as an expert in the investment fund industry's entire value chain, as well as a leader in global fund distribution services. Notably, we have unique experience in combining regulatory expertise with operational excellence and proven technologies.

The Deloitte fund registration service provides initial registration assistance to more than 280 different fund vehicles (UCITS and AIFs) and over 2,500 sub-funds, ongoing and post-registration maintenance, Key Investor Information Document (KIID) notifications, and assistance in the development of a distribution strategy. We also help with ETF listings on stock exchanges. Our clients benefit from enhanced access to markets and adhere to compliance rules while distributing their products.

Our country experts perform ongoing research and regulatory monitoring in more than 70 countries in Europe, Asia, the Middle East, North America, and Latin America. We can identify distribution opportunities, the latest trends, and regulatory developments. In addition, we offer advice on the use of marketing materials, investment restrictions, applicable laws, risk management, and much more.

Tax services

At Deloitte, we have a multi-disciplinary team of tax advisors who work closely with the financial advisory, legal, and accounting experts who assist you throughout the lifetime of your investments and/or operations: i.e., from the design and establishment of the structure until it is eventually wound up.

Deloitte is well positioned to offer a broad range of services, including but not limited to:

- Preliminary work
  - Help to identify opportunities
  - Financial and tax due diligence
  - Asset valuations/financial modelling
  - Selection of service providers
  - Preliminary discussions with local authorities
  - Review of the tax implications and/or design of the structure

- Creation of the structure (with a lawyer)
  - Establishment of the Luxembourg entity/investment structure (and/or fund vehicle if applicable)
  - Assistance in drafting the main documents of the entity related to its purpose/activities (and obtaining regulatory approval if required), with a focus on the appropriate accounting and tax treatment in Luxembourg and elsewhere
  - Assistance with the development of policies and procedures to ensure efficient management and review of the substance requirements to carry out the intended activity
  - Confirmation of the tax treatment applicable, where applicable
  - Coordination with external service providers
  - Structuring of specific remuneration/performance/incentive scheme (if applicable)
- Ongoing work
  - Tax advisory and compliance services, transfer pricing services
  - Audit, accounting, consolidation, IFRS services
  - Corporate and administration services
  - Undertaking business reviews of overseas assets and activities, as well as substance requirements
- Exit strategy/winding-up
  - Advice on appropriate exit/winding-up and cash repatriation strategies to preserve or maximize investor value

ICT services

Deloitte's Technology, Media & Telecommunications (TMT) industry group has one of the world's largest pools of industry experts who are respected for helping shape some of the world's most recognized TMT brands, enabling companies of all shapes and sizes to thrive in the digital world.

Deloitte Luxembourg can help Chinese technology companies take advantage of the ever-changing technology sector through a broad array of services. We assist businesses as they adapt to new challenges and evaluate new business opportunities, even as business cycles come and go.

Art and finance services

Deloitte Luxembourg offers a wide array of high-quality art and finance services for the fine art, cultural, and financial sectors. Deloitte Art & Finance assists financial institutions, art businesses, collectors, and cultural stakeholders with their art-related activities. We bring expertise in consulting, tax, audit, and business intelligence to the global art market. Our vast range of services includes: forensic, anti-money laundering and business intelligence services, art fund investment services, tax, strategy, and financial services—to name but a few. Learn more about our full art and finance portfolio at www.deloitte-artandfinance.com.

Luxembourg chinese services group: a network of experts

The Luxembourg Chinese Services Group (CSG) assists China-based companies seeking to access the Luxembourg and European markets—whether by helping with the expansion of operations, raising capital and/or engaging in external growth transactions. Deloitte Luxembourg offers high-value-added services. We serve international companies, businesses, and public institutions, as well as small and medium-sized enterprises.

We have experts and Mandarin-speaking professionals in all service lines across the Deloitte network to assist you from the earliest stages to the final delivery of your projects.

Luxembourg CSG's mission

We are dedicated to:

- Providing consistent and focused support for Chinese companies expanding their business in Luxembourg and Europe
- Helping global multinational companies achieve market penetration in China by drawing on our local knowledge and insights, as well as our established connections with China-based companies
- Facilitating the deployment of more China-focused practitioners by Deloitte Luxembourg and Chinese firms, buildings stronger global teams to serve outbound and inbound clients

Inbound investment

- Leveraging Deloitte's global network to support Chinese firms' outbound strategy, providing financial advisory tax and consulting services
- Ensuring Chinese clients are well served by professionals who understand their business strategy and cultural specificities
- Delivering seamless services wherever Chinese clients wish to operate

Outbound investment

- Facilitating access to industry experts and key decision makers throughout China
- Serving as a channel for the provision of time-sensitive regulations and updates on China to clients
- Providing cross-functional services in China

Testimony

Deloitte Luxembourg Asia Pacific Desk (Hong Kong)

In 2008, Deloitte broke new ground by opening a Luxembourg desk in Greater China. Based in Hong Kong, the Deloitte Luxembourg desk is a response to increasing demand from Chinese players, companies, fund managers, and banks, for help structuring their investments in Europe, attracting European investors, and simply entering and developing a presence in Europe.

From the outset, this strategic presence has enabled Deloitte Luxembourg to assist a growing number of customers from China and the Asia-Pacific region (Japan, Australia, Taiwan, Singapore, etc.). It shortens distances by removing time-zone differences between Luxembourg and the Asia-Pacific region. It also provides a springboard for the development of Deloitte Luxembourg's consultancy activities (financial investment in or through Luxembourg, from China and across the whole Asia-Pacific region).

Whether they are contemplating market entry, fund setup, mergers and acquisitions or the optimization/restructuring of existing operations, international players can reach out to our Asia-Pacific Desk to seek help with the implementation of their cross-border strategies.

Deloitte Luxembourg also works closely with offices in Greater China through its Asia-Pacific Desk and assists companies from this region that are seeking access to worldwide markets (Luxembourg and the rest of Europe, and on occasion, the Russian and North/South American markets).

Should you have any questions on a range of cross-border topics, the Luxembourg desk in China (led by Cedric Carnoye) would be happy to assist.

"Luxembourg is also playing a growing role in the internationalization of Chinese FinTech firms."

Nicolas Mackel
CEO of Luxembourg for Finance

“

LUXEMBOURG FOR FINANCE

Luxembourg today is the European hub for Chinese business. Seven of the largest Chinese banks have established their European headquarters here, namely Bank of China, ICBC, China Construction Bank, Bank of Communications, Agricultural Bank of China, China Merchants Bank, and China Everbright Bank. We are also seeing growth in the field of asset management, both with regards to Chinese players setting up Luxembourg-domiciled funds, and with Luxembourg acting as a key hub for international funds investing in the Chinese capital markets.

Luxembourg is also playing a growing role in the internationalization of Chinese FinTech firms. Chinese FinTech startup PingPong established its European base in Luxembourg to provide cross-border payment services. Subsequently, Ant Financial, the payments arm of Alibaba, obtained an Electronic Money License in Luxembourg in 2018.

Sustainable finance is another growing field of cooperation. The Luxembourg Stock Exchange is the prime international exchange for the listing of Chinese green bonds, and it has special links with the Shanghai Stock exchange to provide information on Chinese green bonds in English to international investors.

Luxembourg offers a stable economy and a diversified financial marketplace. It is at the heart of Europe, has business-friendly and responsive authorities, and boasts a highly multilingual, cosmopolitan workforce. The combination of openness, knowledge, and experience make the Luxembourg financial center the prime location for Chinese business.

Nicolas Mackel
CEO of Luxembourg for Finance

”

CHINALUX

Since they first established diplomatic relations in 1972, Luxembourg and China have continued to strengthen their relationship over the past 40 years. The Prime Minister of Luxembourg, Xavier Bettel and various ministers frequently visit China and the Luxembourg government annually organizes the Finance and Economic Missions in China in order to provide information and opportunities on investment access in Europe. Due to its geographical and financial position within Europe (triple A national rating and an open investment policy which attracts global financial institutions, technology and start-ups), Luxembourg has become the gateway to the EU for major Chinese financial institutions, welcoming major Chinese banks, as well as an increasing number of Chinese companies who invest in local companies.

This leads me to believe that more and more Chinese companies and institutions will come to enjoy the benefits of investing in Luxembourg.

King Zhujun XIE
President of CHINALUX,
China_luxembourg Chambre of Commerce

"Due to its geographical and financial position within Europe, Luxembourg has become the gateway to the EU for major Chinese financial institutions."

King Zhujun XIE
President of CHINALUX,
China_luxembourg Chambre of Commerce

Contacts

Luxembourg Chinese Services Group

Yves Knel
Partner
Luxembourg Chinese Services Group Leader
+352 451 452 260
yknel@deloitte.lu

Francesca Messini
Director
Luxembourg Chinese Services Group FSI Leader
+352 451 452 791
fmessini@deloitte.lu

Cédric Carnoye
Director
Head of Luxembourg Desk in Asia Pacific based in Hong Kong
+852 2238 7417
cecarnoye@deloitte.com.hk

Dannie Zhao
Manager
Luxembourg Chinese Services Group Client Relationship
(Secondment from Deloitte China)
+352 451 452 977
danniezhao@deloitte.lu

Laurent Berliner
Partner
EMEA FSI Risk Advisory Leader
+352 451 452 328
lberliner@deloitte.lu

Petra Hazenberg
Partner
Strategy & Corporate Finance
+352 451 452 689
phazenberg@deloitte.lu

Deloitte.

Designed and produced by MarCom at Deloitte Luxembourg.

Deloitte Luxembourg
20, Boulevard de Kockelscheuer
L-1821 Luxembourg,
Grand Duchy of Luxembourg
Tel.: +352 451 451
www.deloitte.lu